

RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the [ED-5000 webpage](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	PKF International Limited
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Jamie Drummond
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
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Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	Global
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Assurance practitioner or firm - accounting profession
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	<p>PKF International Limited (“PKFI”), administers the PKF Global network of over 200 separate and legally independent member firms, operating in 150 countries providing assurance, accounting, and business advisory services.</p> <p>PKF International Limited is a member of the Forum of Firms and is dedicated to consistent and high-quality standards of financial reporting and auditing practices worldwide. This letter represents the observations of PKF International Limited, but not necessarily the views of any specific member firm or individual.</p>

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We generally agree with the point on ED-5000 as an overarching standard. However, we have concerns that the changing landscape of sustainability reporting might affect ED-5000 and its ability to remain fit for purpose in certain areas. Consequently, with regard to the items described in paragraph 14 of the EM, we provide the following observations:

- *All sustainability topics and aspects of sustainability topics* – there is no definition of “sustainability” in ED-5000. The closest ED-5000 gets to a definition is in para 3 which provides a description of matters which may be included in an entity’s disclosures on sustainability information. We acknowledge the inherent difficulties in providing a narrow definition of sustainability. However, the existing explanations of sustainability in ED-5000 are very broad and will increase the risk that the requirements and guidance in ED-5000 do not continue to be fit for purpose in the future if the range and underlying nature of sustainability matters which are subject to reporting and assurance continue to experience significant growth and evolution. To better manage this scenario, and to help ensure it remains clear to users as to the sustainability information to which ED-5000 can be applied, we recommend that a narrower definition is included. The narrower definition should not only provide a more precise explanation of what the standard intends is covered by the term “sustainability” but should also specify which topics are not covered in “sustainability” as it relates to ED-5000.
- *All mechanisms for reporting* – we understand the objective, and need, for ED-5000 to apply to sustainability reporting via a variety of mechanisms and to be appropriately flexible to accommodate evolving practices. However, we are concerned that the application of ED-5000 to “all” or “any” reporting mechanisms is by definition infinite, inclusive of all possible forms of sustainability reporting in the future including, for example, real-time reporting, or reporting in a video or audio format. It eventually become impractical for ED-5000 to accommodate an open-ended group of reporting mechanisms as formats evolve. To guard against the related risks, we recommend that the standard includes a narrower definition of those types of reporting mechanism to which ED-5000 is intended to apply. For example, in our view it would be appropriate to restrict the reporting mechanisms to which the standard can be applied to those which are in a written form and which cover defined reporting periods and time horizons.

Public Interest Responsiveness

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

(See *Explanatory Memorandum Sections 1-B, and Appendix*)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We agree it is in the public interest to issue a high-quality assurance standard for application on a sustainability assurance engagement. However, the rapid pace at which ED-5000 has been developed raises concerns on whether the need to urgently develop an assurance standard which is in the public interest is properly balanced with the need to follow due process in developing that standard. This concern is highlighted by the following points:

- the corresponding changes by IESBA to the international standards on ethics and independence had not been exposed by the date on which responses were due on ED- 5000. Ideally, the proposed changes to the international standards on ethics and independence should have been available to review and comment on over the same comment period as ED-5000. Had this occurred it would have allowed for proper consideration to be given by commenters on the practicalities of the mutual application of, and compliance with, both sets of standards.
- many of the standards on sustainability reporting which are likely to become commonly used in practice and which will be subject to assurance (e.g., ESRs and IFRS S1 and S2), were issued in 2023. Given the short period of their issuance they have not been applied yet to any meaningful level by preparers and were not in issue, and therefore not available to refer to, for much of the timeframe during which ED-ISSA 5000 was in development. As a result, there is little past practice or track record of using the new sustainability reporting standards, and limited collective experience of providing assurance on sustainability reporting prepared under these standards. Consequently, there is a collective lack of knowledge among key stakeholders, including practitioners and standard setters, on the complexities of applying the new sustainability reporting standards, and on the type of risks of material misstatement from error or fraud that might arise when applying the new reporting standards. This represents a crucial lack of insight and understanding that, had it been available at the time, would have been of critical importance to developing appropriate requirements and guidance in a high-quality ED-ISSA 5000.

Of further concern is the potential for these inherent limitations in the standard development process to have a negative impact on the general quality of the responses provided on ED-ISSA 5000. At this stage, we anticipate that it may be impractical to slow down the timetable to issuing the final ISSA 5000 in response to the above matters. As such, to address the associated risks we recommend a post-

implementation review on the application of the final standard is conducted within a comparably shorter timeframe than is typically experienced for other international standards on audit or assurance.

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The scope and applicability is generally clear. However, we do have further comments on relevant points of detail on Q3, which are covered in our response to Q5.

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

ED-5000 is not sufficiently clear about the concept of “at least as demanding” as the IESBA Code and ISQM 1. Our concerns are as follows:

1. *Equivalent emphasis in ED-5000 between ISQM 1 and the IESBA Code*

In ED-5000 para 29, there is a requirement that standards of firm-level quality management applied by the engagement leader’s firm shall be the ISQMs or other professional requirement, or requirements in law or regulation, that are at least as demanding as the ISQMs. However, for relevant ethical requirements, the “at least as demanding” point in ED-5000 is not a requirement, rather it is presented as application guidance (para A48). The differing levels of emphasis create a mismatch between the relative importance attached to compliance with ISQMs and compliance with the IESBA Code. In our view, the ISQMs and the IESBA Code are both foundational standards that support high-quality assurance engagements and they carry a level of importance which is approximately equivalent. To address this concern, we suggest the term “at least as demanding” is

brought in as a requirement in ED-5000 (para 33), to match para 29 on ISQMs in which “at least as demanding” is currently included.

2. *Interchangeable use of the terms “ISQMs” and “ISQM 1”*

The term “ISQMs” collectively describes the full suite of international standards on quality management, including ISQM 1, ISQM 2 and ISA 220R, in which “ISQM 1” is only one of the three standards. There are inconsistencies within ED-5000 relating to its references to “ISQMs” and “ISQM 1”, which in our view will cause confusion among practitioners on whether a firm using ED-5000 shall apply:

- ISQM 1 only, or
- the full suite of ISQMs
(or other requirements that are at least as demanding in both cases).

Examples from ED-5000 of the inconsistent use of “ISQM 1” and “ISQMs”, include the following:

(i) *References in ED-5000 to use of ISQM 1 as a stand-alone standard*

In places, ED-5000 indicates that a firm using ED-5000 shall comply with ISQM 1 as a stand-alone standard, with no reference to ISQM 2 or ISA 220R. For example, ED-5000 para 170 specifies the elements of the assurance report, which para 170 (d) (v) requires that the report:

“...states that the firm of which the practitioner is a member applies ISQM 1” or other requirements that are “at least as demanding as ISQM 1”.

Other paragraphs within the requirements and application guidance of ED-5000 also refer to a firm’s use of ISQM 1 in the singular. For example, see paras 5(b), A3, A8, A53, A56 and A150.

(ii) *References in ED-5000 to use of the full suite of ISQMs*

In our view, ED-5000 para 29 appears to prescribe the overriding requirements on ISQMs, by stipulating that the:

“engagement leader shall be a member of a firm that applies ISQMs”.

Further, para 29 goes on to state that other requirements can be applied so long as they are “at least as demanding as the ISQMs”, which we interpret as meaning that to use ED-5000 a firm shall apply the full suite of ISQMs (or at least as demanding).

The terms “ISQMs” and “ISQM 1” mean different things and should not be used interchangeably within ED-5000. We suggest that this matter is clarified to eliminate ambiguity in the final standard on whether the foundational requirement to use ED-5000 is that a firm applies either “ISQMs” or “ISQM 1”.

3. *The practitioner’s external expert’s application of ISQMs and the IESBA Code*

There is no requirement in ED-5000 for a practitioner’s external expert to apply ISQM 1 or the IESBA Code nor other requirements which are at least as demanding.

It seems likely there will be high levels of cooperation between professional audit firms and non-audit firms possessing expertise in a field other than assurance for the purpose of performing ISSA 5000 assurance engagements on sustainability reporting.

For many engagements, we anticipate external experts will be used extensively in practice and, in many instances, may contribute a larger portion of the overall assurance work than is contributed by personnel from the engagement partner’s firm. This scenario will result in significant reliance by the engagement partner on the work of the external expert, making it more challenging for the engagement partner to ensure that the overall assurance engagement is performed to sufficient standards of quality. To help engagement partners fulfil their responsibilities where external experts are involved, we recommend consideration is given to introducing a further safeguard to ED-5000 requiring the practitioner’s external expert (or their firm) is also subject to the requirement to apply the IESBA Code or ISQMs (or other requirements that are at least as demanding).

4. *Defining those alternative standards which are considered to be “at least as demanding”*

With one general exception, our understanding is that there are no alternative standards which are commonly regarded as being at least as demanding as the IESBA Code or ISQMs. The only exception, at present, is in jurisdictions where the local standards-setting body has used the IESBA Code and ISQMs as the basis for its equivalent standards with further local requirements applied in addition. We recommend that if there are other alternative standards which are not based on the IESBA Code and ISQMs but which are generally considered to be “at least as demanding”, that they be cited as examples within the ED-5000 application guidance. Alternatively, if there are no other standards that are generally accepted as being equivalent to the IESBA Code or ISQMs, ED-5000 could simply just require that the assurance provider applies the IESBA Code and ISQMs.

If the final version of ISSA 5000 does not resolve this point in one way or another, our concern is that widely varying interpretations will arise on what “at least as demanding” means, with the risk that other alternative requirements which might be applied could transpire to be inferior to ISQMs and the IESBA Code. If this were to occur it would increase the possibility of ISSA 5000 contributing to lower quality assurance engagements and would not be in the public interest. Further, we do not consider it practical, or likely, that this matter could be satisfactorily resolved by delegating the responsibility to national regulatory or professional oversight bodies for implementing a solution which has consistent application on a global basis.

Definitions of Sustainability Information and Sustainability Matters

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

In our view, the definition for sustainability information is too brief and, as a result, it doesn't provide sufficient clarity. Both the introduction and scope sections in ED-5000 provide further useful explanations on what is meant by sustainability information and of its relevance to an ISSA-5000 assurance engagement. We encourage the IAASB to consider the benefits of expanding the definition in para 17 (uu) by bringing in further elements of the descriptions about sustainability information currently presented within other sections of ED-5000.

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

To provide further clarity, we recommend that the content of A16 be brought into the definition of "disclosure" (para 17 (f)).

We note that the definition of "disclosure" (para 17 (f)) introduces the term "topic" which is not defined in ED-5000. We recommend either of the following:

- a definition is inserted to clarify what "topic" means in the context of ED-5000 and to clarify how the term differs from "sustainability matters" or "sustainability information", or
- the word "topic" is removed if considered, on reflection, to be superfluous.

Differentiation of Limited Assurance and Reasonable Assurance

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

Limited vs reasonable assurance – further procedures

Overall, ED-5000 does not contain sufficient guidance to clearly differentiate the respective levels of work effort required to perform a limited assurance engagement versus a reasonable assurance engagement.

For example, there is little practical difference between paras 114L and 114R (designing and performing further procedures) or in the related application guidance, to make it clear as to how the further procedures could be scaled for the respective levels of assurance. While relevant application guidance on this topic is presented in A361, the guidance is brief and does not cover a broad range of practical circumstances.

We recommend that the existing guidance in para A361 is expanded to provide further practical examples of how the respective levels of work can be scaled for either level of assurance and presented in a dedicated Appendix. Our preference is that such an Appendix should be published within the final standard as opposed to being introduced at a later date as supplementary non-authoritative guidance in a stand-alone document.

Limited vs reasonable assurance – risk procedures

In our view, there is insufficient, and also inappropriate, differentiation in ED-5000 regarding the respective requirements in limited and reasonable assurance on risk procedures. We consider that the overall impact of the different wording in the “L” paragraphs compared to the “R” paragraphs will be minimal in practice, resulting in a similar extent of the work effort under each level of assurance. Our response to Q17 includes further explanation on this observation.

Meaningful assurance – the range of acceptable effort under limited assurance

We encourage the IAASB to give further consideration to the clarity and guidance in ED-5000 on the acceptable range of effort required by the practitioner to achieve limited assurance. In this regard, in addition to differentiating the work effort between limited and reasonable assurance, ED-5000 also needs to provide sufficient clarity on what “meaningful assurance” means for the limited assurance approach across the acceptable range of effort from “more than inconsequential” to “just below reasonable assurance”. To achieve this, we recommend further guidance is provided in the standard on the relative work effort within limited assurance and should incorporate examples of the practitioner’s responses and approach ranging from the minimal effort required to achieve “more than inconsequential” through to the effort required to be “just below reasonable”. Such guidance on this matter could also be presented within an appendix to the final standard.

Acceptance and continuance procedures

Under the acceptance and continuance requirements in ED-5000, para 25 (c) (ii) requires the practitioner to confirm there is a common understanding between the practitioner and engaging party of the terms of the engagement. We recommend that the requirements in para 25 (c) (ii) should be

expanded to explicitly require that the common understanding covers the level of assurance to be provided, i.e., limited, reasonable, or a combination of both.

We also acknowledge that para 25 (c) (ii) already includes an implicit requirement regarding a shared understanding on the level of assurance via its general reference to the terms of the engagement. In our view, there is unlikely to be a consistently high level of understanding among both practitioners and engaging parties of limited versus reasonable assurance in the context of a sustainability assurance engagement, particularly in the early periods following publication of the standard. Therefore, we consider that the general reference in para 25 (c) (ii) to the terms of engagement is insufficient to address the risk that the engaging parties don't have a requisite understanding of the level of assurance to be provided.

To avoid misunderstandings at the acceptance stage of a sustainability engagement, we recommend para 25(c) (ii) in ED-5000 is revised to the effect that the common understanding required by para 25(c) (ii) is expanded to specifically include an understanding on limited versus reasonable assurance (or a combination of both). An explicit requirement on this point would be a practical safeguard to help with the process of ensuring:

- there is a shared understanding between the practitioner and the engaging party on the level of assurance that will be provided by the engagement, and
- the shared understanding has been informed through an appropriate appreciation by the practitioner and the engaging party on the difference and implications between limited and reasonable assurance.

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

A definition of preconditions

ED-5000 requires that a preliminary knowledge is obtained for the purpose of determining whether the preconditions are met. There is no definition of "preconditions" in ED-5000. In comparison, the international standard on auditing ISA 210 contains equivalent requirements on the preconditions of an audit but, helpfully, ISA 210 includes a definition of preconditions.

In our view it is not clear if ED-5000 intends that the preconditions of a sustainability assurance engagement are covered by points (a) and (b) in para 69, or whether the points covered in paras 69 – 74 are considered to collectively represent the pre-conditions of an assurance engagement.

To help avoid confusion on what ED-5000 means on “preconditions” we encourage the IAASB to consider including a definition. It is possibly of more importance that ED-5000 includes a definition of “preconditions” than ISA 210 since, of the two standards, ED-5000 contains the more onerous set of requirements on preconditions.

Differentiating between limited and reasonable assurance for work effort on preconditions

ED-5000 makes no distinction between limited or reasonable assurance for the purpose of the requirements of obtaining a preliminary understanding.

The “Preconditions for an Assurance Engagement” section runs from para 69 through to para 77, with the requirements to obtain a preliminary understanding being relevant to the matters prescribed by these paras. Taken together, these requirements appear to necessitate that a significant body of evidence is obtained and assessed by the practitioner to be able to determine whether to accept (or continue) the engagement.

The level of detailed work required under ED-5000 in obtaining the preliminary understanding to determine if the preconditions are met could be perceived by practitioners as being excessive, particularly since:

- a potential outcome of having performed the relevant procedures on preconditions might be that the engagement cannot be accepted, with the result that the costs incurred in obtaining the preliminary understanding might not be recovered.
- the equivalent ISA requirements relating to the preconditions of an audit are considerably less onerous than the equivalent requirements in ED-5000.

Mindful of the points above, we encourage the IAASB to consider if either the following could be achieved:

- (i) A reduction to the volume of requirements in ED-5000 on preconditions of a sustainability assurance engagement with the purpose of streamlining the process to obtain a preliminary understanding to support the practitioner’s determination if the preconditions of the sustainability assurance engagement are met, and/or
- (ii) A revision is made to ED-5000 to provide differentiated approaches for limited assurance and reasonable assurance regarding the extent of the preliminary understanding required under each assurance level to assess the pre-conditions for the sustainability assurance engagement.

9. Does ED-5000 appropriately address the practitioner’s consideration of the entity’s “materiality process” to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See *Explanatory Memorandum Section 1-F, paras. 52-55*)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

There is no explicit requirement in ED-5000 to consider this. The relevant part of ED-5000 on the entity's "materiality process" is restricted to a reference in the application guidance in paras A156 – A157. The applicable wording in those paras implies that obtaining knowledge of the entity's "materiality process" is an optional procedure for the practitioner rather than it being a requirement of the standard.

In our view the entity's "materiality process" is a foundational aspect of sustainability reporting standards, for which the practitioner's understanding is of critical importance to the process of planning and performing a sustainability assurance engagement. Of significant concern, is that if a practitioner does not obtain an understanding of the entity's "materiality process", the practitioner is less likely to identify risks of material misstatement and to design appropriate responses. In particular, the type of risks that might not be identified without sufficient understanding of the reporting entity's "materiality process" include:

- risks that disclosures are materially incomplete, or
- risks of fraudulent or misleading reporting.

In response to our points above, we recommend the following:

- (i) ED-5000 is revised to include requirements for the practitioner to gain an understanding of, and evaluate, the entity's "materiality process".
- (ii) The practitioner is required to design and perform further procedures in response to the outcome to (i).
- (iii) The requirements in (i) and (ii) are included as part of the practitioner's procedures to identify and assess risks of material misstatement.
- (iv) The requirements in (i) and (ii) are relevant to both limited and reasonable assurance engagements.

Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 56-58)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

To support the practitioner's ability to perform a high-quality sustainability assurance engagement, we agree that the practitioner should obtain an understanding of the criteria used by the entity in preparing the sustainability information. However, we recommend that the IAASB reassesses the manner in which

the related requirements are currently presented in ED-5000. In our view, the following points could be considered to help clarify the requirements in a more effective way:

- A stronger linkage should be established between the requirements in para 72 (preconditions for an assurance engagement) to paras 94 to 101 (risk procedures). The purpose of such a linkage would be to ensure the information gained from the practitioner’s work over the preconditions of the assurance engagement helps to inform the understanding obtained by the practitioner when performing risk procedures. As a suggestion, specific points on this matter could be taken from the application guidance in para A292 and relocated to para 98 to be repurposed there as an ED-5000 requirement.
- In our view, there is an opportunity to introduce a scaled approach in para 72 to the extent of the practitioner’s understanding relating to the entity’s criteria. Specifically, the scale of the practitioner’s efforts in this area of the engagement could vary in accordance with the level of assurance being provided over the sustainability information. As such, we recommend that the IAASB reconsiders how the requirements in para 72 relating to the practitioner’s evaluation and understanding of the entity’s criteria could be scaled between the work effort required for a limited assurance engagement versus the effort required for a reasonable assurance engagement.

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We are generally in agreement that the notion of “double materiality is appropriately addressed in ED-5000. However, we have the following observations on certain aspects of the manner in which the concept of “double materiality” is explained:

- The following excerpt from para A274 contains wording which is potentially confusing:

“...materiality is considered according to the nature and magnitude of impacts...”

In its reference here to “materiality” it is unclear whether the standard means the entity’s process of determining materiality or the practitioner’s materiality process. We assume the intent here is that “materiality” refers to the entity’s materiality process and we recommend the wording in para A274 is updated to clarify this point.

- Cross-referencing is used within the guidance, which requires a reader to jump between a variety of paragraphs spread throughout the application guidance. This can be confusing and makes it more difficult to obtain a cohesive and clear understanding on the subject.

To make the guidance material on this matter more user-friendly and easier to digest, we recommend that the relevant guidance is consolidated and presented in a tabular format to visually demonstrate the distinction between the meaning of the practitioner’s materiality compared to the entity’s “double materiality”.

Please note that we have also provided comments in Q13 regarding the entity’s “materiality process”, a process in which the concept of double materiality is considered by the entity’s management. In our comments on Q13 we encourage the IAASB to consider introducing a requirement into ED-5000 for the practitioner’s risk procedures to include obtaining an understanding of the entity’s “materiality process”.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

Materiality for qualitative disclosures – application guidance

In our view, the related application guidance in para A278 is helpful, as it provides a wide range of examples of factors that may be relevant when considering materiality for qualitative disclosures.

However, we are concerned about the significant extent of narrative disclosures on sustainability information which may be subject to assurance, in comparison to the more limited extent of narrative disclosures that are typically subject to an ISA audit of historic financial information. Against this backdrop, it is reasonable to assume that sustainability assurance practitioners with a background in ISA audits are relatively less experienced in applying materiality considerations to qualitative disclosures. Consequently, we suggest that further application guidance is provided which goes beyond the current list of factors in para A278 to provide more contextual explanations on related matters, such as:

- why the process of considering qualitative disclosure materiality is important to a sustainability assurance engagement,
- the nature of the professional judgements that the practitioner may need to apply in considering materiality for qualitative disclosures, and
- the practicalities of applying a materiality to qualitative disclosures.

Materiality for qualitative disclosures – requirement

The requirement on considering materiality as presented in ED-5000 para 91, is as follows:

“For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, the practitioner shall:

a) Consider materiality for qualitative disclosures; and ...”

To align with the application guidance in A278, which involves consideration by the practitioner of relevant factors, we recommend that the word “factors” should be inserted into the wording of the requirement in para 91. In our view, in the absence of the word “factors” the current wording doesn’t guide the practitioner towards an outcome from the process, and that the word “consider” in its current location within the requirement is too passive a description of the procedure that the practitioner should undertake. An alternative suggestion to the wording of the requirement in para 91 (a) is:

“For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, the practitioner shall:

*a) ~~Consider~~ **Establish** materiality for qualitative disclosures by **considering relevant factors**; and ...”*

Clarity on establishing materiality for each disclosure

ED-5000 should be revised to make it clearer that materiality needs to be determined or considered (as the case may be), for each separate disclosure, as opposed to determining a performance materiality for the engagement as a whole. It would be helpful to provide this extra emphasis in response to the significant differences in the approach between establishing materiality for an ISA audit, compared to establishing materiality for each disclosure within the scope of an ED-5000 sustainability assurance engagement.

Materiality for quantitative disclosures – application guidance

The application guidance on determining materiality for quantitative disclosures is useful, but brief. We recommend that further application guidance is provided in the standard. This might include, for example:

- Contextual information on why professional judgement is required, and where it can be applied
- Further examples of determining materiality for a range of quantitative disclosures
- Considerations on materiality for an item of disclosure which contains both quantitative and qualitative information.

Understanding the Entity’s System of Internal Control

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

We agree that ED-5000 should differentiate the approach for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance. However, we are not fully in agreement with the approach taken in ED-5000 to achieve differentiation, as described below.

Suggestions for an alternative approach to differentiation

In summary, the approach in ED-5000 to differentiate the requirements between limited and reasonable assurance for the purpose of obtaining an understanding of the entity's system of internal control, is that the scope of the procedures and the specific requirements are more or less identical for both levels of assurance, other than certain requirements for the understanding obtained under the reasonable assurance approach are omitted from the limited assurance approach.

In our view, the selection of those reasonable assurance requirements over the entity's internal control which are omitted from the limited assurance approach, appears to be somewhat arbitrary. For example, there is no clear rationale for requiring that an understanding for both the entity's information and communication process and of the results of the entity's risk assessment process are obtained under both limited and reasonable assurance, yet an understanding of the entity's monitoring process is a requirement only for the reasonable assurance approach. In context of a limited assurance engagement, in our view the results of the entity's monitoring process are equally as relevant to the practitioner's risk procedures as the results of the entity's risk assessment process, and perhaps even more so if the results of the entity's monitoring process identify deficiencies in the entity's risk assessment process. Likewise, it is unclear why ED-5000 has prioritised the entity's information and communication process over its monitoring process for the purpose of the practitioner's understanding of the entity's internal controls under a limited assurance approach.

In our view there are valid counter arguments to justify why some, or all, of the elements of internal control procedures which are currently omitted in this part of ED-5000 for limited assurance are appropriate and relevant to a limited assurance engagement.

We encourage the IAASB to consider if an alternative approach in this part of ED-5000 could be adopted for differentiating the required work effort for both levels of assurance. This could be done by switching the aspects of differentiation away from the components of the entity's internal control to the scale and extent of the practitioner's procedures. For example, the required understanding could cover the same areas of the entity's internal control for both levels of assurance, with differentiation introduced instead to specify how the nature of the risk procedures can be scaled down under a limited assurance engagement compared to a reasonable assurance engagement.

Understanding the results of the entity's risk assessment process

With regard to the requirements in para 102 on the entity's risk assessment process, it is unclear why obtaining an understanding of the results of the entity's risk assessment process is a requirement only of a limited assurance engagement and not of a reasonable assurance engagement.

The applicable requirement in para 102 under reasonable assurance is for the practitioner to obtain an understanding of the entity's risk assessment process rather than to understand the results of the process. It could be inferred from the application guidance (e.g., A323R) that the results of the entity's risk assessment process should be considered under a reasonable assurance engagement. However, there is no explicit requirement to this effect in paras 102R or 104R.

Regardless of how A323R should be interpreted, we consider that the current explicit approach under ED-5000 in which an understanding of the results of the entity’s risk assessment process applies only for a limited assurance engagement, is not appropriate. To address this point, we recommend the standard is revised to include an explicit requirement to obtain an understanding of the results of the entity’s risk assessment process for both limited and reasonable assurance.

The entity’s risk assessment process versus the entity’s materiality process

The following point does not directly address the question on differentiation between limited and reasonable assurance. Rather, it pertains to the manner in which ED-5000 presents requirements on the entity’s risk assessment process and applies to both levels of assurance.

In our view, ED-5000 needs to clearly distinguish between the practitioner’s procedures over entity’s risk assessment process and its “materiality process”. While there is some overlap between the two processes, in terms of risk identification, each has a unique internal control purpose relevant to sustainability reporting.

Many of the commonly applied frameworks on sustainability reporting, require the reporting entity to perform due diligence by engaging with stakeholders for the purpose of identifying the entity’s relevant “impacts” – for example see *GRI 2 General Disclosures, Disclosure 2-12, requirement b*. Although such a process can be sometimes referred to as a “risk identification process”, it is our understanding that this process is what ED-5000 describes as the entity’s “materiality process” (e.g., in para A157). In our view, the different terminologies will likely cause confusion, leading to inconsistencies in terms of the practitioners’ understanding of what ED-5000 means with its reference to the entity’s risk assessment process in para 102(b). For example:

- Some practitioners may interpret the para 102(b) “risk assessment” as being the same as both:
 - the entity’s “materiality process” as referred to in ED-5000’s application guidance (e.g., in para A157), and
 - the due diligence process described in *GRI 2 General Disclosures, Disclosure 2-12, requirement b*.
- Other practitioners may take the view the para 102(b) reference to the entity’s “risk assessment” process is consistent with the descriptions of a risk assessment process in para A102 of ISA315R, and as applied in context of an audit of historic financial reporting performed in accordance with ISAs.

In our view, both interpretations above are valid and relevant for the purpose of performing a sustainability assurance engagement. Both have a specific role as an internal control for the purpose of sustainability reporting. However, given that each has a separate purpose, we recommend that the risk procedures in ED-5000 be revised to require that the practitioner obtains an understanding of:

- (i) the entity’s risk assessment process, consistent with the risk assessment process as described in ISA 315R para A102, and

- (ii) the entity’s materiality process, consistent with the materiality process described in ED-5000 para A157.

Accompanying its requirement on (ii) above, we also recommend that ED-5000 includes further application guidance to give more detailed explanation of:

- the relevance of the entity’s materiality process as an internal control over sustainability reporting, and
- why it is relevant for the practitioner to gain an understanding of the process.

These recommendations on the entity’s materiality process are further outlined in our response to Q9.

Using the Work of Practitioner’s Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner’s firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are “another practitioner” and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

While the application guidance in para A90 makes this distinction relatively clear, the IAASB should reflect on whether the guidance could be more prominently located within the standard.

15. Are the requirements in ED-5000 for using the work of a practitioner’s external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-G, paras. 88-93)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We consider that the requirements in this regard are not clear enough. For example, para 42 requires the engagement leader to determine whether the practitioner will be able to be sufficiently and appropriately involved in the work of the practitioner’s expert. However, the standard provides little guidance on how to make the determination nor does it clearly specify the implications if the engagement leader determines that the practitioner will be unable to be sufficiently and appropriately involved in the work of a practitioner’s external expert or another practitioner.

Estimates and Forward-Looking Information

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 94-97)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

The need for entities to use estimates and forward-looking information is likely to be a common feature of most sustainability frameworks and, in our view, the extent and frequency of their use is likely to cause considerable complexity resulting in higher risks of material misstatement for sustainability assurance engagements. In response, the requirements in ED-5000 on estimates and forward-looking information should be enhanced by including related risk procedures. For example, the risk procedures in ED-5000 could benefit from including the following:

- procedures similar to those in para 16 – 17 of ISA 540 (Revised), and
- procedures requiring the practitioner to obtain an understanding of the nature of the estimates and forward-looking information used by the entity within the sustainability information. The understanding could include the extent to which the entity uses estimates where it is unable to obtain necessary information relevant to its sustainability disclosures from other entities within its value chain.

Risk Procedures for a Limited Assurance Engagement

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See Explanatory Memorandum Section 1-G, paras. 98-101)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

General concerns on the absence of risk assessment requirements for limited assurance

We are not convinced that ED-5000 takes an appropriate approach to this aspect of differentiating the requirements on risk assessment between limited assurance versus reasonable assurance.

Under a limited assurance approach, without a process to assess risks of material misstatement, the practitioner is less likely to form a reasonable basis on which to design further procedures. In turn, this

may negatively impact on the quality and effectiveness of the procedures planned. Consequently, in our view it is an essential and inextricable part of an assurance engagement that an assessment of a risk assessment process is undertaken. Further, the risk assessment process should consider relevant assertions as well as inherent risks.

In practice, and assuming no revisions to ED-5000, we consider it will be more likely that a practitioner with expertise in audits performed in accordance with International Standards on Auditing (ISAs) will, to some degree, compensate for this issue by applying ISA315R's concepts and requirements on assessment of risks of material misstatement. However, the bigger risk is that ED-5000 is agnostic to the profession of the practitioner, increasing the possibility that a sustainability assurance practitioner with little or no expertise in ISA audits will not be in the position to apply the concepts and requirements in ISA315R to the process of assessing risks of material misstatement on a limited assurance engagement. The overall result may be that limited assurance engagements performed under ED-5000 are not performed to a consistently high level of quality, with the success factor in this regard relying on whether the practitioner is able to apply the relevant concepts in ISA315R to compensate for the lack of relevant requirements on risk assessment.

To address this concern, our overriding preference is that ED-5000 is revised to include requirements that a risk assessment is performed under a limited assurance engagement.

Differentiation between limited and reasonable assurance on requirements for risk assessment

Notwithstanding our comments above, we are in agreement that ED-5000 should provide for a differentiation between limited and reasonable assurance in terms of the nature and extent of the procedures on risk assessment required under limited and reasonable assurance respectively.

Similar to our recommendations in Q13, we encourage the IAASB to consider if an alternative approach could be adopted to differentiate the required work effort for both levels of assurance in this part of ED-5000. This could primarily be achieved by refocussing the elements of differentiation on to the scale and extent of the practitioner's procedures. For example, in the final standard an assessment of risks of material misstatement could be made under both limited and reasonable assurance, with differentiation introduced instead by specifying how the nature of the risk procedures required under the limited assurance approach can be less extensive in design compared to the nature of the risk procedures required for a reasonable assurance engagement.

A further element of differentiation could be made with regard to those risks that are at the higher end of the spectrum of inherent risk. For example, further requirements on the approach to risks of material misstatement could be introduced specifically for a reasonable assurance engagement which require the practitioner to perform additional procedures in response to those risks of material misstatement that are assessed as being significant risks. Such additional requirements on significant risks might, for example, include procedures to obtain an understanding of the entity's internal controls over those significant risks and to evaluate the design of the applicable controls including general IT controls that address the IT risks arising from relevant IT applications pertaining to the significant risk areas.

Groups and “Consolidated” Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 102-107)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We consider that ED-5000 is capable of being used for assurance engagements on sustainability information that involves groups or a consolidation.

In our view, of greater concern, is whether the standard can be applied for assurance engagements on the sustainability information of groups on a consistent basis. We consider that an absence of explicit requirements and guidance on the application of the standard to groups and consolidated information will increase the risks that assurance engagements in such scenarios are not performed to a consistent and high level of quality.

This concern, in large part, arises due to ED-5000 being a profession agnostic standard. Similar to our comments in Q17, we consider it likely that those practitioners with expertise in ISA audits will refer to ISA600R for the purpose of designing appropriate procedures if the engagement involves a group or consolidation scenario. However, those practitioners applying ED-5000 with little or no experience in performing a group audit are more likely to have difficulty in designing procedures which adequately respond to the circumstances of a group audit.

The development of ED-5000 as a single overarching assurance standard is similar to the IAASB’s project to develop the international standard for audits of less complex entities (LCE), which is also an overarching standard. Respondents to the ED-LCE audit standard were generally in favour of revising the final standard to include requirements and guidance on the audit of group situations. In our view, the same principles apply to ED-5000 and we encourage the IAASB to introduce specific requirements and guidance to help practitioners respond appropriately in a group situation.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

To enhance its approach to topic of fraud, we recommend that revisions are made to the risk procedures in ED-5000.

We have provided recommendations in response to Q13, Q16 and Q17 which, in part, are intended to help the practitioner obtain a higher level of understanding on matters that are more aligned with the nature of sustainability reporting. We consider these suggested revisions to ED-5000's risk procedures have the added benefit of enhancing the practitioner's ability to identify fraud risks on sustainability assurance engagements and to design appropriate responses.

Communication with Those Charged with Governance

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We are generally in agreement with the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others.

We recommend that the wording is expanded to include a requirement for the practitioner to also communicate a statement of compliance with relevant ethical requirements regarding independence.

Reporting Requirements and the Assurance Report

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

In our view, the requirements in the final version of ED-5000 will provide significant value to help meet the information needs of users.

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 121-123)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: [Yes \(with no further comments\)](#)

Detailed comments (if any):

Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?

(See Explanatory Memorandum Section 1-I, para. 135)

Overall response: [No \(with no further comments\)](#)

Detailed comments (if any):

25. Are there any other matters you would like to raise in relation to ED-5000?

Overall response: [No other matters to raise](#)

Detailed comments (if any):

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

Overall response: [No response](#)

Detailed comments (if any):

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):