

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 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?

### 5.2 Agree with comments

#### 1. Monitoring Group

##### International Forum of Independent Audit Regulators (IFIAR)

Key concepts and terms

We encourage the IAASB to enhance and clarify definitions and terminology to promote greater understanding and consistency across jurisdictions.

Sustainability matters – It is not clear what “economic matters” refer to in a sustainability matters context.

#### 2. Preparer and Users of sustainability information

##### Ceres, Inc.

We have some uncertainty however about the list of topics that are described as “sustainability matters,” that is, “topics relating to environmental, social, economic and cultural matters . . .” We have not previously seen the inclusion of “cultural” matters in this context, and we are uncertain of its meaning and significance. Moreover, because of the breadth of this definition, is it essentially the same as saying that “sustainability matters” can encompass anything other than the financial statements themselves? There might be a benefit in further explanation of this basic definition.

##### Corporate Reporting User’s Forum (CRUF)

CRUF’s View

Yes, with comments below

We agree with how sustainability information is defined and used differently in various sustainability reporting criteria as pointed out in ED-5000. We believe it is a realistic approach to define sustainability matters first and regard those filtered through the materiality process as sustainability information.

##### French Insurance Federation (France Assureurs)

Overall, the definitions of sustainability information and sustainability matters are clear. The definition of sustainability matters includes a reference to the entity’s policies, performance, plans, goals and governance relating to such matters which some members have been reporting on already.

The move to sustainability which is broader than ESG due to the inclusion of ‘cultural’ matters may allow for easier alignment to any new sustainability disclosure standards.

We would like to bring attention to the difficulty of assessing the materiality of social issues due to the absence of a common definition and a shared social framework at international level, as well as the lack of concrete and qualitative data.

## The Investment Association

We welcome the IAASB effort to define an overarching standard for sustainability assurance and we appreciate that IAASB consulted ISSB to ensure compatibility. However, we would like to draw the IAASB's attention to the need for any proposed definitions to be interoperable with national laws and regulations and adaptable to sustainability information shared by any entity across industry and sector, regardless of the applicable international reporting framework. This interoperability is increasingly important to ensure that standards can be applied across a range of different regimes.

Perception of compatibility between sustainability disclosure standards and sustainability assurance standards (ISSA-5000)

The ISSB standards focus on sustainability-related risks and opportunities that could affect an entity's financial position, its access to finance or cost of capital over the short, medium or long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets. IA members as global investors, investing in companies around the world have supported the ISSB standards and are seeking their global adoption, so there is a globally comparable reporting standard for all companies. This will help to deliver consistent and decision useful sustainability reporting.

ISSA 5000 adopts a broader view and is developed on the basis that it can be applied for all reporting mechanisms and all sustainability topics (such as environmental, social, economic and cultural matters) and aspects of such topics (such as risks and opportunities, governance, processes, strategy, scenario analysis and KPIs), leaving the entity the discretion to decide what sustainability information is relevant for its stakeholders.

We have noted some difference in the terminology to define "sustainability information" where ISSA-5000 includes several different definitions while ISSB refers to "sustainability-related financial disclosures". We encourage the IAASB to recognise that the differences in language and terminology between the two standards, ISSA-5000 and ISSB, could create a perception of incompatibility. This perceived incompatibility could potentially discourage entities from adopting the ISSB reporting standard or ISSA assurance standard. However, it's important for the IAASB to stress that these differences in terminology should not act as a deterrent to the adoption of the ISSB standard. Furthermore, we encourage IAASB to clearly communicated that the ISSA-5000 standard is indeed applicable and compatible with the ISSB standard.

The perception of incompatibility also extends to the concept of materiality, as the ISSA 5000 supports the assurance of both single and double materiality disclosures, which means that it considers both the impact of the entity's activities on its financial position and the impact of its activities on the environment, society, and other stakeholders. The ISSB, on the other hand, uses a single materiality approach, which means that it focuses only on the impact of the entity's activities on its financial position.

It's crucial for the IAASB to ensure that any definition proposed is interoperable with national laws and regulations, adaptable to sustainability information shared by any entity across industry and sector, and consistent with the applicable international reporting framework. This is increasingly important to ensure this standard is interoperable with a range of different regimes and framework-neutral, so that it can be used for assurance on sustainability information prepared using any framework criteria (ISSB, CSRD, ESRS, SEC etc), entity-developed criteria or a combination of both. For example, the European Sustainability Related Standards (ESRS) are currently being transposed into national laws by EU member states, so preparers and their investors will be seeking appropriate assurance.

As sustainability disclosures continue to evolve, the assurance standard must remain relevant and adaptable, taking into account the latest developments in sustainability practices and the changing needs of the users.

We recognise that the IAASB have worked with ISSB to develop the standard. It will be important for IAASB to clearly communicate the interoperability of the assurance standards with all reporting standards including ISSB to encourage all preparers to get their sustainability reporting appropriately assured.

#### **4. Regulators and Audit Oversight Authorities**

##### **Accounting and Auditing Board of Ethiopia**

We suggest the use of already familiar phrases “subject matter information” and “underlying subject matter” instead of using “sustainability information” and

“sustainability matters” respectively in ED-5000.

##### **Irish Auditing and Accounting Supervisory Authority (IAASA)**

ED 5000 should describe the specific aspects of sustainability information in more detail to allow users to understand the nature of sustainability information assurance and the fundamental differences to financial statement audits, and the impact of those differences on the procedures to be performed, including:

Procedures required to be performed in respect of the entity’s materiality process (Question 9)

Enhanced materiality provisions for practitioners (Question 12)

Additional requirements and material relating to forward looking information, estimates and fraud (Questions 16 and 19)

Enhanced communication with the statutory auditors (Question 25)

The definition of sustainability matters in paragraph 17(vv) should include “governance” matters to ensure ESG (Environment Social Governance) and human rights are fully covered.

##### **Securities and Exchange Commission Philippines**

The definition of sustainability information may be clearer if it would specify whether it includes both financial and non-financial information.

#### **5. National Auditing Standard Setters**

##### **Auditing and Assurance Standards Council (AASC)**

We respectfully suggest to include resource resilience and circular economy in the examples of topics under A32 of the ED.

##### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

Yes, we broadly support the definitions of sustainability information and matters as prescribed in paragraphs 3 and 17 of the ED. The definition of sustainability matters should refer to environmental, social and governance matters to be more aligned with generally accepted reporting frameworks.

In addition, as a general comment we recommend that references to other IAASB standards e.g. in the definitions 17 (uu) and 17 (vv) should be removed to support the stand-alone nature of the ISSA 5000.

#### **Comite Brasileiro de Sustentabilidade (CBPS)**

In our view, the use of the term “sustainability information” for both information reported by the preparer and also for the information included in the scope of the assurance report by the practitioner (please refer to paragraph 4 of ED-5000) may be unclear for the users financial information. We suggest the Board to consider distinguishing these and amend other paragraphs of ED-5000 as appropriate. Additionally, the ED-5000 introduces the concept of "disclosures" to identify specific information related to aspects of a topic.

We notice that under the GRI framework, "disclosures" are used for qualitative and quantitative information reported by an organization to “show” to interested parties the topics that they understand as relevant for that organization. These “disclosures” addresses management and metrics aspects. We suggest ensuring definitions and terms used are consistent with other existing sustainability frameworks.

#### **Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)**

We strongly encourage the IAASB to liaise with the IESBA, which is currently working on the definition of Sustainability Information, so that the definitions converge as much as possible.

It is not uncommon for a practitioner to be engaged to report on the application of a process by management relating to sustainability matters, for example an engagement to report on the application of the double materiality process in accordance with the requirements of ESRS, or an engagement to report on the application of a process designed by management to categorize certain activities based on an established set of sustainability criteria.

It is unclear whether such engagements could be performed under ISSA 5000, considering the proposed definitions of « sustainability information » and « sustainability matters ».

We would suggest that these definitions be revised to make it clear that the application of a process such as those mentioned above could be the subject of an engagement performed in accordance with ISSA 5000. Alternatively, such engagements would continue to be performed under ISAE 3000 (revised).

Further, we note the following statements appearing in paragraph 4 :

« When the assurance engagement does not cover the entirety of the sustainability information, the term “sustainability information” is to be read as the information that is subject to the assurance engagement. »

« Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is “other information” as defined in paragraph 17(ee). »

These statements are definitional in nature. While the definition of « Other information » in paragraph 17(ee) is consistent with statement 2. above, we note the definition of « sustainability information » in §17(uu) lacks the clarity provided in statement 1. above. We believe such clarity is fundamental to the application of ISSA 5000 and therefore statement 1. should be incorporated in the definition of « sustainability information » in §17(uu).

### Hong Kong Institute of Certified Public Accountants

ED-5000.17(vv) defines sustainability matters as “Environmental, social, economic and cultural matters” and further provides two examples for illustration purposes, without detailed descriptions of what constitute economic and cultural matters. It would be helpful that the IAASB provide clear descriptions and illustrative examples on economic and cultural matters in ED-5000.17 and ED-5000.A32 to assist practitioners in identifying the sustainability matters for evaluation against the suitable criteria to ensure consistent application of the standard.

### Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

#### General Comments on the Definitions

On the whole, we support most of the definitions in the definitions section of the draft, including the definitions of sustainability information and sustainability matters. We do have a number of issues with some of the definitions that we describe below or in the appendix to this template: if we do not address a definition, we are in complete agreement with it. Since no question was posed in this template on the definitions in general, in addition to our comments on the definitions of sustainability information and sustainability matters, we have chosen to address our comments on other definitions as part of our response to this question.

#### Comments on Definitions of Sustainability Information and Sustainability matters.

However, we suggest that the application material on the definition of sustainability matters provide some guidance on the term “cultural” in that definition, since some stakeholders struggle to understand the use of the term in this context.

We are concerned with the IESBA approach to defining sustainability information as described in paragraph 33 of the Explanatory Memorandum, which runs the risk of confusing sustainability matters and sustainability information. We therefore urge the IAASB to coordinate with IESBA so that different definitions are not used for the same matters.

#### Comments on Other Definitions and Related Application Material

With respect to the definition of “assertions”, we note (as we had in our comment letter to the draft of ISA 315 on its definition of assertions) that the definition does not really articulate with the definition of “misstatement” (the definition of “misstatement”, in our view, is correct). In particular, there is a difference between 1. representations by the entity embodied in the sustainability information (the disclosure(s) actually made in the sustainability information, as in the first part of the definition of “misstatement” – that is the “actual assertions”), 2. the assertions that would result from the appropriate measurement or evaluation of sustainability matters in accordance with the criteria (the second part of the definition of “misstatement” – that is the “required assertions”) and 3. the summary categories of the “required assertions” as used by the practitioner to consider the different types of potential misstatements that may occur (the term “assertions” as used in the draft and described in paragraph A353R). While correcting this would mean that ISSA 5000 would no longer align with ISAE 3410 (and ISA 315 (Revised 2019), but that definition doesn’t technically work in ISSA 5000 in any case), the importance of ISSA 5000 is such that the definitions ought to articulate with one another and be technically correct. We suggest that the IAASB consider this issue more closely than it has in the past and should feel free to revert to us for further details.

We take exception to the application material to the definition in paragraph A22, which adds an additional condition to the definition of engagement team (“and the practitioner is able to direct and supervise them and review their work”) beyond the definition as contemplated in ISQM 1 and ISA 220 (Revised) as if it were

a requirement or a part of the official definition. We address our concerns further in our response to Questions 14 and 15.

With respect to the definition of “evidence”, we note that the definition was taken from the exposure draft of ISA 500 on audit evidence on the presumption that that standard would be issued prior to the finalization of ISSA 5000. We understand that the strategy and work plan set for approval in December 2023 may not contemplate the issuance of the revised ISA 500 until after the issuance of ISSA 5000. If that is the case, the definition may require reconsideration. In any case, if the IAASB chooses to preempt the issuance of ISA 500 in its treatment of audit evidence in ISSA 5000 by using the material from the exposure draft of ISA 500, then all of the comments that the IDW provided in its comment letter on the exposure draft of ISA 500 would apply to such material used.

While we agree with the definition of fraud, we refer to our response to Question 19 on fraud, which addresses the application material to that definition.

We are concerned with the adoption of the definition of “misstatement of the other information” from ISA 720 (Revised). We will address our concerns with that definition and the adoption of the other requirements and guidance from ISA 720 (Revised) in our response to Question 25.

#### The Meaning of Terminology under CUSP

ISSA 5000 is supposed to be a stand-alone standard. This means that, as a rule, practitioners should not need to draw on other documents to understand the standard. With respect to the “verbs” indicating work effort and other terms, the IAASB has prepared the CUSP guidance. In particular, non-accountant practitioners are unlikely to consult that guidance and therefore may have difficulty understanding the differences between the use of words like “determine”, “consider”, “conclude”, etc. Rather than further expanding the definitions section, we suggest that the IAASB provide an additional appendix to the standard with some of the important CUSP material on the meaning of certain terms so that practitioners are more able to understand the standard.

#### Japanese Institute of Certified Public Accountants (JICPA)

We support the definitions of sustainability information and sustainability matters with the following suggestion:

The definition of sustainability matters in paragraph 17 (vv) of ED-5000 refers to “culture.” However, there seems to be no example related to “culture” in paragraph A32 (examples of sustainability information relating to paragraph 17 (uu)). If the sixth example in paragraph A32, “Human rights and community relations, such as local community engagement, impact assessments and development programs” is meant to also include “culture,” we suggest it be revised to include “impact on local culture” to clarify, otherwise, the current sixth example seems to refer only to “society” in general, instead of “culture”.

Suggestion to paragraph A32:

Human rights and community relations, such as local community engagement, impact assessments and development programs as well as impact on local culture.

#### Malaysian Institute of Accountants - Auditing and Assurance Standards Board (MIA)

We support the definition of sustainability information and sustainability matters in ED-5000. Given the numerous terminologies included in ED-5000, we suggest that the IAASB include in the final standard, the illustration of the relationship between sustainability matters, sustainability information which results from measuring or evaluating the sustainability matters against the applicable criteria and the related disclosures,

as in Appendix 1 of ED-5000. In addition, it would be helpful to also include examples to guide practitioners in applying the illustration.

We appreciate that the IAASB has sought to clearly distinguish when a requirement is intended to refer to the broader population of all information reported by the entity by using the phrase “sustainability information expected to be reported”. However, we believe the interaction of paragraph 4 and several requirements that refer to “sustainability information” remain open to misinterpretation, for example, paragraphs 69(a) and 78(c).

### **New Zealand Auditing and Assurance Standards Board**

The NZAuASB believes that the definition of sustainability matters is clear and covers the broad range of sustainability considerations present within sustainability reporting frameworks. However, we question whether this definition could be too broad and could inadvertently capture information that is not intended to be assured under such frameworks, for example, product claims or business-to-business “special purpose” assurance engagements.

We recommend that the definition be looked at in this context by clarifying that sustainability matters are limited to matters for information within an entity’s general-purpose sustainability report.

The proposed definition of sustainability matters is as follows:

“17 (vv) Sustainability matters – Environmental, social, economic and cultural matters, including:

- (i) The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and
- (ii) The entity's policies, performance, plans, goals and governance relating to such matters.

For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.”

We recommend that the last sentence (For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards) be deleted. This sentence may add confusion, especially for those practitioners that are not familiar with other IAASB assurance standards.

### **Royal Dutch Institute of Chartered Accountants**

The NBA generally supports the notions behind the proposed definitions. We suggest the following clarifications to be made:

- We suggest to expand the definition of ‘assurance skills’ (paragraph 17(e)) to also include risk analysis.
- We suggest to clarify the definition of ‘engagement team’ (paragraph 17(p)) as to whether the engagement quality reviewer is included in the engagement team or not.
- We suggest to amend the definition of ‘substantive procedure’. In our opinion substantive procedures should be designed to ‘determine whether or not a material misstatement exists’, instead of to ‘detect material misstatement’, as now proposed. (paragraph 17(ss)).
- We are of the opinion that the definition of ‘sustainability information’ (paragraph 17(uu)) should not refer directly to ‘other IAASB assurance standards’, as ED-5000 is intended to be a stand-alone standard,

and the reference may be (mis)understood to imply that the other standards apply as well. We therefore suggest to move the reference to the application material.

- We suggest to clarify that sustainability information may likely also include financial information, which may or may not be subject to audit. It is important that the standard then also clarifies the responsibility for the assurance of financial information that may be part of sustainability information, including, where relevant, the cooperation between the practitioner and the auditor and the extent to which the practitioner may rely on the work of the auditor.
- We are of the opinion that the definition of 'sustainability matters' (paragraph 17(vv)) lacks clarity and specificity as regards the impacts on the entity. We therefore suggest to amend clause (i) of said definition as follows (additions underlined): 'The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts from environment, society, economy or culture on the entity's financial performance, position or risks

## 7. Accounting Firms

### Altaf Noor Ali Chartered Accountants

5.1 Yes.

5.2 A better Q>>Specific question on two terms, not extended to all the definitions in para 17 ED.

5.3 Use terms in italics in text to signify specific meaning attached to it. See 0.7

5.4 'Material misstatement' >> The term used 12 times in ED. Its confusing when it says that 'not trivial' is not another expression for 'not material'. A398

Uncorrected misstatements are accumulated during the engagement for the purpose of determining whether, individually or in the aggregate, they are material when forming the practitioner's conclusion. The practitioner is required to accumulate misstatements identified during the engagement other than those that are clearly trivial. "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial are of a wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, and are misstatements that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.

### BDO International Limited

We appreciate the parallel between 'subject matter information' and 'underlying subject matter' in the definition of sustainability information and sustainability matters in ED-5000. Such linkage helps readers to understand the definitions more easily coming from ISAE 3000. In addition, the inclusion of environmental, social, economic and cultural matters, as well as a reference to the impacts of an entity's activities, products and services on the environment, society, economy or culture, and their impacts on the entity, in the definition of sustainability matter, is likely to help clarify for users the differences envisaged between the meaning of 'ESG' and that of 'sustainability'.

However, we note that 'sustainability information' appears to ultimately refer to the collective suite of 'information subject to the assurance engagement' (paragraph 4), while disclosures are defined as 'specific

sustainability information related to an aspect of a topic' (paragraph 17(i)), which may appear confusing to some users. (Refer here to question 6.)

If accompanying illustrative guidance were to compare how the definitions of sustainability information and sustainability matters may translate to a financial statements audit context by analogy, this would also be beneficial for practitioners who are familiar with financial statements to translate their skills into a non-financial information context. This could also extend to other terms familiar to assurance practitioners and used only in an implied manner by financial statements auditors, like 'criteria'.

For example, an illustrative example as follows:

Terminology used in IAASB Assurance Standards

What it may be interpreted as in a Financial Statements context

What it means in a sustainability assurance context

Underlying Subject Matter

Financial performance and position of an entity

'Sustainability matters'

An entity's policies and performance in any combination of sustainability domains (environmental, social, economic, cultural).

Subject matter information

A complete set of financial statements

'Sustainability information'

A sustainability report, or part thereof as identified by the entity and determined to be suitable by the assurance practitioner as part of acceptance considerations.

It includes both reported sustainability topics (which are broad domains - environmental, social, economic, cultural), and aspects of a topic or of multiple topics (e.g., aspect = governance relating to climate – topic = environmental).

What is specifically recognized, measured and presented for each aspect of a topic, is referred to as a disclosure.

Criteria

The applicable financial reporting framework

The applicable sustainability reporting framework, which may be imposed in legislation, or determined and described by the entity and made publicly available

### **Ernst & Young Global Limited**

Generally, we support the definitions of sustainability information and sustainability matters in ED-5000; however, we believe that there may be challenges in applying the definitions to certain matters to determine whether they are sustainability matters (e.g., cyber, GDPR). To avoid inconsistent application, we believe it is important that the IAASB form a view as to whether new or evolving topics on which assurance may be sought fall within the scope of ED-5000. This can be done through implementation guidance but would need to be updated as questions arise.

We also encourage the IAASB to continue to liaise closely with IESBA, in connection with its sustainability project, to work toward compatible definitions of sustainability information and sustainability matters for use in both sets of standards. We suggest that the IAASB include an explanation in the Basis for Conclusions issued with the final standard to clearly explain how the two sets of definitions work together (e.g., that the IAASB definitions are encompassed by the more expansive framework agnostic definition developed by IESBA).

Suggestions to make the definition clearer

To avoid the confusion between the term “disclosures” as used in ED-5000 and “financial statement disclosures” defined or described in financial reporting frameworks (as described in paragraph A16 of ED-5000), we suggest that the IAASB consider using the term “sustainability disclosures” throughout ED-5000 to clarify the meaning of the term.

We also note that sustainability reporting frameworks may use different terminology (e.g., “sustainability-related financial information” is used in the IFRS Sustainability Disclosure Standards of the ISSB). We encourage the IAASB to explain in paragraph A16 of ED-5000 (or elsewhere in the application material) that frameworks may use different terminology to convey the equivalent of “sustainability disclosures” in ED-5000.

Finally, we suggest that the IAASB provide greater consistency between the definition of sustainability matters and the description of the relationship of the terms in paragraph 2 of Appendix 1 of ED-5000. Because Appendix 1 illustrates that sustainability matters consist of both topics and aspects of topics, we suggest the following revisions to the definition of sustainability matters:

Sustainability matters – Environmental, social, economic and cultural matters, including:

Topics, such as tThe impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and

Aspects of topics, such as tThe entity's policies, performance, plans, goals and governance relating to such matters.

#### **KPMG International**

Detailed comments (if any): We support the definitions of sustainability information and sustainability matters, and believe these to be appropriate and framework neutral, recognising that there are many frameworks/criteria that may be applied to sustainability assurance engagements. We also support the inclusion of comparison or explanation of alignment of these definitions to the terminology of “underlying subject matter” and “subject matter information”, which are embedded across the ISAE 3000 suite of standards and are well understood by many stakeholders.

We envisage potential for misunderstanding when the scope of the assurance engagement covers only part of the sustainability information that the entity reports, and therefore we welcome the clarification in paragraph 4 that in such situations, the term “sustainability information” is intended to mean only the information that is subject to assurance, with broader sustainability information that is not subject to assurance being “other information”.

#### **Mazars**

We believe that the definitions are clear and that the appendix and diagram are useful, although some practical examples to support the diagram would be useful.

The final standard should also highlight that assurance practitioners will be guided by definitions provided in the relevant reporting framework/applicable criteria as these will more accurately describe the sustainability information and sustainability matters for the particular engagement.

## **MHA**

Conceptually, the definitions of “sustainability information” and “sustainability matters” in ED-5000 are cohesive and appropriate, in view of the IAASB’s framework-agnostic approach. The diagram in Appendix 1 to the ED is particularly helpful and should arguably be contained within the body of the proposed standard instead of an appendix.

## **RSM International**

The definition of sustainability matters in paragraph 17(vv) of ED-5000 refers to environmental, social, economic and cultural matters, including the impacts of an entity’s activities, products and services on the environment, economy or culture, or the impacts on the entity, and the entity’s policies, performance, plans, goals and governance relating to such matters. The term ‘cultural matters’ is open for interpretation across both individuals and respective jurisdictions, and we believe there should be additional clarity added in the application material.

We believe it would be beneficial to categorise the example topics listed in paragraph A32 of ED-5000 into the categories of sustainability matters listed in paragraph 17(vv), which may also help clarify what is meant by and included within ‘cultural matters’.

In addition, we suggest adding governance as a category of matters to the definition of sustainability matters. It is important that all aspects of governance topics are included, such as composition of the board, shareholder rights, corporate performance metrics, integration of sustainability in the governance structure, sustainability performance in variable remuneration (in particular of the top management), management structure, company policies and values, information disclosure, corporate compliance and assurance and data security and cyber risk.

## **8. Assurance Practitioner or Firm - Other Profession**

### **ERM Certification and Verification Services Limited**

The current definitions of sustainability information and sustainability matters should be more specific in relation to the information included within the scope of the assurance engagement, as the reporting entity typically discloses more sustainability information than is included within the scope of the engagement. While this is explained in Para. 4 of the Introduction, it would be useful to have this concept continued clearly through the definitions as opposed to through reference. ERM CVS suggest the following additional wording to clarify:

17 (uu). Sustainability information – Information about sustainability matters subject to the assurance engagement. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. (Ref: Para. A32)

17 (vv). Sustainability matters – Environmental, social, economic and cultural matters subject to the assurance engagement, including:

- (i) The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and
- (ii) The entity's policies, performance, plans, goals and governance relating to such matters.

For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance

## 9. Public Sector Organizations

### First Nations Financial Management Board

The inclusion of cultural matters within the definition of sustainability matters is a positive choice. The rights of Indigenous Peoples should be specifically referred to as a social matter in the accompanying Application and Other Material for improved clarity.

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

Yes, we broadly support the definitions of sustainability information and matters as prescribed in paragraphs 3 and 17 of the ED. The examples of topics and aspects of topics provided in paragraph A32 are also very helpful.

The definition of sustainability matters should, however, refer to environmental, social and governance matters rather than economic and cultural matters, so that it is clearer and more aligned with generally accepted reporting frameworks.

In addition, we believe that references to other IAASB standards in the definitions 17 (uu) and 17 (vv) should be removed to support the stand-alone nature of the ISSA 5000.

Finally, some of the defined terms are either not used in the requirements section of the standard (such as historical financial information and attestation engagement) or aim to define terms that are not strictly technical (such as partner, personnel, staff, professional standards and uncorrected misstatements). We suggest reconsidering the necessity of including these definitions in the ISSA 5000.

### ASSIREVI – Association of the Italian audit firms

We support the IASSB's decision to define sustainability matters and sustainability information and the two resulting definitions, which we find to be sufficiently clear. With respect to the definition of sustainability matters provided in ED-5000.17.(vv), we note that the use of the terms "economic" and "cultural" rather than the term "governance" may not be entirely clear, even considering the agnostic characteristic that IAASB intends to give ED-5000, so that it can be applied in continuously evolving contexts and different reporting frameworks (as described in the EM). The definition of sustainability matters differs from the currently generally accepted definition of ESG matters, as referred to in Annex II to the ESRS Delegated Act, which defines sustainability matters as: environmental, social and human rights, and governance factors. In order to facilitate an understanding of the definitions set out in ISSA 5000, we invite the IAASB to include references to standards such as the ESRS and the ISSB in the guidance to the proposed standard, indicating that the definitions of sustainability matters and sustainability information in ISSA 5000 match the concepts in such standards.

In addition, we believe that the use of the word “including” in the phrase “Environmental, social, economic and cultural matters, including: ...” of the definition is misleading as it could lead to the assumption that the list introduced with lower case Roman numerals is not exhaustive.

Conversely, we are of the opinion that the definition of sustainability information provided in ED-5000.17.(uu) is sufficiently clear.

#### **Belgian Institute of Registered Auditors**

The definition of sustainability matters in paragraph 17(vv) of ED-5000 refers to environmental, social, economic and cultural matters, including the impacts of an entity's activities, products and services on the environment, economy or culture, or the impacts on the entity, and the entity's policies, performance, plans, goals and governance relating to such matters. We are unclear on what the 'cultural matters' are referring to and we believe there should be additional clarity added in the application material.

We believe it may be beneficial to categorize the example topics listed in paragraph A32 of ED-5000 into the categories of sustainability matters listed in paragraph 17(vv), which may also help clarify what is meant by 'cultural matters'.

In addition, we suggest adding governance as a category of matters to the definition of sustainability matters. We want to be sure that all aspects of governance topics get included, such as composition of the board, shareholder rights, integration of sustainability within the governance structure, corporate performance metrics, management structure, company policies and values, information disclosure, link between sustainability performance and variable remuneration, corporate compliance and assurance and data security and cyber risk.

#### **Chamber of Financial Auditors of Romania (CAFR)**

We support the IAASB's decision to broaden the definition of sustainability matters beyond the conventional ESG (environmental, social, governance) framework. Recognizing environmental, social, economic, and cultural matters, along with the impacts of an entity's activities, products, and services on various domains, could align with the evolving landscape of sustainability considerations.

We suggest further clarification or refinement in the definitions to ensure coherence with other IAASB assurance standards. The term sustainability matters and its definition are similar and consistent with the term underlying subject matters as used in ISAE 3000 (Revised), and the term sustainability information and its definition are similar and consistent with the term subject matter information as used in ISAE 3000 (Revised). Clearer delineation of sustainability matters being measured against applicable criteria and the resulting sustainability information and aligning these concepts with terminology in assurance standards will be considered useful.

It's crucial to align with the International Ethics Standards Board for Accountants (IESBA) on defining sustainability information. Establishing standardized terminology and ensuring consistency with commonly used terms will promote widespread adoption and facilitate a harmonized approach across the globe. This alignment aids in creating a unified understanding and encourages broader acceptance of these definitions within the economy.

#### **Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)**

We broadly support the definitions of sustainability information and sustainability matters in ED-5000, However, we note that 'sustainability information' is a very broad term which is commonly used outside the

IAASB standards to describe all sustainability information relevant to an entity, that could be outside the scope of the assurance engagement and therefore cause confusion. We understand that the board moved from the term 'subject matter information' found in ISAE 3000 (Revised) however, we suggest that it may be simpler to keep that terminology to avoid causing confusion, or alternatively, coming up with another term that will not be confused with the broader accepted meaning of 'sustainability information'. This is also very important for NPAPs who may not be familiar with ISAE 3000 (Revised) given that ED-5000 is profession agnostic.

#### **Chartered Professional Accountants of Canada (CPAC)**

We encourage the IAASB to align to greatest extent possible with definitions used by the ISSB.

#### **Consejo General de Economistas de España**

We generally agree with the proposed definitions, but we question whether the differentiation between both terms is strictly necessary and, therefore, whether they should be merged for the sake of simplicity.

#### **Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC)**

We generally endorse the definitions of sustainability information and matters outlined in paragraphs 3 and 17 of the exposure draft. Additionally, we find the examples of topics and aspects of topics described in paragraph A32 to be particularly beneficial.

We suggest refining the definition of sustainability matters to specifically focus on environmental, social, and governance (ESG) matters. This would streamline the definition, making it clearer and more aligned with generally accepted reporting frameworks. To uphold the "stand-alone" nature of ISSA 5000, it would be prudent to remove references to other IAASB standards within definitions 17 (uu) and 17 (vv). This would ensure the standard's independence and clarity.

Certain terms, such as historical financial information, assurance engagement, partner, personnel, staff, professional standards, and uncorrected misstatements, are either not used in the requirements section or are not strictly technical. We recommend reassessing the necessity of these terms in the definitions section to avoid potential confusion and to ensure the relevance and technical accuracy of the standard.

#### **CPA Ireland**

Whilst CPA Ireland supports the definitions of sustainability information and sustainability matters, we have some concerns regarding the broadening of the definition to include environmental, social, economic and cultural matters. It is considered that the term "Environmental, Social and Governance" or ESG is a term that is widely used and understood.

#### **European Federation of Accountants and Auditors for SMEs (EFEAA)**

While we generally agree with the proposed definitions we have two concerns.

First, ideally sustainability information and matters are best determined by the IESBA in the first instance. After all their Code is the capstone of the professional standards' architecture, sitting above the IAASB's suite of professional standards. If the IAASB determines it must define them first, then we suggest it subsequently adjusts these definitions to align with how the IESBA eventually decides to define them.

Second, we question the need to differentiate the two terms. We recognize that the proposed construct is the same as that used in ISAE 3000 and is analogous to the ISAs, with their terms 'underlying subject matter' and 'subject matter information'. Nevertheless, in the interests of simplicity we wonder whether the terms should be merged.

### **EXPERTsuisse**

In addition, the inclusion of environmental, social, economic and cultural matters, as well as a reference to the impacts of an entity's activities, products and services on the environment, society, economy or culture, and their impacts on the entity, in the definition of sustainability matter, is likely to help clarify for users the differences envisaged between the meaning of "ESG" and that of "sustainability".

As a general remark, we would welcome a convergence of terminologies used to those of the current ISAs (for example in the use of the terminology "opinion").

### **Institute of Chartered Accountants in England and Wales (ICAEW)**

We agree with the definitions provided, but we would like to see a reference to the definition provided in the relevant reporting framework / applicable criteria. We believe that the appendix and the diagram are helpful in providing a visual representation of what they mean, and we believe that practical examples to support the diagram would be helpful. We are aware that other jurisdictions have provided practical examples and we believe that the IAASB should consider this approach.

We have some concerns relating to the potentially very broad range of sustainability reporting for which practitioners may be asked to provide assurance. This might risk creating an expectation gap, or exacerbate the challenge in relation to 'Other information' where it will include sustainability information not subject to the assurance engagement. Reports will need to be very clear about what information the assurance opinion covers and what is excluded. Additional application guidance addressing this issue would therefore be helpful.

### **Institute of Chartered Accountants of Sri Lanka**

Generally, we support the definitions of sustainability information and sustainability matters in ED-5000; However, it would be appropriate to include definitions for historical, forward-looking or extant information about the sustainability matters, as the proposed standard has provided a framework to give an assurance on all of such information. Further, there may be challenges in applying the definition to certain matters to determine whether they are sustainability matters (e.g., cyber, GDPR).

### **Instituto de Auditoria Independente do Brasil - Ibracon**

We note that "sustainability information" seems to refer to the collective set of information subject to assurance work, while disclosures are defined as "specific sustainability information related to an aspect of a topic", which may seem confusing to some users (including translation).

Considering this, it would be beneficial to have guidance for professionals familiarized with financial statements to translate their skills into an audit context of non-financial information context.

### **Instituto de Censores Jurados de Cuentas de España (ICJCE)**

"Sustainability matters" definition included in ED-5000, governance is not included in the definition itself, (governance is mentioned in sub-bullet ii specifically relating to "such matters" i.e., sustainability matters). From an assurance perspective, we sometimes assure governance metrics that are broader than specific sustainability matters.

Suggest that governance is included in the core definition of Sustainability matters i.e., "Environmental, social, governance, economic and cultural matters".

This comment is made to be consistent with the ESRS which does include governance.

### **Instituto Mexicano de Contadores Publicos (IMCP)**

Please note that our response is also based on the background of having enough knowledge on the concepts of underlying subject matter and subject matter information as stated per ISAE 3000 and recognizing that the terminology used in proposed ISSA 5000 has been aligned between both standards.

### **Instituto Nacional de Contadores Públicos de Colombia (INCP)**

The materiality definition should be included in the definitions, since only execution materiality is described. This definition must be broader since a sustainability assurance engagement requires—in many cases—a more qualitative evaluation rather than a quantitative one. Therefore, this must be related to the type of industry or relevant indicators for the entity that are in line with its nature, taking into account the opinions of internal and external stakeholders.

Additionally, consistency with the Reference Framework for Assurance Engagements must keep being strengthened, so that the definitions are complementary. For instance, the characteristics that the evaluation criterion must have in order to issue a report under the International Standards on Auditing

### **International Federation of Accountants (IFAC)**

IFAC believes that ED-5000 appropriately differentiates between sustainability matters, sustainability information and disclosures, and accurately defines sustainability matters and sustainability information in a way that distinguishes between the two concepts.

The term sustainability matters and its definition are similar and consistent with the term underlying subject matters as used in ISAE 3000 (Revised), and the term sustainability information and its definition are similar and consistent with the term subject matter information as used in ISAE 3000 (Revised).

IFAC found that 95% of audit firms and 38% of other service providers used the ISAE 3000 (Revised) standard in their 2021 assurance engagements. (See The State of Play, 2019-2021 Trends & Analysis.) Because of the prevalence of ISAE 3000 (Revised) that already exists in sustainability assurance engagements, IFAC believes the use of similar and consistent terminology will facilitate the use of ISSA 5000 for high-quality sustainability assurance engagements.

Coordination with IESBA on these definitions is also important, as they will also be looking to define sustainability information. There may be some resistance in certain jurisdictions to replace the relatively well-known concept of 'ESG' to add additional considerations such as cultural matters, whilst others would assess culture as already included within the ESG framework under social and/or governance matters. Standardization of terminology and harmonization with terminology in common use would be beneficial in encouraging uptake.

### **Korean Institute of Certified Public Accountants (KICPA)**

The KICPA agrees that the scope of sustainability matters should be broadened beyond ESG. However, we believe that clear guidelines should be provided as outlined below to prevent confusion.

There is a need to review it for any potential issue that may arise from the broader scope of sustainability matters and provide guidelines if required. For instance, the information relevant to economic matters is likely to overlap with information contained in the financial data to a large extent. If more specific explanation is provided as to how to distinguish between the two, this will help the practitioner to decide which standard to apply, i.e., ISSA 5000 or ISA.

Examples would be helpful in determining sustainability matters, including the examples of topics that are not sustainability matters, hence subject to ISAE 3000, instead of ISSA 5000.

Unlike environmental and social matters, economic and cultural matters are unfamiliar sustainability matters. Thus, providing some background on how economic and cultural matters became part of sustainability matters would be helpful in understanding the definition.

#### **Malta Institute of Accountants (MIA)**

We believe that practical examples would further aid the understanding of such definitions.

#### **Nordic Federation of Public Accountants (NRF)**

We support the definition of sustainability information but only partly support the definition of sustainability matters. Sustainability matters are generally defined as “Environmental, Social and Governance matters”, which encompasses impacts on the economy and people. ED-5000 defines sustainability matters as Environmental, Social, Economic and Cultural matters. Given that cultural matters might be considered as already being included within the ESG framework under social and/or governance matters and, in our view, a preference for standardized and harmonized terminology regarding key terms, we suggest that ED-5000 should align the definition of sustainability matters to the generally accepted definition “ESG”, also considering including “the entity’s impacts on human rights” in 17 (vv) (i).

#### **Pennsylvania Institute of Certified Public Accountants (PICPA)**

The committee agrees with the intent of the IAASB to further coordinate with the IESBA to ensure that the definitions are aligned in both sets of standards.

#### **Saudi Organization for Chartered and Professional Accountants (SOCPA)**

SOCPA recognizes the importance of such concept in understanding ED-5000 and support the definitions (including the additional explanation provided in the appendix), but we believe that specific explanatory examples of sustainability information and matters could enhance the understanding.

#### **World Federation of Exchanges**

The WFE is in general agreement with the IAASB’s on the definitions; it is good to see guidance on definitions on ‘sustainability information’ as this would help aid harmonization in reporting and assurance globally. It is understandable that definitions need to be kept broad in order to reflect the current sustainability environment; however, examples may be useful to help aid users in using such definitions without leading to an unnecessary amount of fragmentation.

### **11. Academics**

#### **Accounting and Finance Association of Australia and New Zealand**

We agree with having a broad definition.

Sustainability information and sustainability matters are broadly defined allowing for flexibility of determination by firms and prior research has highlighted the positive benefits from such principles-based definitions when examining outcomes such as reporting credibility (Simnett et al. 2009), code law countries and legal enforcement mechanisms (Kolk and Perego 2008), auditor materiality calculations (Moroney 2016), sustainability restatements (Michelon et al. 2019), managerial investment decisions (Steinmeier and Stich 2019) and determinants such as sustainability governance characteristics (Peters and Romi 2013).

## 12. Individuals and Others

### We Mean Business Coalition

See also reply to Question 1.

Sometimes information is integrated/intertwined, and includes both financial and non-financial elements together. The question is then, which assurance regulation (and hence assurance team) should be used?

## 5.3 Neither agree or disagree

### 2. Preparer and Users of sustainability information

#### Keidanren (Japan Business Federation)

Regarding interpretations of “sustainability information” and “sustainability matters,” we would like the IAASB to take care to prevent confusion arising in practice due to differing interpretations among assurance engagement providers. We hope the IAASB will conduct an information campaign including distribution of educational materials, guidance, and other references to explain both concepts through specific examples illustrating sustainability information or sustainability matters.

#### MFIs' Internal Audit ESG Working Group

The envisaged definitions may not align with MDB understanding and objectives related to sustainability assurance engagements.

Agrees to moving away from the widely used “ESG” and treating governance as an aspect of a topic. We welcome that IAASB broadened definition of sustainability matters to include environmental, social, economic and cultural matters. However, as an assurance guide, ED-5000 may use the definition only to decide the applicability of this assurance guide on the criteria of engagement (such as reporting standards) to be used for the reporting. Once the applicability of the assurance guide is decided, the definition of sustainability may have to follow how sustainability is defined in the criteria for the engagement that auditors intend to opine on. ED-5000 may specify this relationship between the criteria for the engagement and this assurance standard to help readers' understanding.

See comment #1. The definition becomes problematic as it does not define what constitutes other “matters” and is not in alignment with the more recent definition of sustainability/sustainability development. Also, within the context of MDB, providing assurance using the ED definition that is not in alignment with MDBs' recognized definitions increases the risk of misinformation.

### 4. Regulators and Audit Oversight Authorities

#### Independent Regulatory Board for Auditors (IRBA)

The current definitions pose challenges that could lead to inconsistent application and some challenges of interpretation now even before the standard is approved.

We support the need for consistency in the market on when the respective assurance standards are to be applied, depending on the subject matter, and that this selection should not be at the practitioner's discretion.

As an example, it is not clear what “economic and cultural matters” means in the context of the sustainability matters definition. To this end, we suggest that the IAASB expands on the definition of sustainability matters by giving examples or providing different scenarios to enhance the understandability thereof. Further issues needing clarification: Do green bonds, sustainability or social bonds, International Council on Mining and Metals (ICMM) subject matters 1, 2, 3 and 5, and Codes of Good Practice for the Minerals fall within the sustainability matters?

In this regard, the IAASB may want to undertake further consultations with various bodies that issue preparer and/or assurance guidance on specific subject matters, to ensure that there is an alignment on the definition of sustainability matters.

## 10. Member Bodies and Other Professional Organizations

### South African Institute of Chartered Accountants (SAICA)

We are of the view that the definition of sustainability information could be further elaborated on to avoid different interpretations in practice, given its broadness. This clarity could be provided through examples covering different scenarios to enhance the clarity thereof.

An example of a potential gap in this regard, is where an entity reports in accordance with a compliance framework (e.g., a tax incentive programme that forms part of a broader sustainability mandate / programme such as job creation / economic development). The subject matter that is reported might not have the features of sustainability information as described in the definition, and may focus more on operational / business performance, because this is the information that is required as a contribution to the overall sustainability goals. The question might then arise as to whether in such a case, the engagement is still considered a sustainability assurance engagement falling within the scope of ED-5000. Another example would be engagements that focus solely on specific compliance requirements such as data privacy reporting, or financial sector codes requiring reporting on certain matters relating to ethics, and anti-money-laundering compliance. While one could argue these fall within the ambit of sustainability issues under the umbrella term “governance”, they are a narrow subset thereof and the relevance of applying ED ISSA 5000 in such cases might not be sufficiently clear.

SAICA also recommends further elaboration on the inclusion of cultural matters as part of the definition of sustainability matters, as it is currently not clear what cultural matters refers to within the context of the sustainability matters definition.

## 11. Academics

### Deakin University

We believe that there is a lack of alignment between the IFRS Foundation’s enterprise-value based concept of ‘sustainability’ and definition of ‘sustainability-related financial’, and the IAASB’s definition of ‘sustainability matters’. It is not clear at this stage that an organisation’s business is a sustainability matter for the purposes of ISSA 5000.

This is not surprising given that the content of the proposed ISSA 5000 largely pre-dates the finalisation of IFRS Sustainability Disclosure Standards S1 and S2. That is, the proposed ISSA 5000 is largely a consolidation of content existing in April 2022. This submission analyses how the concept of sustainability

and definition of 'enterprise value' evolved from the 2022 exposure drafts of S1 and S2 to the 2023 final versions.

#### Enterprise Value in Exposure Drafts of IFRS Sustainability Disclosure Standards S1 and S2

In explaining why the ISSB published the S1 and S2 exposure drafts, the ISSB explained that enterprise value "reflects expectations of the amount, timing and certainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. The information contained in its financial statements and the information included in an entity's sustainability-related financial disclosures are essential inputs to a primary user's assessment of an entity's enterprise value."

Accordingly, in the language of the ISSB 'sustainability-related financial' is equivalent to at least enterprise value, and 'sustainability-related financial matters' are those which are material to enterprise value or in other words the net present value of future cash flows.

The ISSB went on to explain that the information requirements in S1 and S2 "are designed to enable primary users to assess enterprise value. The information required reflects the way in which an entity operates, covering governance, strategy, risk management and metrics and targets."

Paragraph 17 of the exposure draft of S1 explicitly made the link between enterprise value, the entity's resources and relationships and its sustainability-related risks and opportunities:

"An entity's sustainability-related risks and opportunities arise from its dependencies on resources and its impacts on resources, and from the relationships it maintains that may be positively or negatively affected by those impacts and dependencies. ... When such impacts, dependencies and relationships create risks or opportunities for an entity, they can affect the entity's performance or prospects, create or erode the value of the enterprise and the financial returns to providers of financial capital, and the assessment of enterprise value by the primary user."

Paragraph 57 identified material sustainability-related financial information as a sub-set of sustainability-related information:

"Material sustainability-related financial information provides insights into factors that could reasonably be expected to influence primary users' assessments of an entity's enterprise value. The information relates to activities, interactions and relationships and to the use of resources along the entity's value chain if it could influence the assessment primary users make of its enterprise value."

#### Enterprise Value Concept Remains Implicit in Final IFRS Sustainability Disclosure Standards S1 and S2

While enterprise value featured explicitly and prominently in the exposure drafts, the term enterprise value was not used in the final S1 and S2. However, the concept remains in substance. The term was effectively replaced with sustainability-related financial information being defined in terms of expectations about the amount, timing and certainty of future cash flows over the short, medium and long term, and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital.

The Basis for Conclusions for S1 explained ISSB decisions made in relation to enterprise value. Based on stakeholder submissions received, the ISSB felt that the use of the term enterprise value might have constrained the objective of the exposure draft and created confusion for some stakeholders:

Some respondents stated that 'enterprise value' can be defined or understood too narrowly, thereby creating a risk that the sustainability-related financial information disclosed in accordance with IFRS S1 would not be useful for their purposes.

Many respondents stated that the reference to market capitalisation meant that the term applied only to listed entities.

Some respondents stated that the use of this term could create confusion because it has a particular and different meaning in European legislation.

The ISSB confirmed that the materiality definition in IFRS Sustainability Disclosure Standards is aligned with the IASB's definitions of 'material information' and 'material' in its Conceptual Framework and IAS 1 respectively. These do not refer to enterprise value.

None of these reasons breaks the nexus between enterprise value, 'sustainability-related financial', and the discounted value of expected future cash flows. The concept of enterprise value remains in S1 and S2 even though the term enterprise value is not used.

Enterprise value relates to the whole of an organisation's value creation, and not only the sustainability risks and opportunities relating to environmental, social, economic and cultural matters. It results from the pursuit of the Purpose of the organisation through its business as a whole, which is most comprehensively described in an integrated report or management commentary. Managing climate and other environmental, societal, economic and cultural matters are aspects of governing, managing and operating the business.

Enterprise Value Concept is Missing from Proposed ISSA 5000

We believe that there is a lack of alignment between the IFRS Foundation's current enterprise-value based concept of 'sustainability' and definition of 'sustainability-related financial', and the IAASB's definition of 'sustainability matters'. This creates confusion as to the place of assurance of descriptions of an organisation's business in reports containing IFRS sustainability-related financial disclosures (metrics and associated disclosures).

The root cause of this imbalance is that the 'entry point' into the proposed ISSA 5000 is through the definition of 'sustainability matters' and not the lens of the whole of the business (enterprise value), the sustainability of its enterprise value and the resilience of its business model:

"Sustainability Matters: "Environmental, social, economic and cultural matters, including:

The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity

The entity's policies, performance, plans, goals and governance relating to such matters."

This definition of sustainability matters drives content relating to 'sustainability information'. Sustainability information relates to information about sustainability matters covering a number of topics and aspects of those topics:

"Sustainability Information: "Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information is the equivalent of 'subject matter information' in other IAASB assurance standards."

The consequence of this definition for the coverage of ISSA 5000 is most evident in the table set out in paragraph A32 of the Application and Other Explanatory Material for ISSA 5000, where key aspects of the business are relegated to secondary status as 'aspects of' sustainability topics behind disclosures on environmental, social, economic and cultural topics:

Topics

## Aspects of the Topics

Climate, including emissions.

Energy, such as type of energy and consumption.

Water and effluents, such as water consumption and water discharge.

Biodiversity, such as impacts on biodiversity or habitats protected and restored.

Labor practices, such as diversity and equal opportunity, training and education, and occupational health and safety.

Human rights and community relations, such as local community engagement, impact assessments and development programs.

Customer health and safety.

Economic impacts, such as government assistance, tax strategy, anti-competitive behavior, anti-corruption and market presence.

Governance.

Strategy and business model.

Risks and opportunities.

Risk management or mitigation.

Innovation to address risks and opportunities.

Metrics and key performance indicators.

Targets.

Internal control over monitoring and managing risk.

Scenario analysis.

Impact analysis, including magnitude of impact.

The business model, governance, strategy, innovation and risk management are matters of holistic importance to the entire business in terms of the manner in which it is operated in an integrated manner for the benefit of all stakeholders in the short, medium and long term. They are not aspects of topics such as climate, biodiversity and human rights. They are key drivers of enterprise value creation including how the business deals with environmental, social, economic and cultural matters.

The sustainability risks and opportunities of an organisation only exist because of the pursuit of its reason for being - the Purpose. An organisation pursues its opportunities as a matter of governance and strategy and in doing so it must manage its risks. Sustainability risks and opportunities should be treated as such in relation to assurance under sustainability reporting standards and frameworks requiring a comprehensive or partial description of the business.

For whole-of-report assurance, the sustainability matter under ISSA 5000 needs to be the business, the sustainability information needs to be the description of the business, the sustainability topics need to be the Strategy, Governance, Business Model, Risk Management and Innovation of the business. Aspects of sustainability topics can include how sustainability risks and opportunities in relation to climate, energy and so on are managed in pursuit of the organisation's Purpose.

Where the assurance scope relates only to metrics included in reports not subject to assurance overall, narrative can be added in relation to, for example, governance in relation to climate risks and opportunities.

#### Recommendation

We believe closing the gap between the ISSB's concept of sustainability and the IAASB's definition of sustainability matters, and the need to strengthen the coverage of evaluation assurance procedures, can be achieved by making a relatively simple change to the definition of 'sustainability matters' in paragraph 17(vv) of ISSA 5000 – by adding in (i):

“value created by and outcomes of” before “the impacts of an entity's activities”

“business model, governance, strategy,” before “products and services”

“for or” before “on”,

“investors,” before “the environment”,

and in (ii):

add “business model, governance, strategy,” before “policies”

delete “and governance’ after “goals and”.

The revised definition of sustainability matters would be:

“Environmental, social, economic and cultural matters, including:

The value created by and outcomes and impacts of an entity's business model, governance, strategy, products and services for or on investors, the environment, society, economy or culture, or the impacts on the entity

The entity's business model, governance, strategy, policies, performance and plans relating to such matters.”

This would clarify that all matters relating to enterprise value, a whole-of-business financial concept, are sustainability matters under ISSA 5000.

The main consequence of making the change will confirm that all matters relevant to an organisation's Purpose and enterprise value are matters that could reasonably be expected to affect its cash flows, access to finance or cost of capital and are in-scope for ISSA 5000.

Importantly, we recommend that the table in paragraph A32 should also be changed as follows to accommodate whole-of-report assurance, including assurance of descriptions of The Business under sustainability reporting mechanisms, frameworks and standards, as well as assurance of sustainability metrics and associated disclosures:

Having made these adjustments, limitations of the proposed ISSA 5000 will provide guidance for practitioners on a standards / framework-agnostic and standards / framework-inclusive basis in relation to practitioners evaluating comprehensive or partial descriptions of the business.

That is, ISSA 5000 will then cover IFRS Sustainability Disclosure Standards, paragraph 19(a) of the CSRD, the Brazilian integrated reporting directive, the Integrated Reporting Framework, the Management Commentary Practice Statement and the standards, guidance and examples will need to be boosted accordingly. This matter needs to be addressed in the final version of ISSA 5000.

Matters needing explanation relate to the assurance practitioners evaluating descriptions of:

the business - refer answer to Question 7.

whether the pre-conditions for assurance have been met - refer answer to Question 8.

the materiality process - refer answer to Question 9.

internal control – evaluation when part of sustainability information - refer answer to Question 10.

Available resources, such as Examples 9 (Management Commentary + GRI), 10 (Integrated Reporting Framework), 16 (TCFD Recommendations) and 17 (qualitative misstatements) of the IAASB's 2021 Extended External Reporting Assurance Guidance can be drawn upon in building this area on a standards and framework-agnostic basis.

Otherwise at least a conforming and consequential amendment would be required to clarify that descriptive material including a description of the business must be assured under ISAE 3000 with a corresponding change ISAE 3000, which would be contrary to the aim of ISSA 5000 being a 'one stop shop' for all aspects of sustainability reporting assurance.

## 5.4 Disagree with comments

### 4. Regulators and Audit Oversight Authorities

#### Financial Reporting Council – UK (FRC)

ED-5000 defines “sustainability information” as “information about sustainability matters”.

Paragraph 4 of ED-5000 explains that references to “sustainability information” in ISSA 5000 are only intended to refer to sustainability information that is subject to the assurance engagement. In situations where the entity has not sought assurance over the entirety of its reported sustainability information, this will be a substantial limitation of the scope of the term, which has the potential to confuse anyone unfamiliar with this approach of limiting the term to a subset of the sustainability information presented by the entity.

We suggest the IAASB include an illustrative report for scenarios where the sustainability assurance report is not on the entirety of the entity's reported sustainability information. This should show the assurance practitioner clearly describing the scope of the information they are opining on.

### 5. National Auditing Standard Setters

#### American Institute of Certified Public Accountants (AICPA)

We appreciate that the IAASB has sought to clearly indicate when ED-5000 is intended to refer to the broader population of all sustainability information reported by the entity by using the phrase “sustainability information expected to be reported”. However, additional clarity is needed.

Definition of sustainability information

We are concerned that IESBA and IAASB have different definitions of sustainability information. While the Explanatory Memo states that there will be further opportunities for the two Boards to align this definition, it does not serve the public interest to have IESBA exposing a different definition rather than using the definition the IAASB has already deliberated extensively. The path to alignment will be difficult if the respondents to each exposure draft do not offer any feedback on the definition in the other exposure draft (which is most likely). The IAASB should request that IESBA expose a definition that is consistent with the

definition in ED-5000 or address the reasons for the differences in the Explanatory Memorandum to its Exposure Draft.

Definition of sustainability matters (Paragraph 17vv)

We propose that the definition of sustainability matters be modified as follows:

“Sustainability matters – Environmental, social, economic and cultural and governance matters, including:

The impacts of an entity's activities, products and services on the environment, society, or economy or culture, or the impacts on the entity, and

The entity's policies, performance, plans, goals and governance relating to such matters.”

We've proposed the above modifications given the following:

The term “ESG” (which refers to environmental, social and governance matters) and the term “sustainability” are widely used interchangeably, on a global basis;

“Cultural” is essentially a subset of “social”; and

The use of the term “economic” is so broad that theoretically it could scope in the company's financial results, and unnecessary given current understanding of sustainability matters.

#### **Auditing and Assurance Standards Board Canada (AASB)**

In considering the definitions alongside the requirements in ED-5000, we identified some areas where clarifications are required.

Concern: Definition of 'sustainability matters'

Clarity is needed on the definition of sustainability matters given it:

Excludes governance as a core sustainability matter and only considers governance in the "entity's policies, performance, plans, goals and governance relating to sustainability matters". Many people today view sustainability matters as environmental, social and governance (ESG). The absence of governance from the definition of sustainability matters results in ambiguity whether the metrics in current engagements on governance matters are sustainability matters.

Includes economic as a core sustainability matter. It's not clear whether economic is needed as a core item listed in the definitions of sustainability matters. The only example of economic impacts is in paragraph A32 which says, “Economic impacts, such as government assistance, tax strategy, anti-competitive behavior, anti-corruption and market presence.” Any sustainability topic that relates to the usage or creation of resources will have an economic impact.

Includes both cultural and social as core sustainability matters. We are unclear how cultural matters are different than social matters. The application material does not sufficiently describe how cultural and social matters differ. Paragraph A32 provides several examples of topics and aspects of topics but does not explain whether they are social or cultural.

Suggest:

Revisiting the terms “environmental, social, economic and cultural” in the definitions of sustainability matters and consider whether they are the correct terms, or whether all are needed.

If these terms continue to be used, suggest adding application material on what is included under each of the terms “environmental, social, economic and cultural”.

Concern: Potential implementation challenges when applying the definitions

Given practitioners initial lack of familiarity with these concepts as they are newly defined in ED-5000, we heard the following concerns:

More clarity is needed on how topics and aspects of topics tie to sustainability information and sustainability matters. Understanding the terms and relationship between them is important. Those who haven't been following ED-5000 development closely found the terminology and relationship between the terms difficult to understand.

It may be difficult for some practitioners to conceptualize how to practically apply the definitions of sustainability information and sustainability matters in an engagement. Some respondents indicated needing to review ED-5000 and supporting outreach material multiple times to grasp the concepts sufficiently enough to apply them.

Confusion and implementation issues that may result from possible divergence in how the terms are defined by different standard-setting bodies. For example, the definitions of "reporting boundary" and "sustainability information" from IESBA's September 2023 Sustainability meeting materials contain differences from the definitions of these same terms in ED-5000. However, we acknowledge that there is a concurrent project on an IESBA Sustainability Code, and the IAASB has committed to collaborating with IESBA on these projects, which we hope will address this divergence.

Suggest:

First-time implementation guidance to support the core definitions of sustainability matters, sustainability information and disclosures and describe the interconnectivity of those concepts with topics and aspects of topics. Appendix 1 is a helpful and simple resource. However, further guidance is needed as understanding these terms and the interrelationship between them is very important to the successful performance of these engagements.

Ensure the definitions and terms used between the IAASB and IESBA are consistent, to avoid confusion and support consistent implementation of the standards.

#### **Australian Auditing and Assurance Standards Board (AUASB)**

The AUASB supports the definition of 'sustainability matters'.

There may be some confusion around the interaction of the definition of "sustainability information" in paragraph 17(uu) and the statement in paragraph 4 "When the assurance engagement does not cover the entirety of the sustainability information, the term sustainability information is to be read as the information that is subject to the assurance engagement", and how the term is subsequently used throughout the standard.

The IAASB could integrate material from paragraph 4 into the definition of 'sustainability information' in paragraph 17(uu) to create a standalone definition. Thereafter, 'sustainability information' could be used throughout the standard when referring to all information reported by the entity and using 'sustainability information subject to assurance' when referring to information within the scope of the assurance engagement.

The definitions of sustainability matters and sustainability information both include a sentence referencing equivalent terms in other IAASB assurance standards. The AUASB suggests these sentences are removed from both definitions as ED-5000 is a stand-alone standard and such references may be confusing to non-accountant practitioners.

## 6. Global Standard Setter

### Global Reporting Initiative (GRI)

Clearly define 'sustainability matters'

GRI understands that the proposed sustainability assurance standards are intended to be used and applied to reported information related to an organization's most significant impacts on sustainable development (for all stakeholders including investors), risks and opportunities that affect investor decision making as well as to information reported against a double materiality framework. We believe that adopting the wording 'sustainability matters' when referring to information on sustainability-related risks and opportunities could lead to confusion, as this diverts away from the globally accepted and used term of 'sustainability' as meaning sustainable development in relation to economies, society and the environment.

If IAASB intends that 'sustainability matters' indeed covers sustainability related consequences for value creation, then the wording should be adjusted accordingly. There should not be any language used that suggests this is referring to impacts on sustainable development. The ISSB appropriately uses the terms 'sustainability-related risks and opportunities' and 'sustainability-related financial information' when referring to their standards.

This should not be confused with sustainability reporting, which refers to the process of reporting that requires an organization determining its most significant impacts on sustainable development.

There is already significant confusion among a wide range of stakeholders around the reporting landscape, and we are concerned that this language will only compound this confusion. The distinction between sustainability reporting using the GRI Standards which is concerned with sustainable development, and sustainability-related financial reporting using the IFRS Standards concerned with the consequences for the organization is not always understood. It is critically important that these assurance standards clarify the landscape, and not further confuse it. For these to be effective and meet their intended purpose there must be no room for confusion or misinterpretation.

### Social Value International

Sustainability information is raised in paragraph 3 and then defined in paragraph 17 (uu) as information about sustainability matters which are defined as environmental, social, economic and cultural matters. The definition in 17 (vv) does not define 'matters'. The bullet on what these matters 'include' suggests that a) this is not a complete list b) defines them as impacts on environmental social, economic and cultural matters. The definition could also address the boundary between financial and economic matters. It would be helpful here for the proposed standard to elaborate on the importance of assessing the business model of the entity and understanding its dependencies and impacts. This will be a useful heuristic to check that the scope of the engagement is 'rational' and consistent with the thinking of the ISSB in S1 and its reference to sector based business models as set out in the SASB standards.

Sustainability information requires engagement with stakeholders and an understanding of the sustainability context within which an entity operates. This together with discussion about effective engagement as part of the process of reducing risk needs to be included.

We recommend that since IASB covers information on economic phenomena, the difference between these economic phenomena and the economic matters covered in sustainability information should be clarified. The reasons for omitting governance run counter to the importance given to the subject by investors and other users. In our view, governance is not only a matter of internal process but a wider issue of how entity engages with and maintains its relationships with its stakeholders. What is presented at A32 is inconsistent

with ESRS where governance is a topic not an aspect of a topic. Whilst we note this is an example it is nonetheless potentially misleading in how it presents governance which itself has a number of aspects as set out in various global and national governance codes and conventions.

The definitions provided widen the scope of what could be claimed to be sustainability information. This will make it difficult for an assurance provider to decide whether an engagement relates to sustainability information and therefore whether this is the appropriate assurance standard.

Increasingly performance against this definition is being measured by reference to well-being and human rights which would then also form the basic elements for sustainability reporting, and would be the underlying subject matter, and which are then aggregated into other taxonomies, for example, sustainability topics.

The implications of providing assurance against a scope that is not consistent with the most widely used definition of sustainable development (Brundtland, 1987) or with increasing requirements for reporting on performance include risks that

the scope could exclude information that relates to the recognised definition of sustainability, or in other words, could exclude negative impact on people's wellbeing and or their human rights.

the reported information includes information on for example human rights that are not part of the information that will be assured and that information on human rights is neither complete nor accurate.

the sustainability matters that are reported against a scope are not appropriate. This is addressed in paragraph 71. However paragraph 71 does not provide guidance on whether matters have been omitted that are relevant or included that are not and focuses on faithful representation. A172 b refers to completeness of criteria in relation to a matter (or presumably to a topic or an aspect of a topic) but not directly to completeness of the matters.

We recommend that the scope should also include the need to reference the intended users, their decisions and purpose. These issues are raised later in the ED in the application material but are fundamental to what follows and should be included in the early sections.

We recommend that the existing internationally recognised definition of sustainable development should be included:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (Brundtland, 1987)

We recommend that, where the scope is restricted and does not include all defined impacts that meet a level of certainty, the assurance opinion should include a statement that there remains a risk that there are unaccounted negative impacts on wellbeing and or on human rights. This could be an expansion of paragraph 180 since the risk would be a general one.

Sustainability information is not defined or recognised as being based on underlying elements that are aggregated for reporting as is the case with financial information. The ED appears to rely on existing practices for determining sustainability topics with the option of further disaggregation. The basic element would be information on changes in well-being, that may be estimated and aggregated or even assumed from use of proxies.

Para 3 states that law or regulation or sustainability reporting frameworks may describe sustainability matters, topics or aspects of topics. Topics and aspects of topics should be defined. The implication appears to be that topics and aspects of topics are a disaggregation of matters as opposed to aggregation of fundamental building block of sustainability information, i.e. well-being. This increases the risk that the information will not be complete or there may be double counting both within topics but also between financial reporting and associated sustainability reporting. This is important where there is the same user of these reports.

We recommend that a basic unit for sustainability is recognized alongside topics and subtopics, comparable with economic phenomena in financial reporting, and that the risk is raised for completeness and decision making in relation to a defined purpose of scopes that start from an aggregation.

In financial accounting the information that is useful consists of information on economic resources available to the entity and the management's stewardship of those resources. This is the information that results in a balance sheet and a profit and loss account. The creation of information in this format requires a common unit. In financial reporting this information is primarily, although not exclusively based on transactions. The equivalent in sustainability reporting would be a statement of those resources used but not owned by the entity, commonly called dependencies, and a statement of the non- financial positive and negative impacts arising from the use of both assets and dependencies expressed in a common unit. These are not generally available in current sustainability reporting although there are examples.

We recommend that the ED should consider this type of reporting and consider any consequences for criteria especially as existing approaches require a common unit, often a monetary valuation.

## 7. Accounting Firms

### Deloitte LLP

With regard to the definition of sustainability matters, we suggest the definition use the terms “environmental, social, and governance” and exclude “cultural” and “economic” as this better aligns with current practice and is well understood by users of sustainability reporting. Specifically, with respect to the term “economic”, we believe this term is expansive and might be misinterpreted as including the financial statements.

With regard to sustainability information, the term is not used consistently within ED-5000. For example, the term as defined in paragraph 17(uu) describes sustainability information as akin to “subject matter information” in other IAASB standards, whereas paragraph 4 acknowledges that sustainability information could encompass information that is reported by the entity but not included in the scope of the assurance engagement. An additional example is in the “Preconditions for an Assurance Engagement” section: paragraph 69(a-b) uses the term to refer to the totality of sustainability information reported by the entity while paragraphs 70-72 appear to use the term in the context of sustainability information subject to assurance.

We believe there is a need within the standard to differentiate between three populations of information:

(a) the totality of sustainability information reported by the entity, (b) the sustainability information subject to assurance, which may be just a part of (a), and (c) other information as defined in paragraph 17(ee). As a result, we recommend the IAASB introduce a third term: “sustainability information subject to assurance”.

This will require the following edits to ED-5000:

Paragraph 4 – delete the third sentence:

“The scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity or only part of that information. For example, in certain jurisdictions, law or regulation may require that only climate-related disclosures in an entity’s sustainability information be subject to assurance. When the assurance engagement does not cover the entirety of the sustainability information, the term “sustainability information” is to be read as the information that is subject to the assurance engagement. Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is “other information” as defined in paragraph 17(ee). (Ref: Para. A2)”

Paragraph 17(uu) – revise the definition of “sustainability information” as proposed below and add another paragraph to define the new term “sustainability information subject to assurance”, which includes the addition of the proposed (underlined> sentence:

“Sustainability information – Information about sustainability matters.”

New paragraph 17(u\*)

“Sustainability information subject to assurance - Sustainability information, reported in accordance with the applicable criteria, that is the subject of the assurance engagement.

Sustainability information subject to assurance results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information subject to assurance is the equivalent of “subject matter information” in other IAASB assurance standards.

All subsequent requirements and application material – use the new term “sustainability information subject to assurance” when referring to the information subject to the assurance engagement and use “sustainability information” when referring to the entity’s sustainability reporting as a whole. [for example, in paragraph A216, replace “subject matter” with “sustainability information subject to assurance”]

We also note the importance of aligning terminology and definitions between ED-5000 and the pending IESBA changes referenced in our response to Question 4 above to ensure consistent use and understanding.

### Grant Thornton International

We believe the current definition of sustainability information is too broad, which may lead to inconsistent application. Based on the definition of sustainability information as drafted in ED-5000, management and practitioners may interpret sustainability information differently as there is uncertainty around whether certain information is sustainability information. We believe the examples provided are limited and need to be more specific to avoid inconsistencies in practice when applying the definition and related application material. For example, paragraph A32 in ED-5000 lists economic impacts, such as tax strategy, as a sustainability topic. Some entities may identify their overall tax strategy as a sustainability topic, whereas other entities may identify the tax strategy over the broader sustainability matters or just the tax strategy over a specific aspect, such as carbon offset credits, as a sustainability topic. We suggest the IAASB refine examples to be more specific to promote consistent application.

Additionally, under the EU’s Corporate Sustainability Reporting Directive (CSRD), governance is considered a separate sustainability topic, but in ED-5000, governance is considered an aspect of topics to be reported. We believe this difference creates the potential for further confusion and inconsistency in practice between various jurisdictions. For example, under the CSRD, entities may consider governance over sustainability

matters to be in scope, but governance over the tax strategy would not be in scope if the tax strategy is not a sustainability matter. In contrast, under ED-5000 the tax strategy as a whole may be in scope. It is unclear how the practitioner may treat governance under ED-5000 when providing assurance under the CSRD. Such fundamental jurisdictional differences could have two unintended consequences:

Jurisdictions may choose not to adopt ED-5000 and instead create their own sustainability assurance standards, thereby decreasing investor's acceptance of ED-5000 as the global baseline for sustainability assurance.

Reports under ED-5000 are not comparable at a global level and, in some cases, could be viewed as incomplete, which does not serve the public interest.

We suggest the IAASB consider how the current treatment of governance may limit the use of ED-5000 under certain sustainability reporting frameworks and create inconsistencies in how practitioners address governance under different reporting frameworks.

### **MNP LLP**

We have some concerns with the definition of sustainability matters in ED-5000. We note that governance is excluded as a core sustainability matter. Most stakeholders consider governance to be a key pillar of sustainability (the "G" in "ESG"). Excluding governance may create confusion about whether governance related metrics should be considered sustainability matters. We also note that economic and cultural matters are included as core sustainability matters. The inclusion of economic matters may conflate what many stakeholders consider to be sustainability matters with financial matters, as "economic" is generally defined as concerned with the organization of money, industry, and trade. We are also unclear how cultural matters would be considered differently than social matters. There are different definitions of what cultural means (e.g., relating to a particular nation, people, or social group or it can be more broader patterns of perception, values and behaviours across diverse populations), and these definitions could equally fall under the broader social pillar. We believe these definitions of sustainability matters should be revisited to avoid confusion and ensure consistent application.

### **Nexia International**

"Sustainability matters"

We noted the definition of sustainability matters, below, and believe the words "economic" and "cultural" should be removed, so as to align with the current "ESG" acronym in use. Also, the word "economic" could be interpreted as to include engagements related to financial statements, thus causing market confusion.

"Sustainability matters – Environmental, social, economic and cultural and governance matters, including:

The impacts of an entity's activities, products and services on the environment, society, or economy or culture, or the impacts on the entity, and

The entity's policies, performance, plans, goals and governance relating to such matters."

"Sustainability information"

We recommend paragraphs 4 and 17uu be expanded to differentiate between "sustainability information" overall and "sustainability information subject to the assurance engagement." Such a distinction will provide clarity for practitioners.

### PKF International Limited

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.

### PricewaterhouseCoopers International Limited

Sustainability information, criteria and applicable criteria

We consider the definition of sustainability matters to be sufficiently clear and understandable. However, with respect to the definition of sustainability information, we believe the interaction of the statement made in paragraph 4, the definition, and how that term is subsequently used in certain requirements appears flawed. At a minimum, we have encountered significant confusion resulting from how different individuals interpret the definition and how it is then applied in the context of certain requirements. We acknowledge the challenges in seeking to adopt a definition that is not in conflict with the definition of sustainability information being developed by the IESBA, however, we believe the IAASB needs to reconsider the construct that has been adopted in ED-5000.

Paragraph 4 states: "When the assurance engagement does not cover the entirety of the sustainability information, the term "sustainability information" is to be read as the information that is subject to the assurance engagement. Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is "other information" as defined in paragraph 17(ee)."

For purposes of the definition in paragraph 17(uu), this needs to be read in two ways – referring to both sustainability information reported by an entity as a whole (some or all of which may be subject to the assurance engagement) and, as per paragraph 4, the sustainability information that is subject to the assurance engagement. With respect to the former, any sustainability information not subject to the assurance engagement is then further redefined as "other information", which adds an additional layer of complexity.

Similar confusion also arises from the definition of criteria. Criteria relates to sustainability information reported as a whole by an entity. "Applicable criteria" is linked to the assurance engagement scope and is therefore a subset of the overall criteria that the entity may be required to apply. ISAE 3000 (Revised) clearly states that underlying subject matter is measured or evaluated by applying criteria and that the subject matter information is the outcome of the measurement or evaluation of the underlying subject matter against the criteria i.e., the term "applicable criteria" is not used when referring to the information reported as a whole. We believe there is a flaw in the definition of criteria in ED-5000 as it defines "applicable criteria" as comprising either framework criteria, entity-developed criteria or both. While this will logically be a true statement, the fact is more appropriately applied to the criteria as a whole (see proposed recommendation below).

We believe that there may also be a common extant understanding, arising from the application of ISAE 3000 (Revised) and reinforced by the IAASB's EER guidance, that "subject matter information" always equates to the information that is subject to assurance, even though the ISAE 3000 (Revised) definitions do not explicitly state this.

Within the context explained above, applying the current proposed definitions to the requirements, we note the following challenges:

Paragraph 69(a) is confusing. If a practitioner already has a preliminary knowledge that the engagement scope is a subset of the entity's overall reporting, this requirement could be read by the practitioner using the lens applied by paragraph 4 i.e., they focus only on information subject to assurance, which is not the intent of this requirement. Paragraph 69(b) becomes somewhat redundant in that light.

Paragraph 70(a) – it is unclear whether this is to be read in the context of the information as a whole or the scope determined in accordance with paragraph 69(b) (it would not be unreasonable to expect that management should have a reasonable basis for all information they plan to report).

Paragraph 72 (lead-in) – by referring to “criteria” rather than “applicable criteria” this requirement implies that “sustainability information” should be read as referring to the totality of information reported by the entity rather than the information subject to the assurance engagement. We believe this requirement should be referring to “applicable criteria” throughout, based on the definition.

There are several other requirements that could be cited; however the above examples illustrate the risk of confusion.

While we understand the IAASB was mindful of the overall length of the standard in seeking to minimise elongated terms, we believe that the need for clarity and understandability takes precedence over length. We therefore recommend the following:

Paragraph 4 – delete the third sentence.

Definition of sustainability information and sustainability matters – Clarifying the potential existing misconception between sustainability information as a whole and sustainability information subject to assurance, and related references to criteria (aligned with ISAE 3000 (Revised)), to more appropriately and clearly stratify the population of information being referred to, as follows:

“Sustainability information – Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. Sustainability information, reported in accordance with the applicable criteria, that is the subject of the assurance engagement is referred to in the ISSAs as

“sustainability information subject to assurance”.

“Sustainability matters – Environmental, social, economic and cultural matters, including:

- (i) The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and
- (ii) The entity's policies, performance, plans, goals and governance relating to such matters.

For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.”

Definition of criteria – Based on the flaw we describe above and given the importance of providing a clear understanding of the distinction between reported information and information subject to assurance, and the key relationship to each of these concepts with the terms “criteria” and “applicable criteria”, we recommend splitting the definition of criteria into two distinct definitions:

“Criteria – The benchmarks used to measure or evaluate the sustainability matters. The “applicable criteria” are the criteria used for the particular engagement and Criteria comprise either framework criteria, entity-developed criteria or both. Framework criteria are either fair presentation criteria or compliance criteria.

The term “fair presentation criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework and: (Ref: A454-A455)

(i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the sustainability information, it may be necessary for management to provide information beyond that specifically required by the framework; or

(ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the sustainability information. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgments in (h)(i) or (h)(ii) above.”

“Applicable criteria – the criteria used for the particular assurance engagement.”

All subsequent requirements and application material – Use “sustainability information” when referring to the totality of information reported by an entity and, when specific clarity is warranted, use “sustainability information subject to assurance” when explicitly referring to the information within the scope of the engagement for purposes of the practitioner’s required work effort.

We note that such clarity is already achieved in paragraphs 74 and 78 and encourage the IAASB to adopt changes, either those described above or equivalent, that would bring this necessary clarity.

We also believe the above approach would more directly complement the definitions being considered by the IESBA. Stating that sustainability information is to be read as referring to the information within the scope of the engagement likely does not align well with the IESBA broader definition, or risks confusion.

#### **UHY International**

We advise the IAASB to consider the scope of recently issued reporting frameworks and the scope of the AICPA Audit Guide: Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures). The definition should allow for flexibility as global reporting frameworks evolve. The definition should clarify how ED-5000 applies to sustainability information required to be disclosed under frameworks such as the European Sustainability Reporting Standards (ESRS) or IFRS Sustainability Disclosure Standards.

### **8. Assurance Practitioner or Firm - Other Profession**

#### **Academy for Practical Training on Sustainability Assurance (APTISA)**

See comment under Q1 regarding the title of the standard, but additional clarity could be achieved by including in the definitions (17uu and 17vv) reference to sustainability matters/information pertaining to the assurance engagement’.

I am also not convinced that the diagram in Par. 36 and Appendix 1 of the ED adds to clarity. It should at least indicate that the 3 topics are only examples! In addition the aspects of topics that might be assured is

incomplete. I suggest increasing the aspects with 'strategy and policies' and 'management' between 'risks and opportunities' and 'metrics'. It is the description of how the organization manages the risks that is a fundamental part of sustainability reporting and which is of concern to users.

### SGS

Though paragraph 31 mentioned "IAASB was of the view that governance is related to the actions taken by the entity to address sustainability matters, and therefore is an aspect of a topic", some of the topics that naturally fall under governance, such as anti-corruption and bribery, although they are essentially control measures the sustainability topic, doesn't really fit into any of the other topic categories mentioned, so may be missed.

Also, since this standard is intending to be framework-neutral, it would be good to include the scope of definitions of mainstreaming reporting frameworks, such as GRI, ESRS, and IFRS. ESRS defines "sustainability matters" as " environmental, social and human rights, and governance factors".

We recommend adding governance into the definition of sustainability information and sustainability matters in ED-5000.

### TIC Council

Though paragraph 31 mentioned "IAASB was of the view that governance is related to the actions taken by the entity to address sustainability matters, and therefore is an aspect of a topic", some of the topics that naturally fall under governance, such as anti-corruption and bribery, although they are essentially control measures the sustainability topic, doesn't really fit into any of the other topic categories mentioned, so may be missed.

## 9. Public Sector Organizations

### Government Accountability Office - US

We believe that the proposal should better clarify the sustainability definitions and provide examples in the application material as the nature of the definitions is very broad. Specifically, providing examples of the inclusion of issues that pertain to society, economy, and culture would be helpful in fostering a better understanding of the expectations for scoping sustainability assurance engagements.

### Office of the Auditor General (New Zealand)

See our response to question 1 on improving the presentation of key concepts of ED-5000.

The definition of sustainability matters includes an entity's plans and goals relating to its activities and services, and their impact on the environment, society, economy or culture.

We recommend that ED-5000 clarifies whether it is applicable to an entity's strategic/accountability documents which could include the above-mentioned sustainability matters. In some jurisdictions the strategic/accountability documents may be subject to assurance (largely, the reasonableness of assumptions and underlying data). If the IAASB wish to understand examples of these, we are happy to share them.

### Office of the Auditor General of Alberta

ISSA 5000 should include a definition of sustainability as "meeting needs of the present while preserving ability to meet future needs." Without such a definition it will be very difficult to evaluate suitability of criteria,

especially relevance and completeness. ISSA 5000 should be clear that sustainability is about external impacts, and mitigation and reduction of negative impacts, and that the objective of the assurance engagement is to enhance confidence in management's measurement and evaluation of the mitigation of negative external impacts.

We are concerned about the "or" in the definition of sustainability matters as "impact on entity" or "external impact." The "or" allows an engagement to be only about "impact on the entity" and A180 says the impacts on the entity are financial. While appearing desirable because it achieves "framework neutrality," this allows a re-definition of sustainability. Further, we note considerable ambiguity in the distinction between impacts on the entity and external impacts and find the concept probably can be removed from the standard, or at least deemphasized: are GHG emissions impacts on the entity (e.g. having to change operations to reduce GHG) or external? Are social metrics such as wages by gender, or diversity of executive management, internal or external? Or health and safety, or training? This also ignores that external impacts can also be financial (e.g. supply chain partners expenditure to reduce energy usage downstream, or people having to sell homes at a loss to avoid pollution). The distinction between internal and external impacts is not useful and could allow engagements where the only focus is "internal" meaning "financial" or "impacts on investors and enterprise value," as investors decision making is conflated with the financial impacts on the entity.

Greater clarity is needed throughout when the entity's processes are sustainability information i.e. subject matter of the assurance engagement. For example, it is not appropriate to allow rotation of testing of controls every three years as paragraph 122 does if the controls over achieving sustainability outcomes are being assured each period. As well, paragraph 107 should include the practitioner obtaining an understanding of internal control if the internal control is the subject matter of the engagement i.e. because the control activities are part of how the entity mitigates negative sustainability impacts.

In addition, the word "processes" should be added after "policies" in paragraph 17 vv (ii) definition of sustainability matters.

## 10. Member Bodies and Other Professional Organizations

### Center for Audit Quality

Regarding the definition of sustainability matters:

(1) We propose that the definition of sustainability matters be modified as follows:

"Sustainability matters – Environmental, social, economic and cultural and governance matters, including:

The impacts of an entity's activities, products and services on the environment, society, or economy or culture, or the impacts on the entity, and

The entity's policies, performance, plans, goals and governance relating to such matters."

We've proposed the above modifications given the following:

The term "ESG" (which refers to environmental, social and governance matters) and the term "sustainability" are widely used interchangeably, on a global basis;

"Cultural" is essentially a subset to of "social"; and

The use of the term "economic" is problematic because it's so broad that it could cover the financial statements.

Regarding the definition of sustainability information:

We believe there is a risk of significant confusion resulting from the interaction of the statement made in paragraph 4, the definition, and how that term is subsequently used in the requirements. For example, the use of sustainability information in the preconditions section of the standard doesn't align with how the term is described in paragraph 4, because in the preconditions it is often using the term in the context of all the information reported by the entity, rather than just the information within the scope of the engagement.

We believe the IAASB should reconsider the construct that has been adopted in ED-5000. We therefore recommend the following:

Paragraph 4 – Delete the third sentence:

“The scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity or only part of that information. For example, in certain jurisdictions, law or regulation may require that only climate-related disclosures in an entity's sustainability information be subject to assurance. When the assurance engagement does not cover the entirety of the sustainability information, the term “sustainability information” is to be read as the information that is subject to the assurance engagement. Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is “other information” as defined in paragraph 17(ee). (Ref: Para. A2)”

Definition of sustainability information (para. 17 (uu) – Clarify the potential existing misconception between sustainability information as a whole and sustainability information subject to assurance, and related references to criteria (aligned with ISAE 3000 (Revised)), to better stratify the population of information being referred to:

“Sustainability information – Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. Sustainability information that is the subject of the assurance engagement is referred to in the ISSAs as “sustainability information subject to assurance”. For purposes of the ISSAs, sustainability information subject to assurance is the equivalent of “subject matter information” in other IAASB assurance standards.”

All subsequent requirements and application material – Use “sustainability information” when referring to the totality of information reported by an entity and use “sustainability information subject to assurance” when explicitly referring to the information within the scope of the engagement for purposes of the practitioner's required work effort.

Further we note that the definitions of sustainability information and sustainability matters are fundamental to the interoperability of ED-5000 with various reporting standards. We encourage the IAASB to work to ensure that these definitions are not in conflict with prominent existing required and voluntary frameworks such that the standard would be challenging to apply. Further, we strongly encourage the IAASB and IESBA to align their definitions of these terms as much as practicable.

### **Chartered Accountants Ireland**

The definition of Sustainability Information in Paragraph 17 (uu) is not sufficiently clear that it relates only to sustainability information resulting from measuring or evaluating against the applicable criteria.

We suggest the following edit:

“Sustainability information – Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. i.e., the information about sustainability matters that results from

applying the criteria to the underlying sustainability matters. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. (Ref: Para. A32).”

Also, it is unclear whether reference to “measuring or evaluating sustainability matters” is from the entity’s perspective or the practitioner’s perspective, or both? We understand this should be from the perspective of the party responsible for carrying out the “measurement or evaluation of sustainability matters” however, we believe the standard should state this to provide clarity.

We note the following additional matters in the definitions (paragraph 17) which we believe require clarification:

Definition (vv)

‘including’ – does this mean this is not definitive, we suggest.” including, but not restricted to.”

(vv)(i) we suggest that the definition should cross refer to the reporting entity’s “double materiality assessment”.

### CPA Australia

We support the definition of ‘sustainability matters’.

Feedback we have received indicates that the definition of Sustainability Information could be made clearer as below:

17(uu) Sustainability information – Information about sustainability matters. Sustainability information is disclosure of information resulting results from measuring or evaluating sustainability matters against the applicable criteria that is subject to the assurance engagement. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. (Ref: Para. A32)

We have also heard that the inclusion of ‘culture’ in the definition of Sustainability Matters can be challenging. Stakeholders are concerned with the inclusion of ‘culture’ as it may be extremely challenging for the practitioner to be able to obtain meaningful and appropriate documentary evidence on culture. ‘Culture’ may also mean different things to different people. What is documented by an organisation in respect of culture is usually the policies and value statements which are aspirational and evidencing the outcomes of such policies and value statements may be challenging. Therefore, we recommend some consideration is given to this specific aspect of sustainability matters and more guidance is provided on how to obtain evidence on “culture” and opine on the “culture” of an entity.

We note the definition of sustainability matters (paragraph 17 (vv)) includes “economic” matters. As financial matters could be considered a subset of economic matters, to avoid confusion, we suggest specifically scoping out “financial” information from the definition of sustainability matters.

As noted in the EM to ISSA 5000, the IESBA is also currently developing the definition of Sustainability Information as part of their project to develop ethical requirements as they relate to sustainability assurance. We encourage close collaboration between the two Boards to ensure the definition of Sustainability information is the same. The Boards should aim at deriving an identical definition of key terms such as sustainability information to avoid further confusion in the market.

### **Institute of Chartered Accountants of Scotland (ICAS)**

The use of 'sustainability matters' when referring to information on sustainability-related risks and opportunities could lead to confusion, as this differs from the globally accepted use of the term 'sustainability' as meaning sustainable development in relation to economies, society and the environment. These risks are better referred to as sustainability-related matters. There should be a clear distinction between matters concerned with sustainable development and sustainability related matters that affect the organisation.

### **New York State Society of Certified Public Accountants (NYSSCPA)**

Response: No, the ED should not create new definitions of what constitutes sustainability information and sustainability matters. This standard should instead direct practitioners to use the existing definitions provided by groups such as the International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI) and the European Union's Corporate Sustainability Reporting Directive (CSRD). The IAASB has enough of a workload, without adding the challenge of improving on the work already done in this area. We also do not agree with adding a "cultural matters" dimension as culture may be viewed as a subset of social matters. Therefore, the IAASB should remove all mention of cultural matters and culture.

## **12. Individuals and Others**

### **Capitals Coalition**

Sustainability information is raised in paragraph 3 and then defined in paragraph 17 (uu) as information about sustainability matters which are defined as environmental, social, economic and cultural matters. The definition in 17 (vv) does not define 'matters'. The bullet on what these matters 'include' suggests that a) this is not a complete list b) defines them as impacts on environmental social, economic and cultural matters. The definition could also address the boundary between financial and economic matters. It would be helpful here for the proposed standard to elaborate on the importance of assessing the business model of the entity and understanding its dependencies and impacts. This will be a useful heuristic to check that the scope of the engagement is 'rational' and consistent with the thinking of the ISSB in S1 and its reference to sector based business models as set out in the SASB standards.

Sustainability information requires engagement with stakeholders and an understanding of the sustainability context within which an entity operates. This together with discussion about effective engagement as part of the process of reducing risk needs to be included.

We recommend that since IASB covers information on economic phenomena, the difference between these economic phenomena and the economic matters covered in sustainability information should be clarified. The reasons for omitting governance run counter to the importance given to the subject by investors and other users. In our view, governance is not only a matter of internal process but a wider issue of how entity engages with and maintains its relationships with its stakeholders. What is presented at A32 is inconsistent with ESRS where governance is a topic not an aspect of a topic. Whilst we note this is an example it is nonetheless potentially misleading in how it presents governance which itself has a number of aspects as set out in various global and national governance codes and conventions.

The definitions provided widen the scope of what could be claimed to be sustainability information. This will make it difficult for an assurance provider to decide whether an engagement relates to sustainability information and therefore whether this is the appropriate assurance standard.

Increasingly performance against this definition is being measured by reference to well-being and human rights which would then also form the basic elements for sustainability reporting, and would be the underlying subject matter, and which are then aggregated into other taxonomies, for example, sustainability topics.

The implications of providing assurance against a scope that is not consistent with the most widely used definition of sustainable development (Brundtland, 1987) or with increasing requirements for reporting on performance include risks that

the scope could exclude information that relates to the recognised definition of sustainability, or in other words, could exclude negative impact on people's wellbeing and or their human rights.

the reported information includes information on for example human rights that are not part of the information that will be assured and that information on human rights is neither complete nor accurate.

the sustainability matters that are reported against a scope are not appropriate. This is addressed in paragraph 71. However paragraph 71 does not provide guidance on whether matters have been omitted that are relevant or included that are not and focuses on faithful representation. A172 b refers to completeness of criteria in relation to a matter (or presumably to a topic or an aspect of a topic) but not directly to completeness of the matters.

We recommend that the scope should also include the need to reference the intended users, their decisions and purpose. These issues are raised later in the ED in the application material but are fundamental to what follows and should be included in the early sections.

We recommend that the existing internationally recognised definition of sustainable development should be included:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (Brundtland, 1987)

We recommend that, where the scope is restricted and does not include all defined impacts that meet a level of certainty,

the assurance opinion should include a statement that there remains a risk that there are unaccounted negative impacts on wellbeing and or on human rights. This could be an expansion of paragraph 180 since the risk would be a general one.

Sustainability information is not defined or recognised as being based on underlying elements that are aggregated for reporting as is the case with financial information. The ED appears to rely on existing practices for determining sustainability topics with the option of further disaggregation. The basic element would be information on changes in well-being, that may be estimated and aggregated or even assumed from use of proxies.

Para 3 states that law or regulation or sustainability reporting frameworks may describe sustainability matters, topics or aspects of topics. Topics and aspects of topics should be defined. The implication appears to be that topics and aspects of topics are a disaggregation of matters as opposed to aggregation of fundamental building block of sustainability information, i.e. well-being. This increases the risk that the information will not be complete or there may be double counting both within topics but also between financial reporting and associated sustainability reporting. This is important where there is the same user of these reports.

We recommend that a basic unit for sustainability is recognized alongside topics and subtopics, comparable with economic phenomena in financial reporting, and that the risk is raised for completeness and decision making in relation to a defined purpose of scopes that start from an aggregation.

In financial accounting the information that is useful consists of information on economic resources available to the entity and the management's stewardship of those resources. This is the information that results in a balance sheet and a profit and loss account. The creation of information in this format requires a common unit. In financial reporting this information is primarily, although not exclusively based on transactions. The equivalent in sustainability reporting would be a statement of those resources used but not owned by the entity, commonly called dependencies, and a statement of the non-financial positive and negative impacts arising from the use of both assets and dependencies expressed in a common unit. These are not generally available in current sustainability reporting although there are examples.

We recommend that the ED should consider this type of reporting and consider any consequences for criteria especially as existing approaches require a common unit, often a monetary valuation.

### **International Accreditation Forum (IAF)**

ED 5000 refers to quality management and structure of IAASB standards only and does not connect to any other relevant "standards". For instance, the standard ISO 17029, it is not considered and there is no equivalence recalled in the quality management system

To be professionally agnostic it would be useful to include some equivalence and to open also to the use of the "accreditation" system and therefore to the use of ISO standards by IASPs.

IAF recommends IAASB to introduce the definition of

IASP (Independent Assurance Service Provider) means a conformity assessment body accredited in accordance with regulations (e.g. Regulation (EC) No 765/2008 of the European Parliament and of the Council) for the specific scope of sustainability information assurance engagement by a recognized national accreditation body. This definition is particularly important to reflect the requirements addressed by the European Directive 2022/2464 "CSRD")

### **Japan Accreditation Board (JAB)**

In respect to the topic of fraud including greenwashing, JAB recommends to provide new definition of "fraud", "misstatement" and "green washing" for sustainability information.

JAB recommends to revise the definition of "fraud," and "misrepresentation" to reflect sustainability information, although the current definitions of "fraud," and "misrepresentation" are the basis of ISA 240, financial audits. Assurance activities for sustainable information are not necessarily acts of deceiving other companies in order to obtain illegal profits, but can be acts of deceiving other companies and society regarding carbon neutrality and carbon zero activities. If the related requirements are not clear, there is a risk of greenwashing after the assurance, indeed the practitioner and accredited assurance bodies may overlook the issue.

The definition, expected competencies and its management, authority and responsibility of "expert" are unclear or the related requirements are not clear. It is necessary to define the consistent assurance process and the competency requirements for assurance activities. There is a risk of greenwashing on the assurance activities because the practitioners and accredited assurance bodies overlook the issue.