

**Sustainability Assurance – Respondents’ Detailed Comments to EM Question 25**

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

**25.1 Yes with comments****1. Monitoring Group****Basel Committee on Banking Supervision (BCBS)**

There are two other matters the Committee wishes to raise: communications and implementation activity.

**Regulatory authorities:** we note that although there are a few references to communication with relevant regulatory authorities by the practitioner firm or by the entity (paragraphs 48, A70, A333 and A370), there is nothing in the ED-5000 similar to the helpful text in the IAASB’s recent consultation on going concern, which the Committee commented upon, noting that practitioners may have a requirement, or a right, to communicate matters to regulatory authorities. We encourage the IAASB to include such language in ED-5000 (ie similar to ED-ISA 570 paragraphs 40 and A90–91, subject to the Committee recommendations, in ED ISA 570).

**Implementation activity:** the Committee recommends that the IAASB carries out early activity supporting and monitoring the implementation of ISSA 5000, focusing on whether there are practical implementation challenges and other related issues, with a view to evaluating whether the standard is achieving its objective by providing sustainability reporting users with relevant information, and to learn lessons for the future. This is likely to be necessary given limited experience of sustainability disclosures and assurance engagements. The Committee also recommends that the IAASB ensures that sufficient time is allocated to enhancing ISSA 5000 with additional requirements and guidance, as necessary, for example in the areas of groups or assurance over information from outside a bank’s accounting boundary (as noted above), the use of experts and the form and content of reporting by assurance providers.

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

Connectivity between financial statements and sustainability statements

Connectivity between, and consistency of, financial and sustainability information, is critical to give a full picture of the company to users of financial and sustainability reports. The IAASB notes in A437 that material inconsistencies between sustainability information and other information could be indicative of material misstatements. As a result, it concludes, “This may undermine the credibility of the sustainability information and the assurance report thereon.”

We note however, that ED-ISSA 5000 is silent on the communication between the auditor of the financial statements and the assurance provider for sustainability information. Communication with the financial statement auditor is an important step of an assurance engagement and should be required in the standard, unless prohibited by law. If it is prohibited by law, then there needs to be a requirement to consider the impact on the practitioner’s ability to accept and/or continue with the sustainability assurance engagement.

Coordination with IESBA

We continue to encourage close coordination between the IAASB and IESBA to streamline terms and definitions where possible. This would ensure global consistency in the use of respective standards and facilitate its application.

### Scalability

We encourage the IAASB to continue outreach with practitioners and other key stakeholders to identify any problems with the scalability of the standard when it is being used for assurance engagements, and to address any potential problems through the extension of paragraph 13.

### Future updates

We are concerned that the lack of specific provisions on how to assess materiality will result in a wide variety of practices. Hence, we encourage the IAASB to pay particular attention to what users of the report articulate being relevant information in the assurance report in their feedback to the consultation. This would also guide the IAASB in assessing whether to include requirements concerning the assurance report such as “Key Sustainability Assurance Matters” (KSAM) for Public Interest Entities or materiality levels applied by the practitioner.

Users increasingly expect digitalised information (machine-readable) to be available, and this is particularly important in the context of sustainability information. Various groups of stakeholders might be interested in different pieces of information and need facilitated access amongst a large amount of information. Given this difference in comparison with financial statements, an assurance standard covering not only “paper format” information but also the “digital format” of the information is of great value in the context of sustainability.

We invite the IAASB to add provisions in ISSA 5000 to deal with the specificities of the assurance of sustainability reporting presented in a digital format, and to include appropriate requirements to allow for consistency in work performed by practitioners to ensure the digital format is trustable by users, in a limited assurance engagement.

### Key concepts and terms

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

Attestation engagement – It is not clear why assurance engagement and attestation engagement are separately defined, or what is the difference that is being highlighted.

Engagement team – The definition does not currently state that the entity’s internal auditors are not part of the engagement team where they provide any assurance relating to an engagement (i.e. direct assistance). ED-ISSA 5000 currently includes using the working of the internal audit function, but the guidance is limited with no distinction between use of the internal audit function and using internal auditors to provide direct assistance. We recommend that ED-ISSA 5000 clearly state that direct assistance is not permitted.

Limited assurance – Although the definition of what constitutes limited assurance is long standing in ISAEs, it is possible that it may be a new concept for some sustainability assurance practitioners and users. There is therefore a risk of inconsistent interpretation across practitioners.

Substantive procedures – The current definition appears to incorrectly suggest that all types of analytical procedure are “substantive”. Based on the definition of analytical procedures, this does not include substantive analytical procedures. If analytical procedures are expected to form part of substantive procedures for reasonable assurance engagements, the analytical procedure requirements in ED-ISSA 5000 need to be expanded to be consistent with International Standard on Auditing (ISA) 520, Analytical Procedures (ISA 520).

Risk of material misstatement – We understand inherent and control risk was not included in the exposure draft due to the expectation that many entities may not have well developed controls related to sustainability

reporting and the concepts of inherent and control risk may be premature. However, this is inconsistent with the inclusion of control risk in A20 (a) (ii) and tests of controls as part of the definition of further procedures. Including these concepts now would pave the way from limited towards reasonable assurance engagements. It would encourage preparers to consider the quality of their internal controls and ease to get to reasonable assurance more quickly through the knowledge accumulated over time.

Furthermore, what is “material” in the context of sustainability reporting is not sufficiently clear and has not been defined here (see our comments on materiality).

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

Information produced by the entity – The completeness and accuracy of data critically underpin assurance engagements and we therefore recommend that the word “sufficiently” should be removed from paragraph A247.

Analytical procedures – the meaning of “well-controlled source” in A383 should be better explained.

Reference in paragraph 9 to the non-authoritative International Framework for Assurance Engagements issued by IFAC, effective January 1, 2005 and its relevance might not be well understood by practitioners applying the standard. If the concepts of attestation and direct engagements are important, they should be incorporated directly into the proposed standard.

#### Consistent application

We have included examples of application material, which should have related requirements. These are examples where the standard does not mandate any action, but only refers to the possibility of action to be considered. Thus, the consistency of application will depend on the choice made by the practitioner. The IAASB should re-evaluate the use of “may” in the ED-ISSA 5000 application material to ensure it is supported by the related requirements where appropriate.

For example,:

A116 related to matters that “may” be included in the practitioner and practitioner’s expert agreement and matters that “may” be relevant when evaluating the work of a practitioner’s expert. There should be a requirement that there is an agreement with the auditor’s expert and this agreement is in writing like the requirements in International Standard on Auditing (ISA) 620, Using the Work of an Auditor’s Expert (ISA 620), paragraph 11.

A122 listing matters the engagement team “may” request another practitioner to communicate. There should be a related requirement that these communications be in writing.

A137 listing matters that “may” be communicated to management, those charged with governance or others. The matters listed should be moved to the requirements, with the exception of identified deficiencies in internal control, which could be limited to significant deficiencies to be consistent with the ISAs.

#### Structure

The structure of the standard (i.e., not having individual standards by topic) makes the standard more challenging to follow. This structure impacts topics that are applicable to each subject, such as fraud considerations discussed above and the documentation requirements which are currently sprinkled throughout the standard. One solution would be to structure the standard by topic, like the ISAs.

## Overall Responsibility for Managing and Achieving Quality

The language in paragraph A60 explaining that the engagement leader remains responsible for compliance with the standards should be moved to the requirements. That would be consistent with the International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements (ISA 220).

ED-ISSA 5000 notes that engagement leaders shall have “competence and capabilities in assurance skills and techniques developed through extensive training and practical application” (paragraph 32 (a)). We agree that the assurance provider should be competent. However, we feel that competency requirements should be linked to local regulatory requirements, if any. The meaning of “extensive” could furthermore be subject to various interpretations and should thus be avoided.

## International Organization of Securities Commissions (IOSCO)

We hope the IOSCO’s observations support a timely finalization of the standard and promote an effective global sustainability assurance standard. Also, we encourage the IAASB to continue to closely coordinate with the International Ethics Standards Board for Accountants (IESBA) and other relevant bodies, including the International Sustainability Standards Board, to address topics of mutual interest and align and promote the consistency of definitions and terminologies.

## 2. Preparer and Users of sustainability information

### American Bankers Association

This is primarily the result of the nascent state of sustainability reporting, characterized by limited knowledge of and experience with internal controls by many stakeholders and little accountability as to the accuracy of currently reported amounts. Of course, such accountability will change as reporting requirements, accompanied by assurance requirements, become effective over the next few years. With this in mind, ABA urges the IAASB to take a leading role in educating stakeholders as to the many demands of the assurance process, including the related costs and internal controls that will likely be needed by reporting companies.

### Ceres, Inc.

We have one very minor additional comment. Paragraph A206 uses the word “minister” in referencing the person to whom a practitioner might report in the context of a governmentally-appointed engagement. Unlike the United Kingdom and elsewhere, that word is not used in the U.S. to describe a government official, so it would be better to replace it with “government officer” or “government official.”

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

#### CRUF’s View

#### Assurance on completeness of sustainability report

It is important for users that all material sustainability information for the entity is disclosed in the sustainability report. We understand that it is technically difficult for assurance practitioners to exercise their judgement appropriately on materiality to ensure completeness of sustainability reports.

We recommend the IAASB develops guidance for assurance practitioners to ensure completeness of the information disclosed in the sustainability report during the engagement. For example, IAASB could require the assurance providers to perform some procedures with leverage of knowledge obtained in the assurance

engagement regarding completeness of sustainability information disclosed in the sustainability report which materially impacts on users of the assurance report and are outside the scope of the assurance report.

#### Development of assurance standards and guidance on connectivity

We believe ISSA5000 series should add in the future an individual standard and guidance on assurance practitioners’ consideration about connectivity between sustainability and financial information. ISSA-5000 series is intended to enhance the overall quality of sustainability assurance as profession-agnostic standards. We believe that a prerequisite for the IAASB to achieve that goal is to develop an easy-to-understand standard for non-PA assurance practitioners without experience in financial statement audit.

There may be some cases where assurance practitioners find it difficult to understand the connectivity between sustainability information and financial statements. We are concerned that the quality of assurance may diverge between PA practitioners and non-PA practitioners, and that this divergence would become even wider when the mandatory assurance regime moves away from limited assurance to reasonable assurance. The IAASB should work with regulators and professional bodies to help to minimise any such divergence in the capacity of practitioners drawn from different skill bases. Over time, our shared ambition should be that a profession develops with a skilled understanding across both financial and sustainability reporting which is fully able to deliver on investor needs for assurance across company reporting as a whole.

As users of both financial and sustainability information, we are very much interested in the financial impacts of sustainability risks and opportunities and believe such information should be very useful for users.

Indeed, connectivity between sustainability and financial information is one of the core concepts of the ISSB standards. The International Organization of Securities Commissions (IOSCO) also discusses development of sustainability assurance standards regarding connectivity in the “Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting” published in March 2023.

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

Over the past years, European Insurers have been subject to numerous sustainable finance regulations stemming from the EC’s sustainable finance agenda and from international sustainability reporting initiatives.

Considering the immature state of sustainability reporting and the fact this is still today a fast-evolving field, the IAASB should reconsider the list of examples of subsequent event laid out in paragraph A427 of the application guidance to avoid creating disproportionate post closure procedures, in particular the mention of ‘Changes to relevant legislation or regulations.

#### **Keidanren (Japan Business Federation)**

In the sustainability field, careful consideration is required with regard to new approaches to assurance, primarily because—unlike disclosure of financial statements, for which the process is already established—disclosure of sustainability information involves a wide range of business units and stakeholders within entities; no customary practices have yet been established with regard to the definition of relevant information, or its materiality and granularity; and assurance by practitioners other than auditing firms is allowed. Furthermore, given the unpredictability of regulatory trends in individual countries, it is undesirable for detailed sustainability assurance standards to be drawn up too far ahead, as this will only lead to confusion. First, the IAASB should prioritize identifying the fundamental approach and principles governing the minimum level of sustainability assurance and building a consensus on these prior to introducing them incrementally.

With regard to “other information,” we wonder whether efforts to check consistency between such information and disclosures subject to assurance would actually work in practice, considering factors such as the broad scope of such information to be checked and the difficulties arising from the different characteristics of financial information and sustainability information. Measures such as limiting and clarifying the scope of other information to be checked, and preparing guidance relating to the tasks involved in assurance are necessary.

#### **MFIs’ Internal Audit ESG Working Group**

Consider providing additional guidance and practical application for those areas mentioned above.

Defining or enhancing concepts mentioned above e.g., double materiality, sustainability

#### **Norges Bank Investment Management**

Finally, sustainability reporting covers a broad range of complex topics, with data often based on estimates, use of forward-looking information, and evolving methodologies. As the demand for assurance of sustainability reports grows, capacity building among assurance providers will be crucial. We agree with the ED 5000 proposal that the engagement leader must determine that sufficient and appropriate resources are assigned to perform the engagement.

#### **Philip Morris International INC.**

Professional requirements for the practitioners: Currently, there are no recognized certification or professional requirements for auditors / assurance practitioners to exercise assurance engagements on sustainability other than meeting at least as demanding ISQM1 requirements. Considering that professional judgement plays a key role in the assurance process for sustainability which consist of very diverse and technical subject matters, the IAASB may consider establishing base professional requirements for sustainability assurance practitioners to ensure consistency and quality across practitioners and create value added in the output provided.

### **3. Those Charged with Governance**

#### **Eumedion**

Written Representations from Management and Those Charged with Governance

We recommend enhancing the guidance on exercising professional scepticism when dealing with written representations from Management and Those Charged with Governance.

A431. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and management, and where appropriate, those charged with governance. The person(s) from whom the practitioner requests written representations will ordinarily be a member of senior management or those charged with governance depending on, for example, the management and governance structure of the entity, which may vary by jurisdiction, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics.

A432. Representations by management and, where appropriate, those charged with governance cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide necessary evidence, they do not provide sufficient appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received

reliable written representations does not affect the nature or extent of other evidence that the practitioner obtains.

The current paragraph does not explicitly emphasize that management might have an interest in providing or disclosing information that does not meet the criteria of relevance and faithful representation. It could, for example, include an explicit reference to the broader ‘exercise of professional scepticism’ when dealing with written representations from these sources and cite the current text of A432 as an example thereof.

#### Future Maintenance

The format of a comprehensive standard raises questions about how the 5000 Standard will be maintained in the future, especially as other ISSAs covering related topics are expected to evolve over time. To ensure that the Proposed ISSA 5000 remains up-to-date, we recommend establishing a mechanism for periodically integrating improvements from other ISSAs.

We also acknowledge the risk that a single standard, even if quite substantial in size, may not adequately address all specific topics with the necessary rigour; for example on the topic of providing assurance on company processes aimed at obtaining reliable information from actors up and down the value chain.

Another drawback of a single standard is that explaining and preparing for future improvements may prove more challenging, as it will be less apparent in what context an improvement should be seen.

#### Connectivity

The proposed standard appears to assume that the auditor conducts in isolation a ‘sustainability assurance engagement’, and any information from the audit of the financial statements should be classified as ‘Other Information’, which according to the Standards is not as significant:

#### Reading and Considering the Other Information (Ref: Para.155)

A437. If the other information is materially inconsistent with the sustainability information subject to the assurance engagement or the practitioner’s knowledge obtained in the engagement, it may indicate that there is a material misstatement of the sustainability information or that a material misstatement of the other information exists.

The assurance engagements for financial statements and for sustainability reporting can and should not be conducted in isolation. Both pertain to the same reporting entity, and investors digest both forms of reporting cohesively when making decisions to buy, sell, vote, and engage. There are multiple actual and potential instances of connectivity between the two forms of reporting. These factors should influence what the IAASB expects from auditors in its standards, extending beyond the basic requirement that reports and their assumptions should ‘not be inconsistent’.

In alignment with the IAASB’s purpose, Eumedion expects the IAASB to amend the Proposed ISSA 5000 to fully embrace the related potential enhancements to audit and assurance quality. Therefore, instead of diminishing the readily in-house available insights gained during the financial statement audit at the audit firm to mere ‘Other Information’, the Standards should require auditors to consider such information in their assurance work on sustainability reports, and vice versa. For example, key assumptions related to net zero commitments, need to be consistent throughout a company’s annual report.

Specific considerations should be developed for the cases in which different firms provide assurance services to a single client to ensure that no undue obstacles hinder the sharing of insights between them. We are convinced that such changes can significantly enhance investors’ trust in the quality of and consistency between the financial statements and the sustainability report.

## 4. Regulators and Audit Oversight Authorities

### Accounting and Corporate Regulatory Authority

The IAASB's overarching approach in creating ED-5000 is commendable. This overarching framework will providing a structured and adaptable approach for future assurance standards.

Given the diverse landscape of sustainability assurance across different jurisdictions, it is inevitable that the ED-5000 will need to be 196-pages long of requirements, accompanied with 50 pages of explanatory note. That said, a number of jurisdictions, including Singapore, are considering mandating 'limited assurance' only on Scopes 1 and 2 GHG emissions.

Non-accounting assurance practitioners and audit practitioners who are new to sustainability assurance will struggle to understand and apply the relevant requirements. Although each jurisdiction can interpret and issue local guidance to support implementation locally, such approach may lead to inconsistent practices. Accordingly, it will be helpful if the IAASB issue manageable, bite-sized standard specifically for assurance on carbon accounting (which will supersede ISAE 3410).

Information in digital format: As users' expectations for digitalized information, especially in the context of sustainability information, continue to grow, IAASB could consider adding provisions in ED-5000 that address the unique aspects of assuring sustainability reporting presented in a digital format. This will provide assurance to users that the sustainability information presented in a digital format is reliable and can be trusted.

### Botswana Accountancy Oversight Authority

Considering that ED-5000 is intended to also be used by non-accountant assurance practitioners, the IAASB should consider more neutral and principle-based references. For example replacing ISQM to a Standard on Quality Management (SQM) recognised by Practitioners, Professional, law or Regulatory Body and replacing the IESBA Code to a Professional Ethical Code recognised by sustainability Practitioner's profession, law, or Regulatory Body.

The Board should consider its overall framing and classification of sustainability matters from the current users understanding of Environmental Social Governance (ESG), to the adopted view of Environmental, Social, Economic and Culture.

### Canadian Public Accountability Board

Consistent application of the proposed standard

Historically, the accounting profession has taken a principles-based approach to standard setting. While appropriate in a number of instances, this also increases the risk of inconsistent application. There are examples where the profession has concluded that a principles-based approach alone is not sufficient, including sections of International Standards on Auditing (ISA) 501, Audit Evidence – Specific Considerations for Selected Items and ISA 505, External Confirmations. Given the inherent complexities associated with sustainability reporting and the range of practitioners expected to apply the proposed standard, the areas of materiality, fraud and reporting to those charged with governance would benefit from more specific requirements and expanded application guidance.

The proposed standard uses the word “may” over 1000 times throughout its application material. We are concerned that significant use of the word “may” will result in inconsistent application by practitioners. We encourage the IAASB to re-evaluate the use of “may” in the proposed standard to ensure it is supported by related requirements where appropriate.

We are supportive of the IAASB’s work to develop comprehensive sustainability assurance standards. We believe there is an opportunity for the IAASB to provide more clarity regarding the specific complexities and nuances of sustainability reporting and, where needed, enhance the requirements and application material within the proposed standard to support more consistent application of the standard.

We recognize that sustainability assurance is in an infancy period with much yet to come. We encourage standard setters to prioritize the assessment of the relevance of the assurance models being proposed, the need for other forms of assurance that provide greater value to stakeholders and that are not rooted in a historical financial reporting model. For example, development of standards that contemplate more future-oriented information, or comprehensive reporting on the effectiveness of sustainability practices and opportunities for improvement, would be of greater value to stakeholders.

### **Committee of European Audit Oversight Bodies (CEAOB)**

Appendix – additional examples of issues on the introduction and requirements section of the ED 5000

Par 2 and 8 are not clear as regard to a “separate conclusion” on GHG statements and when ISAE 3410 is supposed to be applied. IAASB should define what a separate GHG statement is and how the practitioner determines which standard is applicable to GHG disclosures.

Par 9 reference to non-authoritative IAASB or IFAC material like International Framework for Assurance Engagements also create a further complexity and may drive unintended consequences. This reference needs to be deleted.

Par 17 definitions

- (a) analytical procedure – we stress that the reference to “significant amount” might not be interpreted consistently. Further application material would be helpful.
- (c) assertions – the terms “as used by” the practitioner makes the definition unclear. Rather mention that the practitioner will refer to assertions in risk assessment or procedures.
- (d) assurance engagement – the definitions of reasonable and limited assurance engagement need to be clarified as they do not provide clarity on what is expected from practitioners.
- (f) attestation engagement – As this definition is used in paragraph 9 only, it should be deleted and clarification added to paragraph 9 as noted in our comment above.
- (g) entity – we understand the IAASB intention, but defining “entity” by a “portion of entity” seems rather confusing. Simplification will be possible in a CSRD context, where the scope of the reporting is defined by law and ESRS.
- (r) evidence – information should not be disregarded even if no procedures have been applied to it (see CEOB comments on ISA500 ED Including request to delete reference to “on which procedures have been applied” to be avoided).
- (u) further procedures - the terminology “in response to disclosures” is not sufficiently clear. Should be replaced by “on disclosures or in response to assessed risks of material misstatements”.
- (w) intended users – are defined by the practitioner’s expectations, which makes it a question depending from him and a circular definition – delete the reference to the practitioner here.
- (cc) network – clarify that are the conditions in (ii) are not cumulative but standalone by the use of “and/or” before each item in par (ii).

(aa) “Material” (misstatement) is not defined – confusion possible between (double) materiality of information provided by the entity and the margin of acceptable error by the practitioner. Par A417 provides indications that could be used as a basis for this definition.

(ee) Other information – is defined as “Information included in documents containing sustainability information subject to assurance”. This may not cover financial statements, which are not necessarily in the management report where the sustainability information is located. (see also par 12)

(vv) sustainability matters – the IAASB should explain in ISSA 5000 that “governance” matters are included in this definition to make sure ESG (Environment Social Governance) and human rights are fully covered. In the last paragraph of this definition, the link with other IAASB pronouncements could be avoided or alternatively this explanation should be moved to the application material.

(ww) system of internal control – the IAASB should avoid the term “reasonable assurance” in this definition since it may cause confusion. A different wording could be chosen.

Par 22 and 23 - the “exceptional departure” allowance from the requirements the standard stems from the ISAs (ISA 200), and has been highlighted by the CEAOB as an area that weakens the enforceability of the provisions. This provision should be deleted or a mechanism to ensure that there is no mis-use of this provision added.

Par 42 is difficult to read since similar language is used – While the intention is fine, the wording of the paragraph could be enhanced.

Par 62 - Additional clarity is needed on “significant matters to be communicated” to “others”, which may be seen as a very broad requirement with no real target. Specificity should be added here.

Par 65 - the wording “documentation shall also include discussion” is unclear and creates a problem for enforceability. ISSA 5000 should state that a written record of the topics discussed and conclusion reached is required.

Evidence : For all the provisions on audit evidence, please refer to the recent CEAOB comment letter in response to the IAASB ED ISA 500 “Audit Evidence”: the comments are applicable as well to this ED 5000.

Par 85 - a requirement to review and evaluate the appropriateness of the management expert’s work should be added. Requirement should be strengthened and should require the practitioner to understand the key method, assumptions and underlying information used by the management’s expert (ref par A252).

Par 94 - the difference for risk procedures between limited and reasonable is not fully clear.

Par 109L and 109R are unclear and the limits/differences between understand and evaluate / consider and determine are not explained. “consider” should be replaced by stronger language such as “assess” to ensure it is clear that the practitioner is required to perform this work.

Par 134L is not clear on when procedures responding to risks of material misstatement are relevant and required. Aspects of application material might be included here.

Par 127R - “Irrespective of the assessed risks of material misstatement, the practitioner shall consider the need to design and perform substantive procedures for disclosures that, in the practitioner’s judgment, are important to the information needs of intended users.” (ref: par A376R). This paragraph also needs to be explained, and linked to the various “materiality” aspects of sustainability reporting.

#### Clarity - enforceability

Regulators and oversight bodies are in charge of enforcement of the provisions of the standards that are applicable. In this regard, it is important to make sure the standards are clear, well understood and capable of being applied consistently. In this context, we highlight in the appendix hereafter various examples of issues identified with the ED. Some of them have also been identified in ISAs that have been used by the IAASB as a basis to develop this ED 5000, and may already have been raised with the IAASB in other CEAOB responses to exposure drafts on the ISAs or their revision.

#### Communication to deal with connectivity with financial statements

The ED contains limited provisions regarding the communication needed between the practitioners in charge of the assurance on the sustainability information and, when different, the auditors in charge of the statutory audit. This communication is needed to take into account the connectivity between the information provided in the financial statements and in the sustainability statements, to ensure enhanced quality and to avoid inconsistencies and overlaps. The ED should set out requirements for practitioners to communicate on a timely basis and effectively with statutory auditors for sustainability topics that are interrelated and connected to financial statements (unless such a communication would be prohibited by national laws and regulations, due for instance to confidentiality rules).

This communication will be needed, in addition, in fulfilling the requirements set out (in par 155) when the financial statements are considered as “other information” for the assurance providers on sustainability reporting. In the same vein, we would like to highlight that par 11 and par 12 should be clarified and amended, to reflect the needs stemming from the connectivity of the financial statements and the sustainability information, which requires specific communication between practitioners and statutory auditors. Covering financial statements in “other information” (ref par 12 and 154) is not sufficient. Communication should take place before the signature of the respective reports, to avoid inconsistencies between the opinions when a connected topic is at stake. In par 11, the reference to the application of ISAs to financial statements is confusing. Depending on the situation and country, the ISAs are not applicable to the audits of financial statements. The ED should thus be amended and clarified, so that it can also be used in countries where ISAs do not apply to financial statements audits.

#### Communication to deal with joint assurance

The ED should also recognize situations where several practitioners are in charge jointly of the engagement for assurance, or where various professionals with diverse areas of technical specialization are involved for the assurance engagement.

#### Compliance with specific provisions for reporting stemming from article 8 of taxonomy regulation

According to the CSRD, the assurance services providers are in charge of an opinion that covers specifically information to facilitate sustainable investment required according to article 8 of the taxonomy regulation (2020/852). The specificity of this information and the request for verification are not covered currently by the ED.

Given the strong linkage of the sustainability related information defined by the taxonomy regulation with the financial statements, specific communication between assurance services providers and statutory auditors will be here again needed, on those topics in particular, and the specificity of materiality levels will also need to be addressed to respond fully to the requirements of the CSRD.

### Differences between financial statements and sustainability statements

The CEAOB stresses that ED 5000 should describe the specificities of sustainability information in more detail to allow users to understand the nature of sustainability information and the fundamental differences to financial statements, and consequently the impact of those differences on the assurance work required. In particular the following specificities of sustainability information, highlighted hereunder, need to be addressed.

#### Digital format of the sustainability information

Given the growing demand for digital (machine readable) data to allow for processing, comparing and analysing the information disclosed, and given the diverse nature of types of information provided in sustainability reporting, there is a clear need to add requirements and direction in the standard for the assurance services providers to deal with the specificities of assurance on information provided in a digital format.

### European Securities and Markets Authority (ESMA)

#### Digitalisation of sustainability information

The main existing sustainability reporting frameworks require or will require that sustainability information be provided in a digital format to improve accessibility, comparability and analysis of this information. ESMA deems that ED-5000 would benefit from including guidance for assurance service providers to address the challenges associated with assuring information presented in digital format.

#### Consistency of sustainability information with financial information and communication between practitioners

ESMA considers that communication between the practitioners responsible for the assurance of sustainability information and the auditors in charge of the audit of financial reporting is key. Such communication is crucial to ensure consistency of the data and information presented in the financial statements and in the sustainability reports. To further ensure this consistency, ED-5000 could be enhanced by establishing additional explicit requirements for sustainability assurance providers to engage in timely and effective communication with statutory auditors, particularly for those sustainability matters that are interrelated and connected to the financial statements.

### Financial Reporting Council – UK (FRC)

#### Definitions

Assertions – we suggest these are representations by management, not the entity, which is consistent with the definition in the ISAs.

Entity – if the sustainability information were to relate to the value chain, those value chain entities would then be brought within the “entity” definition – if this is the intent of the IAASB, we believe it should be stated more clearly, as it may confuse readers.

Further procedures – for the limited assurance limb, we suggest the procedures are not “in response to” the disclosures, but rather “in relation to” them.

Relevant ethical requirements – this appears to suggest that practitioners who are not professional accountants would ordinarily not use the provisions of the IESBA Code. In light of the ongoing efforts to include material in the IESBA Code for assurance practitioners who may not be professional accountants, we believe this may mislead.

Reporting boundary – we believe a definition of “organisational boundary” would be beneficial.

Substantive procedures – we fail to see why the “analytical procedures” need not be “substantive” here, as for the equivalent definition in audit.

Characteristics of the Engagement Leader

In part (a) of paragraph 32, the term “extensive” training is not very precise. It would be clearer to say “sufficient and appropriate”.

Rational Purpose

It may be helpful to include application material for 74(b), to offer examples of when users might be misled by the engagement. For example, if the assurance practitioner believes the intended users may not understand the different levels of assurance that a combined limited and reasonable assurance engagement offers.

In the final bullet point of A195L, “The expectation” could be seen to imply that all intended users have such an expectation. It may be better to say “An expectation”.

Work Performed by a Management’s Expert

We believe requirement in paragraph 85 as it stands is too weak. It is based on the requirement in proposed revised ISA 500 but the material in A253 has been downgraded from the requirement. We believe the material in A253 should be included in the requirement, consistent with the proposed revised ISA.

We believe the clause “to the extent necessary” further weakens this requirement and note that it is not included in the proposed revised ISA.

Designing and Performing Risk Procedures

The final sentence of A287 is too general. There may be areas where the assurance practitioner knows more than management, for example from experience of where misstatements have arisen in similar entities.

Compliance with Laws and Regulations

Why is there is no requirement to obtain sufficient appropriate evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the material amounts and disclosures in the sustainability information? The requirements in paragraphs 60 and 61 are substantially weaker than the requirements in ISA 250.

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

Although the definition of what constitutes limited assurance, as per paragraph 17(d)(ii), is longstanding, it is possible that it may be a new concept for some sustainability assurance practitioners. There is therefore a risk of inconsistent interpretation across practitioners. If limited assurance is intended to be primarily performing inquiry and analytical procedures, it may be worthwhile for the IAASB to clearly state this in the definition.

The current definition for substantive procedures in paragraph 17(ss) of ED-5000 appears to incorrectly suggest that all types of analytical procedures are “substantive”. Based on the definition of analytical procedures in paragraph 17(a), this does not include substantive analytical procedures. If analytical procedures are expected to form part of substantive procedures for reasonable assurance engagements,

the analytical procedure requirements in ED-5000 need to be expanded and be made consistent with ISA 520, Analytical Procedures.

In respect of the definition of risk of material misstatement in paragraph 17(pp), we understand that inherent and control risks were not included in ED-5000, due to the expectation that many entities may not have well-developed controls related to sustainability reporting, meaning the concept of these risks may be premature. However, this is inconsistent with the inclusion of control risk in A20(a)(ii) and tests of controls as part of the definition of further procedures. Including these concepts now would pave the way from limited to reasonable assurance engagements going forward. It would encourage preparers to consider the quality of their internal controls and assist to get to reasonable assurance more quickly through the knowledge accumulated over time.

We suggest that the IAASB elevates paragraph A60, which explains that the engagement leader remains responsible for compliance with the standards, to the requirements section of ED-5000. That would be consistent with ISA 220, Quality Control for an Audit of Financial Statements.

ED-5000, in paragraph 32(a), notes that engagement leaders shall have “competence and capabilities in assurance skills and techniques developed through extensive training and practical application”. While we agree that the practitioner should be competent, we would recommend that competency requirements rather be linked to jurisdictional regulatory requirements, if any. Also, the meaning of “extensive” could be subject to various interpretations and should thus be avoided.

Paragraph 94L on limited assurance requires the practitioner to design further procedures. However, unlike reasonable assurance (paragraph 94R(b)), ED-5000 does not explicitly state that those procedures must be “performed”. This requirement should be consistent between reasonable and limited assurance engagements.

The completeness and accuracy of data critically underpin assurance engagements; therefore, we recommend that the word “sufficiently” be deleted from paragraph A247.

The IAASB may want to consider including inquiries with external legal counsel (with consent from the entity) as an example in paragraph A310, while the last bullet point should include “...that may affect the sustainability information”.

Also, as a substantive procedure example in paragraph A359, consider tracking the background of suppliers, to ensure that the entity uses those that conform with sustainability standards.

The IAASB may want to consider expanding on what is meant by a “...well-controlled source” in A383.

The connection between, and the consistency of, financial and sustainability information is critical in giving a full picture of the entity to users of financial and sustainability reports. The IAASB notes in paragraph A437 that material inconsistencies between sustainability information and other information could be indicative of material misstatements. As a result, it concludes as follows: “This may undermine the credibility of the sustainability information and the assurance report thereon.” However, we note that ED-5000 is silent on the communication between the auditor of the financial statements and the assurance practitioner for sustainability information. Communication with the financial statement auditor is an important step in an assurance engagement and should be required in the standard, unless prohibited by law or regulation.

ED-5000 includes examples of application material with no related requirements in the standard. These are where the standard does not mandate or require any action, but only refers to the possibility of action to be considered. Thus, the consistency of application will depend on the choice made by the practitioner. The

IAASB should re-evaluate the use of “may” in the ED-5000 application material, to ensure it is supported by the related requirements, where appropriate. For example:

Paragraph A116 relates to matters that “may” be included in the practitioner and the practitioner’s expert agreement, as well as matters that “may” be relevant when evaluating the work of a practitioner’s expert. There should be a requirement for an agreement with the auditor’s expert and this should be in writing, similar to the requirements in ISA 620, Using the Work of an Auditor’s Expert, paragraph 11.

A122 lists matters the engagement team “may” request another practitioner to communicate. There should be a related requirement that such communication be in writing.

A137 specifies matters that “may” be communicated to management, those charged with governance or others. The matters listed should be moved to the requirements, with the exception of identified deficiencies in internal control, which could be limited to significant deficiencies.

The IAASB may want to consider the following further standards for assurance on sustainability reporting (new standards):

Materiality in a sustainability assurance engagement, which is a key area, especially in light of multi-stakeholders, diverse subject matters, double materiality considerations and the qualitative nature of sustainability information and/or the forward-looking nature thereof.

Considerations for the use of the work of experts, given this is often encountered on sustainability assurance engagements and across the entire engagement.

Considerations for areas of difficult disclosure, e.g. estimates, judgements and/or forward-looking information (typically based on scenarios, among others, as opposed to historical information).

Considerations or the approach when engaged to provide assurance over the entire sustainability report, comprising both specific metrics and narrative/graphical information (i.e. assurance of a whole report rather than the metrics only).

Considerations with regard to internal controls and the impact this has on the assurance engagement and approach, especially between the different levels of assurance.

Assurance over other focused types of sustainability information (specific topics), such as reporting on performance with respect to green bonds/green finance commitments.

Considerations or the approach with regard to the connectivity of sustainability information to be assured in relation to the financial statements/other information on the assured information.

Subject matter specific topics and related assurance considerations, e.g. assurance over the materiality process and scope 3 emissions.

Group audits/consolidations and how to address this in sustainability assurance engagements.

Considerations or the approach with regard to report materiality vs materiality for the purposes of evaluating identified misstatements.

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

Interaction with audit:

The draft standard is largely silent on the interaction of the audit of financial statements with sustainability assurance.

There needs to be provisions in ISSA 5000 regarding interaction between the sustainability assurance engagement and the audit of the financial statements, both when performed by the same firm and when performed by a different firm. Paragraph A204 mentions obtaining agreement from management or those charged with governance to provide access to the auditor if other information includes the financial statements and the authority to share information requested by the auditor. However, communication with the financial statement auditor should be required unless prohibited by law or regulation. If communication is prohibited the practitioner should be required to consider the impact on their ability to accept or continue with the sustainability assurance engagement.

The standard also needs to deal with communications between auditor and sustainability practitioner especially where apparent inconsistencies in other information are identified by either party and sharing information / communications with those charged with governance of common interest etc

The sections on other information (paragraphs 154-158 and 181) and related application material (paragraphs A433-A443) should address how such information is to be considered when the audit and sustainability assurance are performed by the same practitioner and both are set out in a single combined document.

The standard should also clarify the level of communication expected with the auditor where the audit has been performed by another practitioner.

Following on from this, conforming amendments to the ISAs may be required, particularly ISA 700 on audit reports and ISA 720 on other information.

#### Future priorities

Following publication of the final ISSA 5000, the IAASB will need to develop further ISSAs to appropriately develop the sustainability assurance ecosystem. In particular, ISSAs will need to be developed to ensure audit quality and consistency of approach for groups and forward looking information.

Users increasingly expect information to be provided in digital (machine readable format). In this regard, we encourage the IAASB to develop appropriate requirements for practitioners to ensure public confidence in assurance provided over sustainability information provided in a digital format.

Also, a post implementation review of ISSA 5000 and refinement of the initial version of the standard will be required to address stakeholder expectations and any application challenges or deficiencies identified during its initial adoption.

The IAASB will need to ensure it has sufficient resources available to devote to these important areas in addition its continuing work on the auditing standards.

#### Definitions (paragraph 17)

For clarity a definition of ‘another practitioner’ should be included as this term is used in the standard but only explained in the application material (paragraph A22).

Attestation engagement – It is unclear why assurance engagement and attestation engagement are separately defined, or what is the difference being highlighted.

It is unclear why the definition of professional standards does not include the ISQMs (it only relates to the ISSAs and ethical standards).

#### Transitional Provisions

The IAASB should consider the need for transitional provisions in ISSA 5000 or guidance material setting out transitional provisions to deal with the fact that in many instances over the coming years sustainability assurance may be being carried out for the first time by a practitioner who has academic training only in the area.

#### Other suggestions

It may be helpful to refer to relevant sections within the standard, where appropriate, as well as the application material. For example direction and supervision in paragraph 31 could be cross referenced to paragraphs 45-48.

Paragraph 33 requires the practitioner to comply with relevant ethical requirements. The practitioner should also be obliged to inform the engagement leader of any threats to compliance with the relevant ethical requirements.

Given that direct assistance by the internal audit function is not permitted in many jurisdictions, paragraph 55 should be amended to clarify that it only applies where the use of internal audit in a sustainability assurance engagement is permitted by law or regulation. Alternatively, paragraph A126 should be amended to state that the first point an auditor should consider when assessing whether the work of the internal audit function may be used for the purposes of the engagement is whether this is permitted by law or regulation.

Paragraph 135L(b) provides that the practitioner shall obtain an understanding of material adjustments made by the entity. The importance of using professional skepticism to consider and challenge, where appropriate, these adjustments should be highlighted.

For a reasonable assurance engagement, there needs to be further explanation of the concept of a spectrum of risk as this will not be familiar to non-auditors, for example in paragraph 123R.

Paragraph A358 should make it clear that the practitioner’s further procedures should include a combination of procedures rather than ‘may’ do so. It is not appropriate for a practitioner to rely on only one type of procedure when performing an assurance engagement, whether limited or reasonable.

The language in paragraph A396 should be strengthened to make reference to further procedures that the auditor may perform and the implications for the assurance report where there have been changes from the prior period that are not based on new circumstances or new information.

There are a number of instances where the application material should have related requirements to ensure consistency of application rather than listing actions that a practitioner ‘may’ take, including:

Paragraph A116 related to matters that “may” be included in the practitioner and practitioner’s expert agreement. There should be a requirement that there is a written agreement between the two.

Paragraph A122 lists matters the engagement team “may” request another practitioner to communicate. There should be a related requirement that these communications are in writing.

Paragraph A137 lists matters that “may” be communicated to management, those charged with governance or others. The matters listed should be moved to the requirements section, with the exception of identified deficiencies in internal control, which could be limited to significant deficiencies.

### **National Association of State Boards of Accountancy (NASBA)**

#### Direct Engagements

Paragraph 9 of the Exposure Draft states:

“The International Framework for Assurance Engagements notes that an assurance engagement may be either an attestation engagement or a direct engagement. This ISSA [International Standard of Sustainability Assurance 5000] deals only with attestation engagements. Therefore, references in this ISSA to “assurance engagement” or “engagement” mean attestation engagement.”

This appears to indicate that sustainability assurance cannot be done as a direct engagement. It is highly likely that there will be a demand for direct engagements for such services.

Footnote 10 on page 192 of the Exposure Draft states:

“This ISAE [3410 Assurance Engagement on Greenhouse Gas Statements] contains requirements and application and other explanatory material specific to reasonable and limited assurance attestation engagements. This ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances.”

NASBA suggests that the IAASB consider a similar footnote to Paragraph 9 of the Exposure Draft:

“This ISSA may also be applied to reasonable and limited assurance direct engagements. Adapted and supplemented as necessary in the engagement circumstances.”

## 5. National Auditing Standard Setters

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

The comments in this section are primarily concerns about issues not addressed by other questions, and more straightforward drafting suggestions that we believe merit your attention.

#### Concerns

Other information (paragraphs 17(ee) and 154-159)

As noted in our response to question 2, we have serious concerns about the performance requirements and, as discussed in our response to question 21, the reporting requirements relating to other information. When an integrated form of annual report is presented, we believe two significant factors will give rise to inconsistencies in how practitioners are likely to satisfy the proposed other information work effort requirements of the standard. First, the firm appointed as the sustainability assurance provider may or may not have undertaken other engagements for the entity, for example the financial statement audit or other assurance engagement. Second, sustainability reporting is still evolving, and what may or may not be reported alongside the sustainability information subject to assurance is also likely to vary depending on the industry, jurisdictional established practice, the maturity of the entity’s reporting process, and the entity’s appetite for integrated reporting. Accordingly, we suggest that rather than use ISA 720 as a base, the requirements in ED-5000 start with the requirements and application guidance in ISAE 3000 (Revised) that require the practitioner to read and consider other information, and do not include a reporting element (as recommended in our response to question 21). Should local jurisdictions want to go beyond ISAE 3000 (Revised) requirements, they would be able to do so. Local jurisdictions would have greater insight into what constitutes “other information” based on how the sustainability information is required to be presented.

In addition, to be consistent with ISAE 3000 (Revised) and for clarity and conciseness, the definition of other information should be revised, to the following:

Other information – All information not subject to the assurance engagement included in a document or documents containing the sustainability information other than the sustainability information subject to the assurance engagement and the assurance practitioner’s report thereon.

Paragraph A433 simply repeats information about sustainability information from paragraph 4 [note, the reference in paragraph A433 is incorrect] but omits the last sentence in paragraph 4, which describes what “other information” is in the context of this standard. While we believe that last sentence would be more germane in paragraph A433 (rather than what is currently there), we question the need for paragraph A433 at all.

#### Tagged sustainability information

Given the increased prevalence of regulatory requirements for sustainability information to be tagged (XBRL), XBRL taxonomies are under development. While we recognize that proposed ISSA 5000 would not apply to engagements related to assurance on the tagging of sustainability information, we recommend that the IAASB consider developing non-authoritative guidance on the type and extent of XBRL-related procedures, and how the practitioner could report on the practitioner’s conclusions when the assurance engagement covers tagged-data.

#### Drafting suggestions

##### Scope of the ISSA (paragraph 7)

We suggest aligning the last sentence in paragraph 7 with paragraph 170(d)(ii)b as follows:

...Because the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had in a reasonable assurance engagement been performed, the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. (Ref: Para. A10)

##### Definitions (paragraph 17)

We propose the following revisions to the following definition, to align with ISAE 3000 (Revised), as we see no reason to diverge. We also note that paragraph A28 refers to “sustainability information” while the definition refers to “sustainability matters”; the below revision makes that inconsistency moot.

(aa) Misstatement – A difference between the disclosure(s) sustainability information and the appropriate measurement or evaluation of the sustainability matters in accordance with the applicable criteria. Misstatements can arise from error or fraud be intentional or unintentional,, may be qualitative or quantitative, and include omissions omitted information or information that obscures the presentation of the disclosures. (Ref: Para. A28)

In addition, to help ensure that there is appropriate focus on the importance of assurance skills and techniques, we recommend that the definition of ‘assurance skills and techniques in paragraph 17(e) be enhanced to include reference to training and experience of practitioners in the exercise of professional skepticism and professional judgement as an integral part of applying assurance skills and techniques.

Further, we note that the term “organizational boundary” is used in paragraphs A76, A77, A222, A238, A261, A359, and A453. While “reporting boundary” is a defined term, “organizational boundary” is not. We recommend determining whether reporting boundary should be used in those paragraphs, and if not, defining the term “organizational boundary”.

Differences in Definitions Between the IESBA Code, the ISAs, the ISAEs, and ED-5000 (ED-5000, par. 17)

There are differences in definitions of the same terms in the IESBA Code, the ISAs, the ISAEs and ED-5000, which we believe is confusing and not in the public interest. For example, as shown in the table below, the definition of engagement partner is exactly the same in the IESBA Code and in the ISAs but differs by one word in ISAE 3000 (Revised) (the modifier “assurance” before report), which could have been omitted without any loss of clarity.

Similarly, the proposed IESBA definition and the ED-5000 definition of engagement leader differ slightly: one refers to “an individual” while the other refers to “the partner or other individual”; one refers to “sustainability assurance engagement” and “sustainability assurance report” while the other refers to “engagement” and “assurance report”. In addition, the definitions for engagement partner refer to a ‘person in the firm’ while the definition for engagement leader refers to an ‘individual appointed by the firm’. Although some of the differences are minor, if the intent is the same, the words should be the same. We urge the IAASB to be internally consistent and to work with IESBA for consistency between the two Boards. A joint operational plan on how the two Boards will bridge their sustainability projects together for final approval would assist with consistency between the two Boards.

Definition of “Engagement Partner” (yellow highlighting indicates differences)

IESBA

ISAs

ISAE 3000 (Revised)

The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement partner” should be read as referring to its public sector equivalents where relevant.

The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement partner” should be read as referring to its public sector equivalents where relevant.

The partner or other person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement partner” should be read as referring to its public sector equivalents where relevant.

Definition of “Engagement Leader” (yellow highlighting indicates differences)

IESBA

ED-5000

An individual, appointed by the firm, who is responsible for the sustainability assurance engagement and its performance, and for the sustainability assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement leader” should be read as referring to its public sector equivalent where relevant.

The partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has

the appropriate authority from a professional, legal or regulatory body. “Engagement leader” should be read as referring to its public sector equivalents where relevant.

#### Tests of controls (paragraph 121)

It is unclear why paragraph 121 of ED-5000 differs from paragraph 12 of ISA 330, and we suggest aligning paragraph 121 with paragraph 12 of ISA 330.

#### Forming the assurance conclusion (paragraph 161)

We believe that the requirement in paragraph 161 regarding indicators of possible management bias is an important one and recommend that it be placed earlier in ED-5000, perhaps following paragraph 134.

To enhance clarity,

in paragraph A157, add the phrase “for the assurance engagement” at the end of the third sentence. in paragraph A413, insert the word “qualitatively” between “considered” and “material” in the last sentence.

#### Terms of the Assurance Engagement (ED-5000 par. 78)

Consider requiring that the terms of the engagement include the following:

A statement about the inherent limitations of an examination engagement

For a limited assurance engagement, consider requiring that the terms of the engagement include a statement, consistent with the statement in the practitioner’s assurance report, that the procedures performed in a limited assurance engagement vary in nature and timing from, and are substantially less in extent than, a reasonable assurance engagement and, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Paragraph 78(d) states that the engagement letter should include reference to the expected form and content of the report(s) to be issued. We would appreciate the IAASB clarifying what is meant by “form and content”.

#### Interim testing (paragraphs A380-A381)

The section title, Extending the Conclusions of Substantive Procedures Performed at an Interim Date, above paragraph A380-A381 appears to be a little misleading. Paragraphs A380-A381 address performing substantive procedures at an interim date rather than “Extending the Conclusions....” Consider changing the title of the section to “Substantive Procedures Performed at an Interim Date”.

#### Sampling

Paragraph A385: To add clarity and promote consistent application of sampling, we suggest adding the guidance from ISA 530; specifically, paragraph A11, Appendix 2: Examples of Factors Influencing Sample Size for Tests of Controls and Appendix 3: Examples of Factors Influencing Sample Size for Tests of Details.

#### Accumulation and Consideration of Identified Misstatements

The guidance in paragraph A401 would be more helpful during the earlier phases of the engagement. We suggest moving paragraph A401 to the Risk Procedures section.

The content of paragraph 153 (re: disclaiming or withdrawing when management representations are not reliable or not provided) would be better as application material for paragraph 152(c) regarding taking

appropriate actions, including the effect on the practitioner’s report. Please move the related language to application material for paragraph 152(c).

#### Editorial suggestions

For clarity, we suggest the following edit to the definition of ‘further procedures’:

Procedures, including tests of controls and substantive procedures, performed in response to (i) disclosures where material misstatements are likely to arise (limited assurance) and (ii) assessed risks of material misstatement (reasonable assurance).

For clarity and ease of translation and to move modifying phrases next to the words they modify, we recommend the following revisions (note that footnotes have been omitted for purposes of this comment):

A65. ISQM 1 requires the firm to establish quality objectives that engagement team members, are assigned to each engagement, including an engagement leader, who have appropriate competence and capabilities to consistently perform quality engagements, are assigned to each engagement.

#### Conforming amendment to ISQM 1:

A1. Other pronouncements of the IAASB, including ISRE 2400 (Revised) and ISAE 3000 (Revised), also establish requirements for the engagement partner or engagement leader, as applicable, for the management of quality at the engagement level, including ISRE 2400 (Revised) and ISAE 3000 (Revised).

The first sentence in paragraph A81 states “In determining whether sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, the engagement leader ordinarily may depend on the firm’s related policies or procedures (including resources)”. We don’t understand what is meant by the parenthetical phrase “(including resources)” and suggest that it be deleted.

Because the practitioner’s knowledge of and experience with the work of experts and the availability of alternative sources of evidence are neither procedures nor risks, we suggest that the word “including” be deleted from the last bullet of paragraph A84.

In paragraph A186, the word “including”, in the phrase “whether they will be...including identification” should be “include”.

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

In considering ED-5000, we noted the following additional matters.

#### Key Concern: Use of a service organization

ED-5000 contains minimal guidance on the use of service organization by the reporting entity (see reference to service organizations in paragraphs A238, A339). Our outreach indicated that it is not uncommon that the collection, processing or reporting of an entity’s sustainability information may be outsourced to a service organization. For example, service organizations may be used for reporting on:

Complex sustainability information - Entity’s may not possess the assets or expertise to collect, process or report certain types of sustainability information, for example GHG emissions, hazardous waste, or air quality measurements.

Topics of aspects of topics in the entity’s value chain - The entity’s reporting boundary is likely to be different than the entity’s organizational boundary which is defined by their legal structure. For some entities their reporting boundary may include entities within the value chain that are outside of the entity’s organizational

boundary. Entity’s may outsource the collection, processing or reporting on topics or aspects of topics from their value chain.

Suggest:

Include more concepts from ISA 402 in ISSA 5000 regarding considerations for an entity using a service organization, contextualized for assurance on sustainability information.

Define a service organization as “A third–party organization (or segment of a third–party organization) that provides services to user entities that are part of those entities’ information systems relevant to sustainability reporting”, leveraged from ISA 402.8(e).

Define a user entity as “An entity that uses a service organization and whose sustainability reporting is being assured”, leveraged from ISA 402.8(i).

Add a new requirement in the risk procedures section “If the entity uses a service organization, the practitioner shall obtain an understanding of how a user entity uses the services of a service organization in the user entity’s operations”.

Include application material to the risk procedures requirement to explain the ways in which an entity may use a service organization: outsourcing collection, processing or reporting on complex sustainability information, or reporting on topics/aspects of topics from entities in their value chain.

Include aspects of paragraphs 9-11 from ISA 402, contextualized for assurance on sustainability information, as application material to the new proposed requirement. The application material will provide guidance on the possible work effort when obtaining an understanding of the service organization as a basis for the identification and assessment of risks of material misstatement (reasonable assurance), or to identify where material misstatement is likely to occur (limited assurance).

Add a new requirement in the response to risks of material misstatement section “If the entity uses a service organization, the practitioner shall:

Determine whether sufficient appropriate evidence concerning the relevant sustainability information is available from records held at the entity; and, if not,

Perform further procedures to obtain sufficient appropriate evidence or use another practitioner to perform those procedures at the service organization”, leveraged from ISA 402.15.

Include aspects of paragraphs 16-18 from ISA 402, contextualized for assurance on sustainability information, as application material to the new proposed requirement as suggested further procedures to respond to: risks of material misstatement (reasonable assurance) / where material misstatement is likely to occur (limited assurance).

Exclude procedures related to the use a type 1 or a type 2 report, as the assurance landscape is still evolving in this area and may be more appropriate as a future standard setting initiative or future revisions to ISSA 5000.

Concern: Other information

We heard the following concerns related to the requirements on other information:

It is not clear what ‘other information’ would be in scope of paragraph 155(c). We understand that requirement 155(c) is based on paragraph 15 of ISA 720 and is intended to help the practitioner comply with ethical requirements to avoid association with other information that is false or misleading. However, during

our outreach, there was confusion on what types of ‘other information’ would be captured by the requirement in 155(c) that was not already captured by the requirements in 155(a) and (b).

ED-5000 is not clear on the level of sustainability competence required related to ‘other information’, specifically, there were questions during outreach whether the sustainability competence required for the sustainability engagement is sufficient to perform the procedures related to other information (i.e., read and consider whether there is a material inconsistency). It was unclear to some whether they were required to have additional sustainability competence to perform the requirements over other information.

Unlike in a financial statement audit, the subject-matter competency related to sustainability information subject to assurance, vs. other information can vary by entire scientific fields. For example, disclosures related to biodiversity vs. disclosures related to occupational health and safety.

Suggest:

Application material is needed to provide examples of what types of other information would fall within the scope of 155(c) and how it would differ from other information of that would be in scope of 155(a) and (b).

Include application material to paragraph 155 that explains that “In relation to other information, there is no need for additional sustainability competence beyond what is required for sustainability information subject to assurance.”

Concern: Definitions

Concern: missing “assertion level’ definition - Despite referring to assertion level in reasonable assurance engagements at risk assessment (110R) and response (114R), ED-5000 does not define assertion level. Including this definition would assist non-accountant assurance practitioners in understanding fundamental differentiators between limited and reasonable assurance engagements.

Suggest: Include a new definition in paragraph 17 for assertion level, consider language from ISA 315 “The level at which the practitioner identifies and assesses risk in reasonable assurance engagements and may be used to identify where material misstatement is likely to occur in limited assurance engagements”.

Concern: ‘intended users’ definition:

missing connectivity between the intended users of the sustainability assurance report and the intended users contemplated in the entity’s process to identify reporting topics, and

may introduce bias to the entity’s process in identify reporting topics (see application material in paragraphs A25-A26), as it narrows the intended users’ to ‘major stakeholders with significant and common interests’, such as shareholders, investors, and lenders, rather than a broader identification of intended users that could involve a ‘double-materiality lens’ if the applicable criteria/framework permit.

Suggest:

Include a new paragraph near A25 that explains that “The practitioner’s expectations of who will use the sustainability assurance report may be informed by their preliminary knowledge of the entity’s process to identify reporting topics.”, based on paragraph A273.

Make paragraphs A25-A26 (application material to paragraph 17(w) on intended users), conditional for when applicable criteria/framework does not specify either a process to identify intended users, or who the intended users are.

Concern: Other general items

Suggest elevating the sentence in paragraph A60 to be part of the introduction in paragraph 6 that discusses quality management.

“The engagement leader remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ISSA”. This sentence is a statement of fact that is important enough to be elevated to a requirement.

Suggest editing paragraph 11 to contemplate that when the entity voluntarily includes sustainability information in the financial statements, the ISAs also apply.

“Certain information about sustainability matters may be required to be included in the entity’s financial statements in accordance with the applicable financial reporting framework or may be voluntarily included in the entity’s financial statements. In either case, when such information is included in the entity’s financial statements subject to audit, the International Standards on Auditing apply”.

In addition, suggest a conforming amendment to ISA 700 paragraph A70 to provide a sustainability specific example when the supplementary information would be, or not be, considered an integral part of the financial statements.

Suggest editing paragraph A218R, as it appears inconsistent and unclear as compared to the related limited assurance procedure A219L

“For reasonable assurance engagements, the quantity of evidence needed is affected by both the nature and number of disclosures where there is an assessed risk of material misstatement risks of the disclosures being materially misstated at the assertion level (the more likely, or the higher, the assessed risks, the more evidence is likely to be required)”.

Suggest removing part of the last sentence in paragraph A298, as it appears to negate the rest of the message in A298.

“The sustainability matters may be complex to measure or evaluate or be subject to uncertainties. For example, potential climate-related risks, the likelihood of their occurrence, and their expected short, medium, and long-term impacts on an entity and its supply chain may be both complex to measure and evaluate and subject to a high degree of uncertainty. As a result of the inherent uncertainties, material misstatements may be more likely to arise (limited assurance) or the risk of material misstatement of disclosures may be higher (reasonable assurance), or it may be difficult to identify disclosures where material misstatements are likely to arise (limited assurance) or identify and assess the risks of material misstatement of the sustainability information (reasonable assurance)”.

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

Other Information:

Consistency in disclosures and assumptions between the sustainability information and financial information is critical. In this regard:

The AUASB agrees that ED-5000 should contain similar requirements to ISA 720 for Other Information. For listed entities, under ED-5000, the practitioner is not required to obtain and consider Other Information not available until after the date of the assurance report. The AUASB considers this to be inconsistent with policies and practices currently reflected in ISA 720 and diminishes the importance of Other Information in the context of sustainability assurance engagements.

The AUASB is conscious of the practical challenges and expectations of practitioners in relation to Other Information, particularly if the practitioner was not the financial statement auditor. Where the practitioner was not the financial statement auditor, they would need to meet/engage with the financial statement auditor or treat them as ‘another practitioner’ to meet the requirements of ED-5000 in relation to this Other Information. The AUASB encourages the IAASB to provide additional guidance for such a scenario.

Qualitative disclosures:

The guidance and examples in ED- 5000 relate almost exclusively to measurement of metrics as compared to guidance and examples related to evaluating qualitative disclosures such as the description of an entity’s business. Additionally, all the procedure-specific examples in the ED-5000 relate to metrics. The AUASB suggests that the IAASB add examples to guide assurance practitioners in making often-complex evaluation judgements on qualitative disclosures.

Working with others in the sustainability eco-system:

The AUASB encourages the IAASB to work with other parties in the sustainability eco-system (including report preparers, directors, financial statement auditors and sustainability assurance practitioners) to educate all parties about the assurance being provided over the sustainability reporting and key concepts being used. The IAASB should continue to work with non-accounting practitioners to bridge the gap between different assurance standards with the intention of creating a truly profession agnostic standard.

Sustainability Competency

ED-5000 paragraph 17tt defines sustainability competence as “competence in the sustainability matters that are the subject of the sustainability assurance engagement and in their measurement or evaluation”.

Based on the breadth of subject matters including topics related to environmental, social, economic and cultural matters and the information disclosed about aspects of those topics, the AUASB considers that sustainability competence is a critical risk in these assurance engagements, and in practice we could expect that a significant depth of specialist expertise will be required for many sustainability assurance engagements.

The AUASB encourages the IAASB to strengthen the expectation of the engagement leader and team member competencies and the strong need to utilise experts throughout the conduct of these engagements beginning at the pre-conditions stage of the engagement.

Guidance

The AUASB has suggested the IAASB develop further standards and guidance in several areas throughout this submission including materiality, experts, forward looking information, limited and reasonable assurance.

The AUASB will be considering whether to issue a standard and guidance to supplement the final ISSA 5000 under the Australian climate reporting framework (governance, strategy, emissions, other metrics, scenario analysis and transition plans). This may include enhanced requirements for the use of experts, on materiality and about information and assurance received and given through value chains.

Importantly, where additional guidance and examples have been suggested throughout this submission, the AUASB strongly encourages the IAASB to revisit the underlying requirements within the standard with a view to strengthening the requirements to stand alone, lessening the need for such guidance and examples.

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

### Connectivity between financial and sustainability reporting

There is an inherent connectivity between the information provided in financial statements and sustainability information reported. Sustainability reporting frameworks recognise this and require entities to demonstrate these links where necessary for users to have a full view of the company. This connectivity in reporting has certain implications for sustainability assurance engagements.

In the EU, for instance, entities under the CSRD scope will be presenting their sustainability statements within their management report which is published along with audited financial statements. In addition, ESRS has specific reporting requirements for the current and expected financial impact of sustainability-related risks and opportunities.

Therefore, ISSA 5000 should be clearer on the communication between the assurance providers on financial and sustainability reporting, taking into account applicable laws and regulations about professional secrecy and confidentiality.

### Initial assurance engagements

Planning and performing an initial (first year) sustainability assurance engagement necessitate specific procedures that would most likely be different in nature and extent compared to subsequent engagements. This is not recognised in the ED ISSA 5000.

As an example, the engagement team will need to spend more time to obtain an understanding of the entity and its operating environment, and to identify and assess risks of material misstatement. In addition, in cases where there is unassured comparative information in sustainability statements, the practitioner will need to use professional judgment in considering the implications for the engagement and the assurance report.

Accordingly, ISSA 5000 should have specific requirements addressing the particularities of initial engagements. This is very important as sustainability reporting frameworks usually have certain reliefs and transitional provisions which means that even in subsequent engagements there may be unassured comparative information reported by the entity for the first time.

### Clarification of other information

In our opinion the definition of other information and the respective requirements of the practitioner do not consider the scenario that parts of the other information are assured by the same practitioner (e.g. financial statements and management reports audited by the same auditor/practitioner). In this case the requirements for other information should not apply for those parts.

### Use of Application Material

We concur with the comments of Accountancy Europe. For the convenience of the reader, we have included the comments of Accountancy Europe in our letter as follows:

The application material of the ISSA 5000 should clarify the objectives of a requirement and what a requirement means or is intended to cover. It should not include general background information or appear to create additional obligations for the practitioner.

In our view, there is scope to reduce the length of the application material without compromising the quality of the standard. We believe that following (non-exhaustive) list of application material paragraphs should be removed from the ED ISSA 5000:

Paragraphs A6, A7 and A8 refers to matters that are already explained in paragraphs A53, A54 and A56, respectively

A33 and A35-40 mentions other ISSAs that do not exist yet

A34 notes that the ISAs and ISREs may provide guidance in relation to a sustainability assurance engagement

A83 includes examples of cases where a practitioner’s expert may be needed. However, these examples are too generic covering all key phases of an assurance engagement process

A189 states that an agreed-upon procedures engagement or a consulting engagement may be more appropriate when the entity has little experience with the preparation of sustainability information (we do not believe that a practitioner will make such a conclusion upon obtaining preliminary knowledge for the purposes of an assurance engagement)

A191 basically repeats the requirement established by paragraph 70(b)

A221 does not explain anything else than what is already included in paragraphs A72 and A77

A259 explains benefits of adequate planning which are quite evident

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

Interrelationship with audited financial statements and other information presented with sustainability information that has been subject to assurance:

We also note, as a further overarching observation, that the mechanisms used by entities to report sustainability information are evolving and will likely continue to do so at a rapid pace. The interrelationship between the audit of financial statements and assurance of sustainability information likely needs to be further addressed, specifically with respect to:

Communicating with the auditors of the related financial statements; and

Evaluating the consistency of financial information included as part of sustainability disclosures with corresponding information included in audited financial statements, including the consistency in assumptions used, when relevant; and

Resolving questions about other information and respective expectations of auditors and assurance practitioners with respect to “other” financial and non-financial information included in documents containing the audited/assured information.

### **Hong Kong Institute of Certified Public Accountants**

Other information

ED-5000.12 states that sustainability information may be presented together with the entity’s audited financial statements, for example, as a part of the entity’s annual report or in a separate document or documents accompanying the annual report. In these circumstances, the audited financial statements are considered other information for purposes of this ISSA.

ED-5000.17(ee) defines “Other Information” as 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.

Regarding these requirements, there could be some practical considerations of handling other information in a sustainability assurance engagement. This arises from the fact that the practitioner responsible for the audited financial statements may not be the same as the practitioner responsible for the sustainability assurance report (i.e., another CPA firm or a non-professional accountant). The competence of the sustainability assurance practitioners may be a concern when it comes to reading other information (e.g. audited financial statements) to identify any inconsistencies between the documents. In addition, when the assurance engagement covers only a small part of the sustainability information included in the annual report and the other parts of the same annual report contains the unassured sustainability information, the audited financial statements and/or management discussion and analysis, the effort needed to read those other information may be disproportionately large.

As currently drafted in ED-5000, the requirements are based on ISA 720. Non-professional accountants may not fully understand the extent of work required as they may not be conversant in reading historical financial statements.

Therefore, we request that the application material in ED-5000 clearly specifies the extent to which such review of other information should be conducted in order to fulfill the requirements. This clarification will ensure a consistent and comprehensive approach in conducting the review and to provide clear guidance to practitioners regarding the necessary procedures and level of scrutiny required.

#### Going Concern

The concept of “going concern” is used in ED-5000.A308 to highlight the possible consequences that the practitioner should take into account if the entity fails to comply with laws and regulations that could have a significant impact on its operations (e.g. cease of operations or raising doubts about its ability to continue as a going concern, etc.) These circumstances may have consequences on the entity’s disclosures.

With regard to the concept of “going concern” in the context of sustainability assurance, apart from ED-5000.A308, there is no further guidance in ED-5000 to guide practitioners as to the expectation of work relating to going concern. Further consideration should also be given to the circumstances where the sustainability assurance practitioner and the financial statements auditor are not from the same firm and the sustainability assurance practitioner may only become aware that there is a going concern issue when reading the financial statements as other information – which may be too late. Therefore, we recommend that the IAASB clarify the expected requirements for practitioners and provide guidance in terms of going concern in the requirements and the application material in the final standard.

#### Typographical errors

The procedure in ED-5000.102L(c) is currently cross-referenced to para. A329 – A332, which cannot be located within ED-5000. These references appear to be typographical errors and should instead be cross-referenced to para. A333 – A336, which correspond to the same procedure outlined in ED-5000.102R(d).

Para. A388R is not located in ED-5000, though it is referenced in the procedure in ED-5000.134R(a)(ii).

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

Other than the issues relating to assurance skills and techniques, and other information, both of which we consider to be of greater importance, we have chosen to address the other matters that we would like to raise in the appendix to this template in the order of the sections of the draft in which they occur (both requirements and application material), rather than by some other criterion.

### Assurance Skills and Techniques

Paragraph 32 (a) refers to competence and capabilities in assurance skills and techniques. We note that assurance skills and techniques are defined but, unlike for sustainability competence, there is no application material providing further details about the importance of competence and capabilities in assurance skills and techniques beyond A71 (which just addresses professional skepticism and professional judgment, but not assurance skills and techniques) and what these may entail beyond the definition. For example, the intended meaning and practical implications of extensive training and practical application would be important. Such a common understanding of competence and capabilities in assurance skills and techniques is particularly important if practitioners other than professional accountants are expected to use ISSA 5000 so that they are able to perform quality engagements on par with professional accountant practitioners. For this reason, we suggest that the application material include additional guidance on assurance skills and techniques to ameliorate the fact that there is no equivalent in ISSA 5000 to IES 8 “Professional competence for engagement partners responsible for audit of financial statements” in the context of sustainability assurance.

### Other Information

We are very concerned with the treatment of other information in the draft and the use of ISA 720 (Revised) as a basis for much of that treatment. We recognize that the treatment of other information in ISAE 3000 (Revised) is outdated, but ISAE 3410 does provide some more robust requirements and guidance on the matter that could have formed the basis for the treatment of other information in the draft. ISA 720 (Revised) was one of the more controversial projects and standards, and initially it did cause considerable difficulties in practice. The post-implementation review of ISA 720 (Revised) indicated that there were still a number of serious issues that needed to be addressed by the IAASB in future, including, among other matters, the nature and extent of the work effort requirements for “read and consider” and that certain legal strictures prevent the standard from being adopted in its entirety globally (we note that the PCAOB has never issued an analogous standard – the focus in the PCAOB standard remains on identifying material inconsistencies and thereby becoming aware of material misstatements of fact). Furthermore, ISA 720 (Revised) was very much focused on the financial statement audit environment and the desires of regulators to extend the assurance associated with the audit of financial statements to other information beyond just meeting the auditor’s ethical responsibilities to not being associated with misleading information that may undermine the audited financial statements and hence the auditor’s report. In the end, ISA 720 (Revised) represents neither an assurance nor another related service and the question arises whether its paradigm ought to be extended to all other assurance engagements.

We therefore regard it as premature to transport large parts of the requirements and guidance from ISA 720 (Revised) to ISSA 5000 prior to a project to revise ISA 720 (Revised) to deal with the issues identified in the post-implementation review. Among other matters, the definition of misstatement of the other information uses the term “misleading”, even though throughout other IAASB standard that term encompasses only information that is material. The definition would also impose a responsibility on practitioners to consider whether other information not related to the sustainability information is materially misstated (including whether it omits or obscures information necessary for a proper understanding of the unrelated information). In the context of sustainability reports in the EU that are included in the management and hence annual report together with the audited financial statements, it would imply that the audited financial statements audited by another auditor would need to be read by the assurance practitioner and they would need to consider whether the financial statements omit or obscure information necessary for a proper understanding of the financial position, financial performance and cash flows of the entity. We are not convinced that this is

a reasonable requirement in the circumstances. Furthermore, it is unclear to us what happens when both practitioners (the auditor of the financial statements and the assurance practitioner performing the ISSA 5000 engagement) read and consider the other information in an annual report containing both the audited financial statements and the assured sustainability report and, based upon their reading and considering the other information in that annual report other than the audited financial statements and the assured sustainability report, come to different conclusions about the other information (i.e., one has something to report about that information and the other does not). Communication between the two parties may also be limited by legal confidentiality requirements.

We believe that the IAASB needs to consider whether the ISA 720 paradigm is really transferable to other assurance engagements. We believe this not to be the case and that the paradigm should be closer to that used by the PCAOB and ISAE 3410 – at least until the IAASB has addressed the concerns in ISA 720 (Revised) arising from the implementation review and the special issues that arise in the sustainability information context as described above. As a matter of detail, we note that paragraph 158 (a) does not align with paragraph 19 (b) of ISA 720 (Revised).

For further detailed comments on various technical and wording matters, we refer to the appendix attached to this template.

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

Inquiry of management (paragraphs 131L and 131R of ED-5000)

Both paragraphs 131L and 131R require inquiries of management when performing analytical procedures if analytical procedures identify certain inconsistency.

“Management” is defined in paragraph 17(y) as “The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes one or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.”

Given the definition of the “management” in ED-5000, we think, in practice, inquiries are performed with non-managerial personnel within an entity who the practitioner believes is the appropriate or right individual to inquire, not necessarily with management, in certain situations. Therefore, we suggest revising the paragraphs 131L and 131R to read, “inquiry of the entity” (similar to paragraph 48L of ISAE 3410) or “inquiry to other appropriate individuals within the entity” (similar to paragraph 14(a) of ISA 315 (Revised 2019)).

Scope of the Assurance Engagement (Ref: Paragraphs 74(c), A198)

Paragraph A198 of ED-5000 indicates that there are situations where only a part of the disclosures in the sustainability information is subject to assurance if permitted by the applicable criteria. In this regard, we acknowledge that ED-5000 is framework-neutral but believe further clarification is needed for the situation where only part of the sustainability information is subject to the assurance engagement although the sustainability information is prepared in accordance with the (framework) criteria which require comprehensive disclosure of sustainability information, such as IFRS S1 and S2 issued by ISSB.

For example, paragraph 72 of IFRS S1 issued by ISSB states, “An entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards shall make an explicit and unreserved statement of compliance. An entity shall not describe sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards.” However, we think there would be jurisdictions where the scope of assurance under local laws or regulations is limited to only certain topics or aspects of topics although the comprehensive sustainability information is prepared in accordance with

IFRS S1 and S2. Or there may be jurisdictions where no assurance is required but the reporting entities might want to have voluntarily assured only certain metrics of sustainability disclosures being reported in accordance with the comprehensive framework criteria (such as the ISSB’s IFRS S1 and S2).

In these situations, we believe paragraph A198 of ED-5000 indicates that it is not acceptable to conduct the assurance engagement for part of the sustainability information based on the criteria which require the comprehensive disclosure, such as IFRS S1 or S2 issued by the ISSB, because the criteria do not “permit” it and rather the applicable criteria should be the one developed by the entity. However, we believe it is unclear from ED-5000 and further clarification is needed.

Also, we expect further clarification or need further guidance on how to identify the applicable criteria in the assurance report in the situations described above where the practitioner does not obtain evidence about whether the entire sustainability information complies with all the criteria since the scope of assurance engagement is limited to certain topics or aspects of topics.

#### References

When finalizing ED-5000, we suggest revisiting the following paragraph numbers for accuracy:

Paragraph 102L(c) refers to A329 – A332 but it should be A333 – A336.

Paragraph 134R(a)(ii) refers to A394R, A388R, A396 but they should be A394R and A396.

Paragraph A433 refers to paragraph 3 but it should be paragraph 4.

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

Paragraph 189 of the ED-5000 requires the practitioner to state in an Other Matter paragraph, if the comparative information is not referred to in the practitioner’s assurance conclusion and was not subject to an assurance engagement in the prior period. We recommend ED-5000 to provide illustrative examples of the wordings of the other matter paragraph as described in paragraph 189.

We would suggest that in the case where the practitioner is also the auditor of the financial statements of the entity, ED-5000 to consider including information obtained from the audit documentation as cumulative evidence in the sustainability assurance engagement to the extent relevant, in order to support the opinion issued on the assurance report.

Paragraph A430 of the ED-5000 states that if after the date of the assurance report, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the assurance report, may have caused the practitioner to amend the report, the practitioner may need to discuss the matter with the management or those charged with governance or take other action as appropriate in the circumstances. We are of the view that the word ‘may’ gives the impression that discussion with management or TCWG is not a requirement and suggest that the word ‘shall’ be used instead.

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

##### Competence

We believe that the sustainability assurance provider must be both competent and independent. We note that specific competencies are not addressed in ED-5000, but includes the following provisions:

##### Acceptance stage

Engagements can be accepted only if those who are to perform the engagement have collectively appropriate competence and capabilities (para 25 (b))

### Engagement leader’s competence

The engagement leader needs to have competence in assurance and sustainability matters and understanding of relevant ethical requirements (para 32).

We encourage the IAASB to stress the importance of sustainability competence in this context of the preliminary knowledge of the engagement circumstances to make it clearer. We recommend that paragraph 25(b) be amended to emphasise both assurance and sustainability competence, noting that sustainability competence is defined in 17 (tt), to emphasise this early on.

We support the non-inclusion of specific competency requirements in this umbrella standard as it is important that the competency required be specific to the subject matter being assured. The competency required to assure the quality of water will be different to that required to assure a modern slavery framework, or a TCFD or climate statement.

We recommend that the IAASB include specific competency requirements when they develop the suite of topic specific standards that will sit under ED-5000.

We recommend that the IAASB amend the definition of sustainability competence to the following:

“Sustainability competence – Competence in the sustainability matters that are the subject of the sustainability assurance engagement and in their measurement or evaluation and understanding in the environments, societies, economies and cultures that are relevant to the sustainability matters and information.”

### Royal Dutch Institute of Chartered Accountants

- When sustainability reporting standards require a company to report on its value chain and/or on scope-3 emissions, most of the underlying information will need to be obtained from entities beyond the company’s control. The assurance on that information will likely require additional attention. This is because it is uncertain whether that information from other entities will be subject to any assurance, and also whether the practitioner will have access to the assurance provider for that information. We urge the Board to help clarify how practitioners can deal with that in practice, by developing specific requirements and appropriate application material for those situations. We also encourage the IAASB to work with IESBA on this specific situation, as it may bear on confidentiality and independence.
- We expect that much of sustainability reporting will be in narrative form. We observe that much of the useful guidance thereon in the EER-guidance, would remain relevant to sustainability assurance. We suggest that IAASB reviews that guidance and includes a summary of it into the standard.
- The requirement on evidence is challenging in terms of how to interpret the expectation and understand the appropriateness and sufficiency of evidence. We suggest to develop clearer guidance for the practitioner on assessing the appropriateness and sufficiency of evidence.
- We suggest to reflect in paragraph 19 on compliance with the ISSA that not only all requirements should be complied with, but also that the objectives of the relevant ISSAs have been achieved.
- We suggest that in the section on Forming the Assurance Conclusion clarification is included about the role of the Engagement Leader in forming the conclusion, for instance in paragraph 163.
- We suggest to ensure that the engagement leader be required to document the work performed to take overall responsibility (paragraph 166).

- We suggest the procedures on ‘other information’ be further developed, especially for the rather likely situation that the practitioner providing sustainability assurance and the auditor auditing the financial statements are the same person or from the same firm. It would be inefficient if the auditor in that case would deem the sustainability information to be part of the ‘other information’ whereas the practitioner would deem the financial statements to be part of the ‘other information’. The NBA suggests to clarify that in such a case the ‘real’ ‘other information’ is that which is made available together with sustainability information and financial statements, but is neither the first or the second.

## 6. Global Standard Setter

### Global Reporting Initiative (GRI)

Add ‘Sustainability context’ to the proposed principles

The principle of sustainability context in GRI 1 Foundation Standard (2021) requires that organizations report information about their impacts in the wider context of sustainable development relevant to their organization. Understanding the sustainability context provides the organization with critical information to determine and report on its material topics. Economic, environmental, human rights and other societal challenges at the local, regional and global level should be considered to understand sustainability context of activities and relationships. GRI’s Sector Standards describe the sustainability context of the sector and links the most significant impacts identified for each sector with the United Nations Sustainable Development Goals (SDGs). Understanding the sustainability context is also relevant to identifying risks and opportunities to the organization.

GRI strongly recommends that IAASB adjusts the current principles and adds sustainability context.

### Social Value International

In paragraph 4 of the ED: “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.”

Presumably this is information expected by the assurance provider. If so, we recommend that the basis for these expectations is linked to subsequent sections, for example in A158 ‘Obtaining a Preliminary Knowledge of the Scope of the Proposed Assurance Engagement’ and following paragraphs.

Sustainability information will generally include information that was not expected. There will be unexpected impacts. If the scope excludes these impacts, we recommend that the opinion includes a caveat. We also recommend that this is differentiated from what the assurance provider expects to see since they will expect to see unexpected impacts.

Paragraph 12 in the ED referring to the ‘Relationship with the Audited Financial Statements’.

Even when not part of an annual report, financial reports could be part of other information or could be part of the initial risk assessment relating to a scope.

Where financial and sustainability information is being provided to the same user, the assurance process for either the financial or the sustainability information or both will need to address completeness, consistency and the risk of duplication between sustainability disclosures and financial reports. For example, where an entity has written down asset values under IAS 36 in line with IASB guidance on the effect of climate change, there may be a requirement for further disclosure under a sustainability standard for information

that has not met the required level of certainty under IAS 36. The existence of information on relevant impairments would inform the approach to assuring completeness of sustainability disclosures.

We recommend a discussion of these issues is included.

Paragraph 17 of the ED on definitions

We recommend that definitions are included of the following:

The addressee, including within a three-party relationship between engaging party, user and assurance practitioner and providing clarity on the existing inconsistency between A467 and A26.

The three-party relationship, although this is addressed in A160 this is too far back in the ED, including clarity as to which of the parties is the responsible party, generally the engaging party.

Double materiality, especially as there is not one definition, for example investor/multistakeholder or inside out/outside in, but also in the context of the internal control environment and the need, for example in assessing completeness of financially material information, for an assurance provider to have sight of the assessment of double materiality and the process for identifying which are financially material to form an opinion.

Sustainability as defined by Bruntland (1987) as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” and including assessment of management performance in creating positive and reducing negative impacts at rate commensurate with stakeholder expectations and thresholds and planetary needs and thresholds.

Rational purpose, given that a purpose that does not account for and so accepts negative impacts on people’s wellbeing or on their human rights or does not seek to maximise the contribution being made to sustainability could, perhaps should, be considered irrational (and would have implications for paragraph A191)

We recommend that the following definitions are amended.

Intended users, expanded to address the issue that was included in the Guidance on Assurance of EER in paragraph 145

A distinction is made between intended users and stakeholders. A stakeholder in the entity may:

- Have a relationship and interactions with the entity.
- Be directly or indirectly affected by the entity’s actions.

There may be circumstances when the stakeholders and intended users are not the same. When a stakeholder is not an intended user, their interests may be taken into account by other parties who are intended users. It should not be assumed that, just because a class of stakeholders that would have a legitimate interest in the EER report is not expected to use the report, information about reporting topics that would meet their information needs would not be relevant to the other classes of intended users, when the categories of intended users are diverse.

Where the scope is not clear on this or has not identified an intended user that acts in the interests of other stakeholders, this increases the risk that information is not complete. Our recommendation is that in these circumstances an existing user would have to act in their interests to retain a three-party relationship with an addressee.

Other information, as this could include third party certifications of internal controls especially where the certifications relate to sustainability matters and may reflect a three-party relationship and so the information does not come from managements experts.

Performance materiality, as the current definition is very hard to follow and perhaps could be more than one sentence and tie in with subsequent paragraph explaining this in more detail.

Risk of material misstatement, to link this risk to the level of uncertainty that the users of the information are willing to accept – their risk tolerance and appetite. This uncertainty is explicit in IASB relating to existence, outcome and measurement uncertainty and the level, though not calculated, has been normalised through legislation, reporting, audit and legal actions. This is not yet the case in sustainability reporting where the level of uncertainty, and hence the risk of misstatement and acceptable assurance risk, will vary with the users and their purpose.

Paragraph 25, 32 (c) and 41 of the ED on Competencies

In the absence of a recognised certification scheme that is relevant to the scope, it is not clear how the practitioner will determine competence and capabilities and information may be identified during an engagement which may require this to be reassessed. The risks relating to completeness and the need for stakeholder engagement are fully not addressed by the those with financial audit skills making use of experts on specific sustainability topics.

Paragraph 71 of the ED on Appropriate Sustainability Matters

We recommend that Paragraph 71 is expanded to address assessment of whether the sustainability matters are complete within the context of the scope. This issue does not seem to be covered by A172 (b).

Paragraph 74 of the ED on ‘Rational purpose’

We recommend that Paragraph 74 is expanded to give practitioners clearer understanding of how to determine rational purpose within the context of the public interest. See also our recommendation above on amending the definition of rational purpose:

a purpose that does not account for and so accepts negative impacts on people’s wellbeing or on their human rights or does not seek to maximise the contribution being made to sustainability could, perhaps should, be considered irrational.

Paragraph 97 of the ED on Understanding the Sustainability Matters and the Sustainability Information

We recommend that this paragraph refers to the practitioner developing an understanding of expected sustainability matters in the context of the scope and that this should be done before the practitioner has sight of the sustainability information prepared by the responsible body to reduce the risk that this information prejudices expectations.

Paragraph 99 of the ED on Understanding the Entity and Its Environment

Without stakeholders having been involved throughout the process, there is a risk that acceptable levels of risk for material misstatement are not acceptable to the intended users including the stakeholders whose lives are impacted. The standard does not include sufficient information on processes for stakeholder involvement that are designed to reduce the risk of omission of sustainability topics or aspects of topics, in context of the language in the ED, or of impacts on wellbeing.

We recommend that this issue should be added to this paragraph but then expanded in Application material. The existing reference to intended users in A171 does not address this issue.

Paragraph 150 of the ED on written representations

The risk of material misstatement will increase with the extent to which the assurance provider places reliance on written representations especially in relation to the completeness of sustainability information. There will be a point at which the reliance becomes so high that it is not possible to form an opinion.

We recommend that a discussion on reliance on representations is included.

Paragraph A26 of the ED on intended users

Paragraph A26 suggests that the users are the addressee in contradiction with A467 which says the addressee is generally the engaging party.

We recommend this is clarified.

If the scope of the information includes impacts on stakeholders that are not users then there are sustainability risks when the assessment of relevant information is limited to users. There is also a risk that because they cannot be identified the opinion cannot be addressed to them and they are excluded on that basis. This might undermine the three-party relationship if, for example, the opinion were to be addressed to the directors with management being the responsible party, especially as the directors primary legal interest is to members and not to stakeholders. This ties in with our recommendation that an existing user must act in the interest of those stakeholders (whose lives are impacted) where required by the scope and to retain a three-party relationship.

If users within a scope are further restricted as proposed, to those that have significant and common interests, there is a further increase in the risk of material misstatement. This restriction can only be made in the context of whether the exclusion increases the risk to the point an opinion would be qualified. It may then also imply that the criteria are restricted to the common interests of those users which would require an expression of matter paragraph in line with paragraph 180.

We recommend that who would be responsible for determining the common interest, and who they would determine it, or what steps the assurance provider would need to take to consider whether that determination was reasonable should be clarified.

Paragraph A179 of the ED on Relevance of the Criteria

We recommend that paragraph A179 is more strongly linked to the requirements section.

Links the information back to the decisions being made by intended users. Clarity over the users, their decisions and the purpose behind those decisions should be added as a requirement for the scope in paragraph 3. The requirement for a purpose could be added to A179 (a) but also in A181 and A200 just as it is included in A179 (b) and A270. (Financial reporting standards are based on primary users, decisions to provide economic resources, with an interest in financial returns. All three are necessary as the basis for useful information. Assurance against information that does not include all three would need to consider the high risk that resulting information was not useful as, for example, its purpose might not be known)

States that the criteria should assist decision making, including general types of decisions. This use of ‘general’ probably relates back to the earlier reference to common interests and clarity over user, decisions and purpose would provide more clarity. It would also be useful to provide example of other types of decisions since the presumption might be that these were the only types of decisions would be those that intended users would make based on purpose of sustainability information. This may be the first use of the word ‘purpose’ and yet it is so important to the ED.

Critically raises the issue that uncertainty, covering measurement and evaluation uncertainty. The relationship between these two types and those used in financial reporting would be useful especially if there is a view that there are different types of uncertainty in sustainability information. The implication of this for different scopes (now including different purposes) should be raised earlier in the ED.

Recognises the importance of aggregation but should also recognise that this will be informed by the purpose. It would be useful to give examples, for example not netting off positive and negative impacts, not providing averages to obscure different experiences for different stakeholders or stakeholder groups. The process by which an impact is treated as positive or negative is not as simple as whether the direction of change was positive or negative and the assurance practitioner would need to assess these thresholds and allocations. This also influences A200 fourth bullet. However, aggregation across impacts, aspects of topics or topics, is required to assess risk of material misstatement across different topics which requires a common unit and this should be included.

Whilst it is true that reporting processes may not have matured, the implication is that the risk of material misstatement will then increase. This highlights an important issue that should perhaps be recognized earlier in the document since there is likely to be a higher level of qualifications of sustainability reports than of financial reports and it would better serve the public interest to have wider but qualified scopes than narrower but non-qualified scopes.

(ii) refers to commitments. This would be a further example of an overlap with financial reporting where those commitments are treated as obligations and for example as constructive obligations. If so information on sustainability related constructive obligations would become ‘lost’ in the aggregate of liabilities in the financial reports but might still be useful and separately identified in notes to accounts or in sustainability disclosures but requiring a statement that the information had already been included.

Paragraph A183 of the ED on Neutrality of the Criteria

Paragraph 183 third bullet refers to reasonable basis without guidance on what is reasonable or whether this is different to the use of rational above. Give that criteria could and perhaps is likely to change in line with changing assessment of sustainability information it might be the lack of change between reporting periods that would need to be justified or at least would indicate a risk.

Paragraph A198 of the ED on appropriateness of the scope and ‘reasonable basis’

Paragraph 198 raises the risk of incomplete information as in A179 (f) and the risk that a qualified opinion may be required. We restate our recommendation that it would better serve the public interest to have wider but qualified scopes than narrower but non-qualified scopes.

Paragraph A201 of the ED on whether and how the sustainability information is used

An alternative conclusion is possible from the last bullet. If management are not using the information in decision making it may be because they are not effective.

We recommend this possibility is included.

Paragraph A238, A289 and A437 of the ED on Sources of Information

These paragraphs could include references to, for example, social media and civil society organisations in identifying relevant sustainability matters. This is a good example of the other sources of information that would be relevant in assessing completeness of relevant information.

Paragraph A243 of the ED on Reliability. We recommend that ‘applicable’ is defined.

Paragraph A270 of the ED on Materiality

Recommend including a link from intended purpose to the level of uncertainty that is acceptable to intended users for the purpose.

Paragraph A275 of the ED on materiality process

As opposed to management’s materiality process, the information may be determined by a sustainability standard or by legislation.

Paragraph A278 of the ED on Qualitative Materiality Considerations

We recommend that the example in the first bullet is amended to point out that the value lost, of adverse consequences, to the person experiencing the waste spill are also likely to exceed any financial losses experienced by an individual investor.

The second bullet that refers to the ‘interaction between, and relative importance of, multiple topics’ confirms the point made above in relation to Paragraph 179 (d) about the need for a common unit and A398 below about transparency of the process to apply weightings.

Paragraph A279 of the ED on Quantitative Materiality Considerations

A further point (c) could be added relating to the use of quantitative factors to assess relative importance (weighting or value) of, for example, topics.

Paragraph A284 of the ED on Performance Materiality

We recommend that what would be ‘appropriate’ especially for different users with different purposes is clarified.

Paragraph A295 of the ED on Understanding the Sustainability Matters and the Sustainability Information

We recommend that, in addition to characteristics, the understanding of sustainability matters requires a consideration of expected matters as part of the tests for completeness.

Paragraph A310 of the ED on Inquiries and Discussion with Appropriate Parties

We recommend that paragraph A310 defines appropriate parties and includes references to external as well as internal parties.

Paragraph A398 of the ED on Accumulation of Identified Misstatements

The effect of accumulation of misstatements requires that the weighting used for that accumulation is then transparent.

We recommend the need for transparency in the weighting that was used for accumulation is transparent and the extent to which those people experiencing impacts inform that weighting.

Paragraph A448 of the ED on Evidence Obtained That Is Inconsistent with Other Evidence

The practitioner will need to make enquiries directly with stakeholders (representative samples of people impacted by the entity) to assess the completeness and accuracy of sustainability information and this will be an important potential source of inconsistencies. As with reference to stakeholder engagement, we recommend that this is included in the ED.

Appendix 1

The examples of topics listed are not mutually exclusive or consistently defined which highlights the risk of double counting impacts in more than one topic. We recommend that examples are amended or defined to reduce the risk of overlaps.

## 7. Accounting Firms

### Altaf Noor Ali Chartered Accountants

25.1 Replace para 1 of the Appendix 1 with para 11 of the conforming amendments to International Framework for Assurance Engagements.

Appendix 1 contents are important to be incorporated in the main text or basis of conclusion. Remote placement of Appendix 1 makes it inaccessible for the user.

The term ‘disclosures’ explained in paras 4 and 5 of Appendix 1; not defined in para 17 of the ED.

25.2 The excessive use of the word ‘sustainability’ as a prefix with other terms like information, matters, assurance engagements may be avoided by use of symbols.

25.3 Its confusing to use the term engagement leader and practitioner whereas engagement partner in ISQM 1 and 2. The practice of referring to the same position in two more ways is not explained.

ISQM 2: A26 may be rewritten as ‘ISAE 3000 (Revised) and ISSA 5000 also establishes requirements for the engagement partner and engagement leader respectively in relation to the engagement quality review

25.4 Interesting>> Words and frequencies in the ED unless mentioned otherwise.

Word	Frequency	Remarks
sustainability	1138	Use symbol to denote the word.
sustainability information	250	Used 680 times in the Explanatory Memorandum
shall	250	Avoid using ‘shall’ with the right kind of sentence structure
may	1007	
sustainability matters	122	
disclosures	251	Term meaning in Appendix 1. Should be defined in para 17.
notion	1	Q11 Explanatory Memo
concept	8	
materiality	82	Used with double- materiality, performance materiality, materiality process, etc.
engagement	1653	
engagement leader	162	
practitioner	1331	
whether	411	

### **Baker Tilly International**

It would help to add definitions of terms used in ISSA 5000 with existing definitions in other standards. E.g. the following terms were not defined in ISSA 5000 yet “business risk”, “controls”, “general information technology (IT) controls” (“general IT controls”), “information processing controls”, and “IT environment”, “IT application” can be taken from ISA 315 Revised.

EER guidance: while the IAASB issued the EER guidance in 2021, that guidance is non-authoritative and should be transposed into the final ISSA 5000.

Value chains: like double materiality providing assurance on value chain information is receiving increasing stakeholder attention. Value chain information is also required by the European Union’s Corporate Sustainability Reporting Directive (CSRD). Value chain reporting is an important factor for a broad range of stakeholders in ESG reporting. Consequently ED ISSA 5000 should address assurance on value chain information.

Ensuring ISSA 5000 is fit for purpose: to avoid fragmentation of assurance standards ED ISSA 5000 must be ready and enjoy broad stakeholder support, especially given that the EU plans to adopt an EU-wide assurance standard in 2026. The IAASB should allow reporting and assurance practice to develop under a stable platform of principles as described in ISSA 5000 for a period of 3 years before making changes or addressing emerging issues. The IAASB has done very well to produce ED ISSA 5000 in an unprecedented timeframe but there is a risk that if the standard is changed after a short period of time or perceived to be about to change then this will impair regulatory appetite to adopt ISSA 5000 (ie they may wait until the standard has “stopped moving”). That said there is a lot in the way of guidance and supplementary materials that will be needed if ISSA 5000 is to be operable but that doesn’t need to be authoritative or included in the standard.

### **BDO International Limited**

We have the following additional comments with respect to ED-5000:

Given the importance of the stakeholder dialogue and materiality analysis in many reports (at least those based on GRI and ESRS), we believe guidance is needed on the practitioner’s overall evaluation of the sustainability information.

Paragraph 12 indicates that an entity’s audited financial statement may be considered as ‘other information’ when it is presented with sustainability information, for example as part of an entity’s annual report. This is likely to require a significant level of understanding of financial reporting frameworks (e.g., IFRS). Therefore, we suggest adding more guidance on procedures for the practitioner to perform in relation to this ‘other information’. For example, the requirements in ISA 720 include more detailed procedures in a financial statement audit where the sustainability information is included in an entity’s annual report. Although some jurisdictions may have a clear definition of ‘annual report’, other jurisdictions may not, and we foresee significant issues in applying this in practice.

When planning to respond to a risk by testing the operating effectiveness of controls, paragraph 123R requires the practitioner to test the operating effectiveness of controls in the current year if the risk of material misstatement is ‘at the upper end of the spectrum of risk’. This appears to introduce a concept similar to ‘significant risk’ from ISA 315. However, the concept of ‘significant risk’ is not included in ED 5000. We suggest adding the concept of ‘significant risk’ to ED-5000.

Paragraph 37 refers to ‘assurance skills and techniques as part of an iterative, systematic engagement process’. We suggest expanding the definition of assurance skills and techniques, application guidance to

describe what is meant by ‘iterative, systematic engagement process’ and incorporate the use of automated tools and techniques.

We suggest moving the paragraphs relating to ‘Agree terms of the engagement’ (paragraphs 25-28) to follow the sections relating to engagement leader’s role and documentation (paragraph 68) to ensure that acceptance and continuance of the assurance engagement is immediately followed by preconditions of an assurance engagement.

There is some inconsistency in the use of ‘non-compliance’ and ‘noncompliance’ in paragraphs 59 to 61. Also, the heading ‘Appropriate Sustainability Matters (Ref: Para. 71)’ in the application guidance has an additional parenthesis.

There is a typographical error in A176 (c) where the title for the next section ‘Specific Considerations for Determining the Suitability of the Criteria for Performance’ is not on a new line.

We suggest providing additional examples of what would be considered a reasonable justification to change the terms of the assurance engagement as described in paragraphs 80, A207 and A208.

In the section on tests of controls (paragraphs 119-125), we suggest including a consideration for situations when performing substantive procedures alone cannot provide sufficient evidence.

In paragraph 15(a), we recommend adding the wording ‘whether due to fraud or error’ to be consistent with the objectives in paragraph 11(a) of ISA 200.

Paragraph A308 refers to circumstances that may cause an entity to cease operations or be unable to continue as a going concern but does not indicate what the practitioner’s responsibility is in relation to this possibility. We believe a clarification of the intended scope of the practitioner’s responsibility in respect to this matter is needed.

#### **Deloitte LLP**

The following are additional suggestions for consideration by the IAASB, including areas where further clarification of the practitioner’s responsibilities may be helpful to drive consistency, comparability, and understandability:

Throughout ED-5000, we believe conformity is needed with respect to references to

International Standards on Quality Management (ISQM) such that both ISQM 1 and ISQM 2 are referenced.

We suggest the IAASB revisit whether certain paragraphs that are labeled either L or R (for limited or reasonable assurance, respectively) may be applicable to both limited and reasonable assurance engagements and thus require relabeling (for example, paragraphs 116R(a)(i) and (ii) and paragraph 133L).

We have noted in several responses the need for additional requirements and application material related to operationalizing ED-5000 with respect to sustainability information subject to assurance that relates to the value chain, which is a topic of significant complexity. In addition to these points, we believe further clarity is needed related to independence considerations related to entities that form part of the value chain of the entity. Overall, we recommend that the IAASB “step back” and consider whether there is sufficient explanation of the roles and responsibilities of management, those charged with governance and assurance practitioners with respect to information coming from the value chain, including management’s responsibility for establishing and maintaining processes and internal controls related to such information as applicable.

We suggest additional application material, including examples, to illustrate how the scalability described in paragraph 13 is expected to be applied in practice.

To help clarify the understanding of “intended user”, we suggest:

The second sentence in paragraph A25 be revised to read “Other potential intended users who may be interested in the impact of the organization include...”.

Further application material to evaluate when stakeholders are “major stakeholders with significant and common interests” as described in paragraph A26.

We believe ED-5000 does not include sufficient consideration of scoping as part of the requirements related to planning the assurance engagement. Refer to Question 17 for a proposed solution to restructure the materiality and risk assessment paragraphs.

We recommend further clarity within the requirements or application material on the topic of accumulating and evaluating identified misstatements, including when sustainability topics or aspects of topics are measured using different measurement bases and/or when

misstatements are identified in qualitative disclosures.

In Question 12 we recommend the IAASB cross-reference to the descriptions in the CUSP guidance. As ED-5000 is finalized, we encourage the IAASB to make sure the principles within the CUSP guide have been applied throughout the standard.

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

We have the following additional comments and suggested revisions to ED-5000 for the IAASB’s consideration.

Throughout ED-5000 the term “procedures” is used, which can be understood to be a generic term rather than be inclusive of risk procedures, further Procedures and substantive procedures. We suggest that the IAASB use the term “assurance procedures” throughout the standard instead of just “procedures” for clarity and consistency with the use of “audit procedures” throughout the ISAs and add an explanation or definition of the term “assurance procedures” in the standard.

This clarification is especially important in the definition of “engagement team” and the guidance in paragraph A22 of ED-5000. Paragraph A22 states that individuals who perform procedures on the engagement are part of the engagement team; however, it is not clear what work is considered “procedures” in this definition. In our view, using and explaining or defining the term “assurance procedures” as suggested above would enable a practitioner to appropriately determine which individuals form part of the “engagement team.”

#### Paragraph 17(p)

We suggest the following revisions to paragraph 17(p):

(p) Engagement team – The engagement leader and other personnel performing the engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner’s external expert, “another practitioner” and internal auditors who provide direct assistance on the engagement. (Ref: Para. A22)

The “Engagement team” definition in ISA 220 paragraph 7(d) explicitly excludes internal auditors who provide direct assistance on the engagement from the “engagement team” and we believe it is appropriate to explicitly exclude such individuals from the definition of the engagement team in sustainability assurance engagements as such individuals are used in practice in some jurisdictions for sustainability assurance engagements.

Similarly, we believe that the explicit exclusion of “another practitioner” from the “engagement team” is also necessary as these individuals are described in the standard as not being a part of the engagement team (refer also to our comment in response to Q14).

#### Paragraphs 49, 50 and A22

Paragraphs 49 and 50 of ED-5000 provide requirements (and related application material) when a practitioner is using an external expert. Paragraph A22 of ED-5000 explicitly states that an internal expert is part of the engagement team; therefore, the requirements in ED-5000 for the engagement team also apply to an internal expert. However, given there are incremental requirements in ISA 620 applicable to internal experts, we ask the IAASB to consider whether applicable requirements from ISA 620 for internal experts should be added to ED-5000.

#### Paragraphs 69 to 81

We suggest that the IAASB challenge the flow of the standard, specifically as to whether it is appropriate to include requirements related to engagement-level quality management (paragraphs 30–58), fraud and non-compliance with law or regulation (paragraphs 59-61), communication with management, those charged with governance and others (paragraph 62) and documentation (paragraphs 63-68) before the requirements for preconditions for an assurance engagement (paragraphs 69-77) and the terms of the assurance engagement (paragraphs 78-81).

We note that ISA 210 is placed at the beginning of the ISAs, and in our view, the requirements and guidance related to preconditions for an assurance engagement and terms of the assurance engagement should precede the other sections listed in the paragraph above.

#### Paragraph 83

We note that paragraph 83 of ED-5000 is consistent with extant ISA 500 paragraph 7, except that the action required by the practitioner was changed to “evaluate” instead of “consider”. We feel that “evaluate” is a high work effort related to relevance and reliability of information intended to be used as evidence for information obtained from sources external to the entity and suggest that ED-5000 remain consistent with extant ISA 500 paragraph 7 and be revised to use “consider”.

#### Paragraph 93

Paragraph 93 requires documentation of:

The factors relevant to the practitioner’s consideration of materiality for qualitative disclosures, and the determination of materiality for quantitative disclosures, in accordance with paragraph 91;...

We believe it is unclear what is meant by “the factors relevant to the practitioner’s consideration of materiality for qualitative disclosures.” We suggest that the IAASB provide clarity in the form of application material and examples as to what type of factors need to be documented.

#### Paragraph 97

We suggest the following revisions to better align this requirement with the requirement in ISA 315 paragraph 19(c), which requires auditors to obtain an understanding of “how inherent risk factors affect susceptibility of assertions to misstatement...”:

97. The practitioner shall obtain an understanding of the sustainability matters and the sustainability information including the characteristics of how events or conditions that could give rise to material misstatement of the disclosures.

#### Paragraph 99(c) and A306

Paragraphs 99(c) and A306 refer to the measures used in assessing the entity’s performance or determining management compensation. We believe that the effect of these matters would be related to the sustainability matters, which then can affect the sustainability information. As such, we propose the following revisions:

99(c). Goals, targets, or strategic objectives related to the sustainability information matters and measures used to assess the entity’s performance or determine management compensation. (Ref: Para. A306)

A306. Understanding goals, targets, or strategic objectives related to the sustainability information matters and measures used to assess the entity’s performance may help the practitioner identify incentives and pressures that increase the susceptibility of the sustainability information to management bias or fraud.

#### Paragraph 107R(c)

We suggest the following revisions for consistency with the wording used in ISA 315 paragraph 26(a)(iv):

107R(c). Other controls that the practitioner judges considers are necessary appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to those assessed risks.

#### Paragraph 108L(a) and A340

We suggest the following revisions:

108L. The practitioner shall obtain an understanding of each control identified in accordance with paragraph 107L by: (Ref: Para. A340-A342, A344-A345)

Evaluating whether the control is designed effectively, to accomplish the control objective individually or in combination with other controls, to prevent, or detect and correct material misstatement, or effectively designed to support the operation of other controls; and...

We believe that expanding the description of “control objective” in this requirement to include the same wording as in paragraph A340 would better inform a user’s understanding of the requirement and alleviate the problem that “control objective” is not a defined term in ED-5000.

#### Paragraph 110R

We suggest the following revisions to clarify the requirement to assess risks of material misstatement:

110R. The practitioner shall identify and assess risks of material misstatement at the assertion level for the disclosures. In assessing risks of material misstatement, the practitioner shall:

Consider the likelihood of material misstatement due to the characteristics of the disclosure; and

Consider the potential magnitude of the misstatement.

#### Paragraph 121

In paragraph 121, the remaining period from an interim date at which the interim testing is performed to the year-end is described as “the period subsequent to the interim period.” This period is described as “intervening period” in paragraphs 22 and A57 of ISA 330, and as such, we suggest the following revisions for consistency:

121. If the practitioner obtains evidence about the operating effectiveness of controls during an interim period and intends to extend the conclusions of those tests of controls for the remaining period, the

practitioner shall obtain evidence about the operating effectiveness of those controls for the intervening period subsequent to the interim period.

Paragraph 129

We suggest the following revisions for clarity and consistency with our suggested revisions in paragraph 121:

129. If substantive procedures are performed at an interim date...

(a) Substantive procedures, combined with tests of controls for the intervening period subsequent to the interim period; or

(b) If the practitioner determines that it is sufficient, further substantive procedures only, that provide a reasonable basis for extending the conclusions to the period end subsequent to the interim period.

Paragraph 130R

We suggest following revisions for consistency with the wording used in ISA 520 paragraph 5(c):

130R. If designing and performing analytical procedures, the practitioner shall (Ref: Para. A382-A383):...

Develop an expectation about of recorded quantities or ratios that is sufficiently precise to identify possible material misstatements that, individually or when aggregated with other misstatements, may cause the sustainability information to be materially misstated.

Paragraph 132

Paragraph 132 of ED-5000 includes requirements if the practitioner uses sampling as a means for selecting items for testing. To provide clarify as to when sampling is used versus selecting items to obtain information to support further procedures, we suggest the IAASB add a definition of “sampling” consistent with ISA 530 paragraph 5(a), revised as applicable for ED-5000:

Sampling – The application of assurance procedures to less than 100% of items within a population of assurance relevance such that all sampling units have a chance of selection in order to provide the practitioner with a reasonable basis on which to draw conclusions about the entire population.

Paragraph 134L

We suggest the following revision as we believe the practitioner needs to perform further procedures “when” there are estimates or forward-looking information where material misstatements are likely to arise:

134L. IfWhen designing and performing further procedures on estimates or forward-looking information the practitioner shall: (Ref: Para. A390-A392)...

Further, we do not believe the requirement to evaluate the methods for developing estimates or forward-looking information in paragraph 134L(a)(ii) is clear. We question whether the requirement is assuming that the same method would apply to different disclosures or whether it is asking whether there is consistency between methods used, or whether management’s judgments have been applied consistently. We suggest that the IAASB clarify this requirement and develop application material to illustrate what is appropriate and consistent in evaluating such methods for a limited assurance engagement.

Paragraph 138

We believe that paragraph 138 should be expanded such that a practitioner’s consideration of whether identified misstatements may be due to fraud also includes consideration of whether identified

misstatements may be due to non-compliance or suspected non-compliance with laws and regulations (i.e., consideration of whether sustainability measures are within a regulatory range).

#### Paragraph A59

We do not believe the guidance in paragraph A59 of ED-5000 aligns with the important guidance in ISA 220 (Revised) paragraphs A28 and A30. To properly characterize and align with the guidance in ISA 220 (Revised) paragraph A30 that explains how being sufficiently and appropriately involved can be demonstrated, we suggest that ED-5000 remain consistent with the requirements in ISA 220 (Revised) with the addition of new application material paragraph as follows:

Overall Responsibility for Managing and Achieving Quality (Ref: Para. 30-31)

A59. Taking overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement may be demonstrated by the engagement leader in various ways, including:...

A59A. Being sufficiently and appropriately involved throughout the audit engagement may be demonstrated by the engagement partner in different ways, including:

Taking responsibility for the nature, timing and extent of the direction and supervision of the members of the engagement team, and the review of their work in complying with the requirements of this ISSA; and

Varying the nature, timing and extent of such direction, supervision and review in the context of the nature and circumstances of the engagement.

#### Paragraph A137

We believe the term “deficiencies in internal control” should be formally defined in ED-5000 consistent with the definition in paragraph 6 of ISA 265 to provide more clarity about the significant matters to be communicated with management, those charged with governance or others.

#### Paragraph A216

Paragraph A216 states that “The practitioner aims to obtain evidence that is collectively persuasive to respond to risk considerations.” However, it is not clear how these risk considerations are different from risks of material misstatement that the practitioner is required to respond to. An explanation of risk considerations and the actions required by the practitioner to respond are both needed.

#### Paragraph A290

Paragraph A290 of ED-5000 is consistent with paragraph A112 of ISAE 3000 (Revised). However, paragraph A112 of ISAE 3000 (Revised) is application guidance to paragraph 48L(b), which requires the practitioner to “design and perform procedures to address the areas identified in paragraph 48L(a) and to obtain limited assurance to support the practitioner’s conclusion.”

For consistency with ISAE 3000 (Revised), and because we believe it is confusing to include the guidance in paragraph A290 of ED-5000 under the heading Designing and Performing Risk Procedures when the paragraph is explaining that irrespective of whether material misstatements are likely to arise, the practitioner designs and performs procedures to obtain a meaningful level of assurance, we suggest moving this application paragraph to support the requirements under the heading Designing and Performing Further Procedures (i.e., paragraph 114L) of ED-5000.

#### Paragraph A297

We do not believe the examples in paragraph A297 illustrate how characteristics of events or conditions differ for different disclosures, as is indicated in the lead-in to the examples. We believe that the examples should illustrate how events and conditions could be different, which in turn, when considering the effect of the characteristics of those events and conditions, can lead to differing risks of material misstatement, or different conclusions about whether risks of material misstatements exist. We suggest that the IAASB revise the examples to provide more clarity.

#### Paragraph A314

We do not believe the second sentence in paragraph A314 is appropriate because understanding controls is not required in a limited assurance engagement and would only be required in a reasonable assurance engagement, if relevant. Further, we believe a walkthrough is performed primarily for the purpose of understanding the entity’s process, not controls. As such, we suggest the following revision:

A314.

entity personnel. A walkthrough involves selecting events or conditions and tracing them through the applicable process in the information system.

#### Paragraph A356R

Paragraph A356R(b) states that the practitioner’s understanding may “indicate risks of material misstatement that may affect many assertions or disclosures, and thus may be a risk of material misstatement for the sustainability information as a whole.” We suggest that the IAASB provide additional clarity as to what the practitioner is required to do when these pervasive risks are identified. It is not clear whether the practitioner is required to identify and then also respond to these pervasive risks either as part of the implementation of the requirements in paragraph 114R or 116R.

In addition, we suggest the following revisions:

A356R. The practitioner’s evaluation of the components of the entity’s system of internal control and, if applicable, understanding of controls, along with any control deficiencies identified, may:...

#### Paragraphs A369 to A371

We believe that this subsection should include the practitioner’s additional responsibilities under law, regulation or relevant ethical requirements consistent with paragraph A102 of ISAE 3000 (Revised). Accordingly, we suggest the following be added to the application material:

The practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity’s non-compliance with laws and regulations which may differ from or go beyond the practitioner’s responsibility under this ISSA, such as:

Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and considering whether further action is needed;

Communicating identified or suspected non-compliance with laws and regulations to an auditor; and

Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the practitioner’s work in accordance with this and any other ISSAs (e.g., regarding the integrity of the responsible party or those charged with governance).

#### Paragraphs A378 and A379

We believe that the external confirmation procedures application material should be expanded to include discussion of the practitioner’s control over the external confirmation requests as we believe this additional guidance may be important for practitioners that are not auditors. We suggest the following be added to the application material for consistency with paragraph 7 of ISA 505:

When using external confirmation procedures, the practitioner shall maintain control over external confirmation requests, including:

Determining the information to be confirmed or requested;

Selecting the appropriate confirming party;

Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the practitioner; and

Sending the requests, including follow-up requests when applicable, to the confirming party.

#### Requirements in ISAE 3000 (Revised) or ISAE 3410 not included in ISSA 5000

We believe the following requirements from ISAE 3000 (Revised) and ISAE 3410 that are not in ED-5000 should be considered for inclusion in ED-5000 for consistency:

3000.45: The practitioner shall make inquiries of the appropriate party(ies) regarding:...

(c) Whether the responsible party has used any experts in the preparation of the subject matter information.

We believe including this concept, at least in the application material, would be helpful for the practitioner to consider when planning the engagement.

3410.27: If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying and assessing risks of material misstatement.

We note that considering other engagements is included in paragraphs A261 and A292 of ED-5000 but believe this should also be included as a requirement in ED-5000.

3410.31: The practitioner shall determine whether it is necessary in the circumstances of the engagement to perform procedures on location at significant facilities.

We note that some paragraphs in the application material of ED-5000 refer to “facilities” in various contexts. However, there is no specific guidance on the relevance or importance of considering facilities on the engagement. Such guidance may be helpful to the practitioner when planning and performing the engagement but need not be as detailed as that in ISAE 3410.

In addition, we have the following additional suggested editorial clarifications to ED-5000 to aid in the IAASB’s finalization of the standard.

#### Paragraph 6

We believe the application material paragraphs to paragraph 6 of ED-5000 are repetitive and not necessary, as they simply repeat and reference application material paragraphs later in the standard that are already referenced in paragraph 5(b) of ISSA 5000. We suggest deleting paragraphs A6-A8.

We acknowledge the usefulness of emphasizing the importance of complying with ethics and quality management requirements in the standard but believe this explanation and instruction may be better understood as plain English implementation guidance.

#### Paragraphs 17(c) and A13

We suggest the following revisions to paragraphs 17(c) and A13 to make it clear that the term “assertions” is only applicable for reasonable assurance engagements:

17.(c) Assertions – Representations by the entity, explicit or otherwise, that are embodied in the sustainability information, as used by the practitioner for a reasonable assurance engagement to consider the different types of potential misstatements that may occur. (Ref: Para. A13)

A13R. Assertions are used by practitioners to consider the different types of potential misstatements that may occur when identifying and assessing, and responding to, the risks of material misstatement. Examples of assertions are provided in paragraph A353R.

#### Paragraph 17(e)

Because the term “competence” and not “expertise” is used in paragraph 17(tt) to define “Sustainability competence” we suggest the following revision:

17.(e) Assurance skills and techniques – Planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from the expertise competence in sustainability matters or their evaluation or measurement.

#### Paragraph 17(uu)

We suggest the following revision:

17.(uu) 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. Unless otherwise specifically indicated, the term “sustainability information” is to be read as the information that is subject to the assurance engagement. (Ref: Para. A32)

#### Paragraph 32

As acknowledged in paragraph A65 of ED-5000, ISQM 1 requires a firm to establish quality objectives that address the competence and capabilities of personnel (ISQM 1 paragraph 32). We suggest that paragraph 32 of ED-5000 be revised to better align with ISQM 1:

32. The engagement leader shall have: (Ref: Para. A65-A67)

(a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application; ...

#### Paragraph 77

We suggest the following revision to provide consistency with the last sentence of paragraph 75 of ED-5000:

77. If law or regulation prescribes the layout or wording of the assurance report... Accordingly, the practitioner shall not include any reference in the assurance report to the assurance engagement having been conducted in accordance with this or any other ISSAs.”

Paragraph 90

We suggest the following revisions to paragraph 90 and related application material at A260:

90. The engagement leader and other key members of the engagement team shall be involved in planning the assurance engagement, including participating in the discussion among the engagement team members required by paragraph 96.

Paragraph 94L

We suggest the following revisions:

94L. The practitioner shall design and perform risk procedures sufficient to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise and thereby provide a basis for designing further procedures to address focus on those disclosures. (Ref: Para. A286-A291)

Paragraph 112L and 112R

For consistency with ISAE 3000 (Revised) paragraph 49R, we suggest the following addition to the end of both paragraphs 112L and 112R:

...and modify the planned procedures accordingly.

Paragraph 114L

We suggest the following revisions:

114L. The practitioner shall design and perform further procedures whose nature, timing and extent are focused on the address those disclosures where material misstatements, whether due to fraud or error, are likely to arise. (Ref: Para. A358-A362L)

Paragraph 161

We suggest the following revisions:

161. ... When indicators of possible management bias are identified, the practitioner shall evaluate the implications for the assurance engagement. Where ,considering that when there is intention to mislead, management bias is fraudulent in nature.

Paragraph A21R

We believe that the first bullet of paragraph A21R should refer to the use of sampling and accordingly suggest the following revision:

A21R. Reducing engagement risk to zero is very rarely attainable or cost-beneficial. Therefore, reasonable assurance is less than absolute assurance due to factors such as the following:

The use of selective testing sampling....

Paragraph A22

We suggest the following revisions to the second sentence of paragraph A22 for consistency with the definition of engagement team:

A22. ...As explained in paragraph A91, when another firm performs assurance work [assurance] procedures on the engagement and the practitioner is unable to direct, supervise and review that work, such firms and the individuals from those firms who performed that assurance work the [assurance] procedures on the engagement are not members of the engagement team and are referred to in this ISSA as “another practitioner.”

Paragraph A28

We believe the application material paragraph to paragraph 17(aa) of ED-5000 is repetitive and not necessary, as it simply references application material paragraphs later in the standard. We suggest that paragraph 17(aa) directly refer to the relevant application material paragraphs (i.e., paragraphs A401 and A406) for clear linkage between the definition and the application materials and paragraph A28 be deleted.

Paragraph A32

We suggest the following revisions:

A32. As explained in paragraph 3, sSustainability information relates to information about sustainability matters and may cover a number of topics and aspects of those topics. Examples of topics and aspects of topics include the following:...

Paragraph A109

We suggest the following revision:

A109. The nature, timing and extent of procedures to fulfill the requirement in paragraph 49 will vary depending on the circumstances....

The assessed risks of material misstatement of the sustainability information (in a reasonable assurance engagement) or the disclosures where material misstatements are likely to arise (in a limited assurance engagement) to which that expert’s work relates....

Paragraph A143

We note the wording “the identified and assessed risks of material misstatements” in the third bullet of paragraph A143 is also described as “the risks of material misstatement” or “the assessed risks of material misstatement” in other sections in ED-5000. We believe the same wording should be used for consistency throughout ED-5000.

Paragraph A144

We suggest the following revisions:

A144. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:

Matters that give rise to higher assessed risks of material misstatement (in a reasonable assurance engagement).

Results of procedures indicating that the sustainability information could be materially misstated or, in a reasonable assurance engagement, a need to revise the practitioner’s previous assessment of the risks of material misstatement and or the practitioner’s responses to those risks.

Paragraph A162

We suggest the following revisions:

A162. In evaluating whether management or those charged with governance, as appropriate, have a reasonable basis for the sustainability information, the practitioner may consider whether they have a formal process system of internal control with robust controls to enable the preparation of the sustainability information that is free from material misstatement...

Paragraph A166

We suggest the following revision:

A166. If suitable criteria are unavailable for all of the sustainability information subject to the assurance engagement, but the practitioner can identify one or more disclosures in the sustainability information for which the criteria are suitable, then an assurance engagement may be performed with respect to only those disclosures.

Paragraph A223

Paragraph A223 states that “inquiry alone ordinarily does not provide sufficient appropriate evidence”. As we do not believe there are circumstances where inquiry alone would provide sufficient appropriate evidence for an engagement as a whole, we suggest removing “ordinarily” from the sentence, as follows:

A223. ...In a reasonable assurance engagement, inquiry alone ordinarily does not provide sufficient appropriate evidence.

Paragraph A225

We suggest the following revisions:

A225. Although the processes and controls within the entity’s information system...

Whether, in the case of a reasonable assurance engagement, substantive testing procedures alone will provide sufficient appropriate evidence...

Paragraph A247

We suggest the following revision to paragraph A247 for consistency with the requirement in paragraph 84:

A247. In order for the practitioner to obtain reliable evidence, information produced by the entity that is used for performing procedures needs to be sufficiently complete and accurate, as necessary in the circumstances....

Paragraph A262

We suggest the following revisions:

A262. The nature and extent of planning activities will vary with the engagement circumstances...

The extent to which the risk of fraud is present is relevant to the engagement

Paragraph A266

We suggest the following revisions:

A266. The practitioner uses professional judgment...

The extent to which the sustainability information:

Is processed using common information systems IT applications and controls, and...

Paragraph A267

We suggest the following revisions:

A267. The practitioner may decide...

The nature and extent of commonality of controls. For example, waste generated by the entity’s own activities is recorded using the same IT system application and common controls are implemented across all entities or business units in the group.

Paragraph A287

We suggest the following revision:

A287. The nature and extent of risk procedures will vary based on the nature and circumstances of the entity (e.g., the formality of the entity’s policies or procedures, and processes and systems), the nature and complexity of the sustainability matters and the characteristics of the events or conditions that could give rise to material misstatements of disclosures (limited assurance engagements) or to risks of material misstatement of disclosures (reasonable assurance engagements).

Paragraph A291

We suggest the following revisions to the second example in paragraph A291:

In a reasonable assurance engagement, evidence obtained that supports the identification and assessment of risks of material misstatement may also support the evaluation of the operating effectiveness of controls whether a material misstatement exists.

Paragraph A295

We suggest the following revision:

A295. The characteristics of events or conditions that could give rise to material misstatement of the disclosures (limited assurance engagements) or to risks of material misstatement of disclosures (reasonable assurance engagements) may include complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud, thus resulting in susceptibility of the disclosures to material misstatement, whether due to fraud or error.

Paragraph A297

We suggest the following revisions:

A297. The characteristics of events or conditions that could give rise to material misstatement of the disclosures (limited assurance engagements) or to risks of material misstatement of disclosures (reasonable assurance engagements) may be different for different disclosures. For example:...

Paragraph A302

We believe the guidance provided in paragraph A302 is applicable not only to paragraph 99(a) but also to many requirements in the Risk Procedures section. Considering the importance of this paragraph, we suggest moving it to apply more generally to all risk assessment procedures, for example preceding paragraph A286.

Paragraph A304

Because understanding of controls is not required, we suggest the following revisions:

A304.(b) The maturity of the systems, processes and controls over sustainability information and the extent to which they integrate the use of IT.

Paragraph A305

We suggest the following revisions:

A305. Understanding the reporting boundary may require the analysis of complex organizational structures...

Identify the sustainability matters disclosures where it may be necessary to use the work of others to obtain sufficient appropriate evidence.

Paragraph A315L

We suggest the following revisions:

A315L. ...In addition, the practitioner is not required to identify controls or evaluate the design of controls and determine whether they have been implemented unless the practitioner plans to test the operating effectiveness of controls. The practitioner uses professional judgment to determine the extent of understanding that is necessary to identify disclosures where material misstatements are likely to arise and to provide a basis for designing procedures to focus on those disclosures. It will often not be necessary to obtain a detailed understanding of the components of the entity’s system of internal control and the procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement.

Paragraph A319R

We do not believe that an understanding of risks faced by the entity would be obtained by the evaluation of the control environment, but instead by the understanding of the entity’s risk assessment process. Therefore, we suggest the following revision:

A319R. The practitioner’s evaluation of the control environment may assist the practitioner in identifying potential issues in the other components of the entity’s system of internal control. This is because the control environment is foundational to the other components of the entity’s system of internal control. This evaluation may also assist the practitioner in understanding risks faced by the entity and identifying and assessing the risks of material misstatement at the assertion level for the disclosures.

Paragraph A322

We suggest the following revisions:

A322. Understanding Tthe results of the entity's risk assessment process may assist the practitioner in:...

Paragraph A323R

We suggest the following revisions:

A323R.The practitioner’s evaluation understanding of the entity’s risk assessment process allows the practitioner to understand where the entity has identified risks that may occur,...

Paragraph A324R

We suggest that the IAASB consider whether part of this paragraph should be replicated for limited assurance engagements in situations when the entity is required to identify and provide information about sustainability-related risks and opportunities, or the process(es) by which sustainability-related risks and

opportunities are identified, assessed and managed. Understanding the entity’s risk assessment process may also assist the practitioner in a limited assurance engagement in these circumstances.

Paragraph A326

Because an evaluation of the entity’s risk assessment process is not required for a limited assurance engagement, nor are practitioners required to identify risks in a limited assurance engagement, we suggest that this paragraph be applicable only to reasonable assurance engagements.

Paragraph A333

In our view, the example in the second sentence of paragraph A333(a)(ii) relates to understanding control activities and implies that an understanding of control activities is required for both limited and reasonable assurance engagements. Therefore, we believe moving this example to the application material paragraphs for control activities (i.e., paragraphs A337–A339R) is more appropriate.

Further, we suggest the following revisions:

A333. The practitioner uses professional judgment to determine which aspects of the information system are relevant to the engagement preparation of the subject matter information and may make inquiries of the appropriate party(ies) about those aspects and perform other procedures, as necessary. The understanding of the information system may include an understanding of the following:

(a) The entity’s information processing activities, including its data and information, the resources to be used in such activities and the policies or procedures that define, for the sustainability information:...

(c) The entity’s policies or procedures that address the reliability of information. For example, the entity’s controls policies may address the reliability of information from external sources by:...

Paragraph A335

We suggest the following revisions:

A335. ...The practitioner’s understanding of the information system may includes the IT environment, IT applications and other aspects of the IT environment that are relevant to the flows and processing of information in the information system....

Paragraphs A337 and A340

In our view, paragraph A337 may be misleading for limited assurance engagements. We suggest that the IAASB explicitly state at the beginning of the application material related to Control Activities that the practitioner is not required to understand, identify or evaluate controls in a limited assurance engagement if the practitioner does not plan to obtain evidence by testing the operating effectiveness of controls.

Paragraph A344

We do not believe this paragraph is consistent with paragraph A229 of ISA 315 (Revised 2019), and therefore, is not accurate. We suggest revising this paragraph as follows:

A334. Evaluating the design and determining the implementation of controls is not sufficient to test their operating effectiveness. However, for automated controls, the practitioner may plan to test the operating effectiveness of automated controls their operating effectiveness by identifying and testing general IT controls that provide for the consistent operation of automated controls instead of performing tests of operating effectiveness on the automated controls directly that are embedded in the IT system. General IT controls that are not able to be reconfigured or changed by management provide for the consistent

operation of an automated control. Obtaining audit evidence about the implementation of a manual control at a point in time does not provide audit evidence about the operating effectiveness of the control at other times during the period under audit. The practitioner may test general IT controls instead of performing tests of operating effectiveness on the automated controls directly.

#### Paragraph A350R

We believe that it is useful to acknowledge that a practitioner considers both likelihood and magnitude of a possible misstatement, and as such, we suggest the following revisions:

A350R. In considering the likelihood of a possible misstatement, the practitioner considers whether it is reasonably possible that the risks will occur. In considering the magnitude of a possible misstatement, the practitioner may consider the qualitative and quantitative aspects of the possible misstatement (i.e., misstatements in assertions about a disclosure may be judged to be material due to size, nature or circumstances).

#### Paragraph A357L

We suggest the following revisions:

A357L. The practitioner’s understanding of the relevant components of the entity’s system of internal control may:...

Indicate that material misstatements are the sustainability information is likely to arise be subject to pervasively throughout the sustainability information material misstatement.

#### Paragraph A361

We note that “examination” in paragraph A361(b)(i) is not a type of procedure described in paragraph A358 (i.e., inspection, observation, confirmation, recalculation, reperformance, analytical procedures, and inquiry). To better align with paragraph A358 and proposed ISA 500 (Revised), we suggest the following revision:

A361. (b) In a limited assurance engagement, the extent of procedures performed compared to those in a reasonable assurance engagement may involve:

Selecting fewer items for examination inspection;

Also, we do not believe the example provided for a limited assurance engagement in paragraph A361(c)(ii) is appropriate because, in our view, the determination of the reliability of information intended to be used as evidence would not differ between a limited assurance engagement and a reasonable assurance engagement. Further, the requirements in paragraphs 83 and 84 are the same for both levels of assurance. Therefore, we suggest removing paragraph A361(c)(ii).

#### Paragraph A363L and A364R

We do not believe the examples in these paragraphs are relevant to designing and performing further procedures as they seem to be providing examples of considerations when identifying disclosures where material misstatements are likely to arise or for the reasons for the assessment given to the risk of material misstatement. Therefore, we suggest relocation of these examples to the Understanding the Sustainability Matters and the Sustainability Information section of ED-5000 where the effects of characteristics of events and conditions in identifying disclosures are explained. Alternately, a lead-in to the examples needs to be included to tie the examples more closely to the designing of the nature, timing and extent of further procedures (e.g., the nature, timing and extent of the further procedures will be informed by the reasons for the identification of the disclosures where material misstatements are likely to arise (limited assurance) or

the assessment of the risks of material misstatement at the assertion level (reasonable assurance), in accordance with paragraphs 121L and 121R).

Paragraph A366

We suggest the following revisions:

A366. More persuasive evidence may be needed if...

The lack of a relationship between the sustainability information and other relevant information that excludes prevents the effective performance of analytical procedures;...

Risks of material misstatement in disclosures that have not been identified by the entity’s risk assessment process;...

A lack of maturity in the sustainability matters or the information systems used to develop the sustainability information;...

Paragraph A365

We believe that in the example given, a practitioner would consider both the quantity and quality of the evidence. As such, we suggest the following revision:

A365. ...In such circumstances, it may be appropriate to increase the quantity and the quality of the evidence (e.g., by obtaining corroborating evidence from a number of independent sources).

Paragraph A375

We suggest the following revision:

A375. In most cases, evidence from a previous engagement’s substantive procedures provides little or no evidence for the current period. However, it may be appropriate to use evidence from a previous engagement’s substantive procedures if that evidence and the related subject matter have not fundamentally changed, and procedures have been performed during the current period to establish its continuing relevance and reliability.

Paragraph A382

Paragraph A382 appears to contrast substantive analytical procedures (as described in paragraphs A359 and A361) with other analytical procedures. As such, we suggest the following revision:

A382. Substantive Analytical procedures may be performed when...

Paragraph A397

We suggest the following revision:

A397. The process to assemble the sustainability information may be very informal when the entity’s information systems are immature. In more sophisticated systems, the process may be more systematic and formally documented....

Paragraph A429L

The last sentence of paragraph A429L states “The extent of consideration of subsequent events depends on the potential for such events to affect the sustainability information and the practitioner’s assurance conclusion.” We believe this sentence also applies to reasonable assurance engagements and should be added to paragraph A428R.

## European Contact Group (ECG)

Value chain: regarding procedures performed in the value chain, guidance should be provided on how to provide or obtain assurance on information beyond the entity’s/group’s organisational boundaries.

Accumulation of identified misstatements: further clarity would be helpful within the requirements and/or the application material in terms of the accumulation of identified misstatements. This relates specifically to compliance frameworks and the fact that sustainability KPIs will have different measurement bases and/or that misstatements in qualitative disclosures may be identified.

## Grant Thornton International

In addition to the responses above, we have additional proposed revisions to ED-5000 as follows:

We agree that the requirement in ED-5000, paragraph 32 sets an appropriately high barrier to entry for non-accountant practitioners that is necessary to preserve the public’s trust in the quality and rigor behind an assurance report. However, we question how non-accountant practitioners will demonstrate compliance with the requirement in ED-5000, paragraph 32 to possess competence and capabilities in assurance skill and techniques developed through extensive training and practical application. It is likely that the onus to determine whether non-accountant practitioners demonstrate the necessary competence and capabilities in assurance will be on the local standard setter or regulator to determine and monitor compliance.

We are concerned that ED-5000, paragraph 84 does not differentiate the level of work required for limited and reasonable assurance engagements. The implication that the same level of work is required could result in a significant amount of work for limited assurance engagements, going beyond what is necessary to provide limited assurance. We suggest the IAASB differentiate the level of work necessary by adding a new requirement for limited assurance engagements, stating: “If the practitioner becomes aware that information coming to their attention is incorrect, incomplete, or unsatisfactory, the practitioner shall request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. This may cause the practitioner to perform additional procedures sufficient to obtain limited assurance.” (Note, proposed wording is derived from the AICPA’s Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures guide).

We believe additional requirements and application material are needed as it relates to evaluating the data underlying procedures performed. Specifically:

We propose IAASB revise ED-5000, paragraph 130 to include a requirement to evaluate the reliability of data used for analytical procedures. We propose the IAASB add the requirements from ISA 520.5(b) and (d), which we believe are necessary to design and perform analytical procedures in response to assessed risks. Professional accountants will use their experience performing engagements under the ISAs to evaluate the reliability of data, but we believe non-accountant practitioners may not apply the same requirements, leading to inconsistencies in the level of work performed.

We propose the IAASB add requirements related to testing the completeness and accuracy of system generated reports and clarify the practitioner’s responsibilities related to when it is appropriate to rely on system generated reports. We believe this is necessary as system generated reports will likely be used as evidence to support many sustainability topics, such as reports from an entity’s HR system to support disclosures over DE&I metrics. Currently, there is a gap in ED-5000: paragraph 102L does not contain a requirement to understand the entity’s process monitor the system of internal control and paragraph 109L contains a requirement to obtain an understanding of the entity’s general IT controls when the practitioner

plans to test the operating effectiveness of controls. We propose the IAASB add specific requirements and application material as needed to describe the practitioner’s responsibilities to test the completeness and accuracy of system generated reports in limited and reasonable assurance engagements.

We believe ED-5000 does a good job explaining the challenges practitioners can expect to face related to the extensive narrative information, forward-looking information with long timelines, and information pertaining to the reporting entity’s value chain. However, the standard has limited requirements and guidance for practitioners on how to address these challenges. We propose the IAASB consider additional requirements and application material, as needed, and non-authoritative guidance be added to ensure consistent application of the standard in these areas.

We believe additional clarity is needed related to the practitioner’s responsibilities for evaluating subsequent events because the requirement in ED-5000, paragraph 147 does not include the date through which facts should be analyzed. The current wording could be interpreted to mean that the practitioner is responsible for evaluating the impact of a fact that becomes known two years or five years or more after the date of the assurance report that impacts either the sustainability information or the other information presented in the report. We believe the requirement in ED-5000 is contradictory to the related application material in ED-5000, paragraph A430 which states that the practitioner has no obligation to perform any procedures regarding the sustainability information after the date of the assurance report. We propose the IAASB remove the requirement in ED-5000, paragraph 147.

Additionally, we acknowledge the emerging status of sustainability reporting and support the IAASB’s efforts to prioritize development of a global sustainability assurance standard. We believe that speed to market will continue to be a priority in the future as it relates to the need for non-authoritative guidance and ISSAs on specialized topics that build on the foundations in ED-5000. As such, we encourage the IAASB to develop a plan for responding to and addressing new information and new needs as sustainability reporting and sustainability assurance continue to evolve.

#### **HLB International**

the standard does not currently address value chains despite the importance of value chain information for many stakeholders and it being an integral part of an entity’s ESG information. The standard should therefore address assurance on any value chain information.

#### **KPMG International**

Amendment regarding the Engagement Leader’s responsibility to consider information from the firm’s monitoring and remediation process

We note that ED-5000 paragraph 58 states that the engagement leader “shall” consider information from the firm’s monitoring and remediation process and determine whether this may affect the engagement. However, we highlight that the equivalent requirement at ISA 220.39 states that the engagement partner “shall take responsibility for” these matters. We note that the concept of the engagement leader “taking responsibility for” certain matters is included elsewhere in ED-5000, and is explained in the application material, therefore we recommend that the requirement at paragraph 58 be amended to also refer to the engagement leader “taking responsibility for” the matters described within that paragraph. We consider that it would be clearer for ED-5000 and the ISAs to be aligned in this regard.

Additional content relating to the terms of the assurance engagement

We are supportive of the requirements at paragraphs 78-81 addressing the terms of the assurance engagement. We highlight the following areas for additional content or further clarification within the terms that are formally agreed with the engaging party:

The reporting period(s), including whether comparative information will be subject to assurance. In this regard, we note that recalculations of comparative information are common in sustainability reporting (e.g., base year recalculations) and therefore it is important to clarify the extent of work effort intended in the engagement terms;

Clarification at paragraph 78(a)(iv) that the assurance report should explicitly identify which sustainability information is subject to limited assurance and which to reasonable assurance, when the engagement includes aspects of both;

In respect of bullet (c)(ii) which refers to the identification, selection or development of suitable criteria, to include explicit acknowledgement by management for its responsibility to determine that the criteria are suitable;

Clarification at bullet (d) that there may be modifications to the conclusion rather than the report more generally. We highlight that given the extent of information to be included in sustainability assurance reports, such as in respect of inherent limitations, as well as matters emphasised, which are likely to be applicable to most, if not all, such assurance reports, we believe the focus in bullet (d) should rather be in relation to modified conclusions, to clearly notify management at this stage that, based on the evidence obtained, a practitioner may not be able to issue an unqualified conclusion; and

The requirement at bullet (a)(ii) to include “the sustainability information that is not within the scope of the assurance engagement” may not be practicable to describe in many cases. At the time of the formal agreement of engagement terms, entities and practitioners may not be able to identify in full the sustainability information that is not within the scope of the assurance engagement, which in certain instances may be extensive.

## **Mazars**

### Overarching conceptual standard

Whilst we appreciate that ED-5000 is intended to be an overarching standard, and that other standards will follow in the ISSA 5000 suite in future, the standard as currently drafted is perhaps a little too “conceptual” and more requirements and guidance are required to make it useable in practice. It is notable that there are 63 requirement paragraphs leading up to the commencement of the actual assurance engagement work (planning onwards) and the entire performance of the assurance engagement is covered in only 80 paragraphs, with an additional 20 paragraphs on the report.

In general, where ISA requirements have been incorporated in ED-5000, the requirements have understandably been significantly reduced from the full ISA, as has the application material. However, this makes it difficult to use these requirements in a standalone standard such as ED-5000. As examples:

Materiality is reduced to a single paragraph

Sampling requirements are reduced to a single paragraph and only one paragraph of application material

Analytical procedures are reduced to two paragraphs and key requirements of ISA 520 are not included

Estimates and forward-looking information requirements and guidance are considerably reduced from ISA 540.

We have set out in responses to questions above where we believe enhancements can be made.

Other information – are the requirements of assurance providers sufficiently clear? For example, if assurance is only provided on a single metric/topic/aspect of topic, is the provider required to read all of the other information or only that information related to the subject matter being assured?

The requirement to “read and consider” should be supported by clear guidance on what this means in practice. We believe that there should be a stand back requirement for the practitioner to review the other information in light of the assurance work performed and any findings from the engagement.

With regards to ED-5000 being a profession-agnostic standard, we question whether, when assessing the “other information” in accordance with ED-5000.155(b), assurance practitioners who are not auditors or qualified accountants would be able to sufficiently understand the financial statements to consider their consistency with the sustainability report. Furthermore, it is not clear how the review of other information would work in practice when an audit firm provides both the audit opinion and sustainability assurance but using separate teams.

Obtaining assurance over qualitative descriptions, including processes and controls

Assurance over disclosures of processes and controls is likely to be a critical part of many sustainability assurance engagements. However, where the aspects of topics relate to qualitative descriptions of processes and controls, it is currently not clear how the assurance provider obtains assurance. Further application material and examples would be helpful to demonstrate how ED-5000 can be used to evaluate processes, perhaps drawing on material from ISA 315 in obtaining an understanding of processes and controls, including consideration of the need to assess design and implementation and/or test operating effectiveness of controls over processes where relevant.

Specific comments on ED-5000 paragraphs:

16 Although reference is made elsewhere, we believe that adding a note that Limited Assurance cannot be used instead of Reasonable Assurance where it is not possible to obtain reasonable assurance would be helpful in the objectives.

17(e) Assurance skills and techniques – it may be appropriate to add risk identification and assessment as key assurance skills that are required, as high-quality risk assessment is key to a high quality, effective assurance engagement.

17(bb) Misstatement of other information – it may be appropriate to add that other information may be misstated where it is inconsistent with the sustainability information.

51-54 – Using the work of another practitioner As noted in our response to questions above, we question whether the sustainability assurance ecosystem is mature enough to enable the requirements in ED-5000.51-54 to be met. Whilst these requirements are well-established in financial statements audits, including group audits, other assurance service providers will not be familiar with the need to respond to inquiries, communicate with other practitioners and to have their work reviewed by another practitioner.

55 Use of the work of the Internal Audit function We believe that it would be appropriate to include a requirement to reperform a sample of internal audit work, as set out in ISA 610.24, where the practitioner is placing reliance on that work.

63 Documentation (and other documentation requirements in the standard) The documentation requirements will be familiar to audit practitioners, but there is likely to be significant variation in the nature and extent of documentation across other assurance practitioners. Further guidance, either in application

material or separately issued, and/or training materials (e.g. what good looks like examples) would likely be helpful to assist non-audit practitioners in particular to understand the documentation requirements more fully, including consideration of the extent of documentation which may be required by regulators.

71 Appropriate sustainability matters The requirement includes consideration of whether sustainability matters are “capable of consistent measurement or evaluation” against the applicable criteria. In the early years of adoption of sustainability reporting, it is likely that many disclosures may not be capable of such consistent measurement or evaluation as systems, processes, controls and data quality are developed and enhanced. It would be helpful to set out how assurance practitioners may apply this requirement in the early years of adoption, and in first year engagements (see our comments elsewhere suggesting the potential for an Initial Engagements ISSA standard or a section in ED-5000).

116L(b) and 116R(b) These paragraphs require the practitioner to develop an overall response where they identify fraud or suspected fraud or non-compliance with law or regulation. There is, however, no materiality filter applied to this consideration. In our view an overall response would be required where the practitioner considers the fraud or noncompliance to be material or significant, and not where there is a less significant isolated instance. ED-5000.117 goes on to say that when fraud or noncompliance are identified that the practitioner should obtain an understanding and further information to evaluate the possible effect on the sustainability of information. It would be more appropriate for the overall response requirement to apply as a conditional requirement, only after the practitioner has undertaken the consideration in ED-5000.117(b) and concluded that there is a significant effect on the sustainability information.

116R (a) (ii) and (iii) The distinction between paragraphs (ii) and (iii) is not clear. Para (ii) talks of the control environment not providing an appropriate foundation for other components, while (iii) talks about control deficiencies in the control environment undermining the other components. It is not clear how the situation in (ii) would apply without the deficiencies referred to in (iii) being identified. It may be appropriate to merge these two into a single paragraph, or alternatively the wording should be revised to clarify the difference.

127R Substantive procedures The requirement is to consider the need to undertake substantive procedures for “disclosures that, in the practitioner’s judgment, are important to the information needs of intended users”. Given the need for a materiality assessment process to identify material information from the perspective of the needs of users, it is difficult to see why this requirement is needed as all information disclosed will be considered important to the information needs of the user. Unless the IAASB intends that, for reasonable assurance engagements, substantive procedures are needed for all disclosures, which we do not believe is the intention. In our view, the consideration in 126R is sufficient whereby substantive procedures are required for risks at the upper end of the spectrum.

148 It would be helpful to have an illustrative Representation Letter similar to the one provided in Appendix 2 of ISA 580.

170 (c) (ix) It is unclear what the IAASB intends with this requirement, and the associated guidance in A477. We believe that this requirement should be removed, unless the IAASB can clarify both the requirement and application material.

A10 Terminology in the first sentence is confusing, referring to “a number of topics and aspects of topics” and then saying “separate conclusions may be provided on each aspect” – it is not clear what “aspect” means in this context.

A12 As some jurisdictions will set requirements for where sustainability information is to be reported, it may be appropriate to add reference to applicable law or regulation in this paragraph along the lines of “The presentation of sustainability information may be defined by applicable law or regulation”.

A25-A27 Intended users It remains unclear to which intended users the assurance practitioner’s report should be addressed, and the implications for liability and practitioner risk of the statement in A26 that “In some cases there may be intended users other than those to whom the assurance report is addressed” are not clear.

A28 Misstatement This paragraph appears to add no value and we suggest it can be deleted.

A30 Partner This paragraph appears to add no value and we suggest it is either deleted or incorporated into the definition.

A41 Examples of the sorts of procedures referred to would be helpful along with situations where they may be appropriate.

A42 It may be helpful to clarify that this paragraph confirms that practitioners only need to document what they have done, not what they haven’t done as they were not required to (e.g. the requirement was not relevant). This would help with managing the expectations of regulators.

A45(a) Ethical threats The guidance here would be enhanced by a brief description/definition of each of the threats (a single sentence would suffice).

A47 For the bullet points listed as matters which may affect or influence the practitioner’s independence, it may be helpful to provide brief context/descriptions to assist practitioners (e.g. for “Fees”, perhaps add “the level of fees from the entity relative to the size of the firm or individual’s portfolio”; for “financial interests” perhaps add “including owning shares or other interests in the entity”)

A55 A brief description of the eight components of the system of quality management would be helpful. This needs only to be a short sentence to summarize what the component relates to.

A62 We believe that adding the application of professional skepticism to the actions of the leader would further support high-quality assurance.

A64 An example could be added around the use subcontracting agreements which include a statement of independence by the contractor.

A64 We believe that it would be helpful to clarify any differences between the use of other engagement team members from the network firm versus those who work for other firms/networks.

A71 On the final bullet we suggest adding management bias, amending the text to read “Conditions that may indicate possible fraud or management bias”.

A83 We have referred in our response to the need for practical examples; the examples given in this paragraph would benefit from being more practical and sustainability based (e.g. specific matters/topics where a highly qualified expert will be requested include zero-carbon trajectory, chemicals rejected by an industry etc.).

A122-A125 See our comments on specific questions regarding the maturity of the assurance ecosystem. Assurance practitioners who are not experienced auditors may find compliance with the detailed communications etc. in these paragraphs challenging. The IAASB should ensure in finalizing the standard that further outreach is carried out with non-audit practitioners to highlight the importance of these

requirements. In particular, challenges may arise under A125 and the review of documentation of assurance practitioners who may be reluctant to permit another practitioner to review their work.

A126-A128 Internal audit function Where relying on the work of internal audit, there appears to be no requirement to re-perform a sample of their work as there is in ISA 610.24. We believe that the requirements should be the same when relying on internal audit work at least for a reasonable assurance, as for an audit.

A137 The list of bullet points in A137 includes “Significant matters discussed or subject to correspondence with management” and “significant difficulties encountered during the engagement) with each of these matters subject to their own paragraph (138 and 139 respectively). Given the full descriptions for these two items, we suggest that they may be removed from the bullet point list.

A141 Whilst we agree with the need for practitioners to have “practical experience in sustainability assurance”, given the likely proliferation of requirements for sustainability assurance in the coming years, there will be many practitioners undertaking engagements for the first time in the near future. It may be worth acknowledging that this may be the case in the early years of adoption as it may be unrealistic for experience sustainability assurance professionals to carry out all engagements in the first year.

A175 It is not clear why the considerations listed are considered relevant only for qualitative disclosures, when they appear equally relevant for quantitative disclosures.

A189 We are not clear why the assurance practitioner could not issue a modified conclusion in this situation, rather than undertake a different type of engagement. There is also no consideration in this paragraph of where the assurance provider is required by law or regulation to provide an assurance opinion.

A209 We commend the IAASB for the brief yet helpful definition of key types of bias which may affect the performance of the assurance engagement.

A228 When considering forward-looking information, the first bullet in A228 notes that the “practitioner may focus evidence gathering activities on whether those charged with governance or management have an intention to follow a strategy” – it is not clear what evidence can be gathered to demonstrate an intention. Practical examples would be helpful to highlight what form such evidence might take.

A233 An example is noted where “information may only be available in digital form on a continuous basis” and that the practitioner may use ATT to evaluate this information. A practical, real-life, sustainability related example would be particularly helpful here to demonstrate the type of data envisaged and the type of ATT that may be applied to that data.

A269 The examples provided in this paragraph will be helpful in guiding practitioners when considering how to plan and perform the engagement.

A271 refers to the “common information needs of intended users” and that misstatements could “reasonably be expected to influence the decision of intended users”. Given that the standard outlines a wider range of potential intended users, practical examples of how practitioners can operationalize this guidance would be extremely helpful. How, for example, does one identify the common information needs of a highly diverse range of intended users, and then assess the impact on their decision making? Also, examples of different users and the decisions they may make, other than investment decisions, based on the sustainability information would be helpful.

A272 We do not believe that the statements in A72 (a) to (d) will hold true for many categories of intended users, although we would expect them to be true for primary users such as investors and providers of credit. For example, in our view it is highly unlikely that the wider range of intended users will fully understand the

concept of materiality and the inherent uncertainties in measuring or evaluating sustainability information. The IAASB may wish to revisit this paragraph to reflect the difference between primary intended users and wider potential intended users.

A283-A285 See our comments on Performance materiality earlier. If the concept of performance materiality is retained, more practical examples of how it may be applied to sustainability information are required. As the requirement is only to apply PM when appropriate in the circumstances, an indication of how commonly the IAASB considers that practitioners would apply PM would be helpful (e.g. is it anticipated to be rare, or common, or even typically applied?).

A290L In rare cases where no risks are identified “the practitioner may [...] design and perform further procedures on disclosures that are material to the sustainability information”. However, given the materiality assessment process is required to identify disclosures which are material to the sustainability information, all disclosures will, by default, be material.

A296 It may be helpful to include an outline of how the fraud triangle may apply to sustainability assurance and fraud risks, perhaps added to the appendix rather than the application material or as separate guidance.

A309 It would be helpful to give practical guidance on how the understanding of the legal and regulatory framework, and identification of the reporting boundary, may be obtained in practice for a large, complex, highly diversified international group which will operate in a range of industries and be impacted by a wide range of laws and regulations.

A317 This paragraph notes that the practitioners understanding of internal control may give rise to doubts over the ability to obtain sufficient appropriate evidence and includes “Concerns about the competence of management and the condition and reliability of an entity's records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information”. In the early years of adoption of sustainability reporting, this may not be an unusual position and it would be helpful to provide guidance on how this situation is dealt with, perhaps through an “Initial engagements” section or separate guidance.

A353R Assertions We note that terminology and definitions of assertions differ from those in ISA315. We urge the IAASB to consider whether it is possible to retain the same assertions (with potentially different definitions where required) to make operationalisation of the standard more straightforward for audit practitioners and software providers who may have hardwired assertions into their methodology and software.

A364R We believe that it may be appropriate to use similar inherent risk factors to those included in ISA315 when giving examples of reasons for risk assessment outcomes as those inherent risk factors are likely to apply to sustainability assurance.

A372 Tests of controls It would be helpful to have examples of processes and controls relating to sustainability information to help clarify the difference between the two concepts. For example, taking meter readings would be a process, but if reviewed/approved prior to recording/posting in the system, then there is a control as well. This may impact the nature and extent of work required as, typically, substantive testing samples would be larger than controls.

125R and A378-379 External confirmations Important requirements relating to external confirmations from the auditing standard are not included in ED-5000 (e.g. the practitioner maintaining control of the confirmation process etc.) and as a result the application of the requirements are open to interpretation. In our view, the requirements should be more robust. It is not clear what the likelihood of receiving responses

to external confirmations may be for sustainability information and there is no indication of what procedures the practitioner may undertake in the case of confirmations not being received. Further guidance would be helpful in this regard. For example, when attempting to obtain results of laboratory analysis of samples, if there is no response, what are the implications for the engagement? Furthermore, it is not clear whether negative confirmations are permitted for sustainability engagements.

A401 This paragraph includes helpful examples of where or how misstatements may arise in sustainability information. We believe these examples could be further strengthened by highlighting those examples which relate to fraud (though we note that further fraud examples are given in A406) and noting whether they are qualitative or quantitative in nature.

A469 We do not believe that it is appropriate to include the content of the fourth bullet point and sub-bullets in the practitioner’s report. These matters are clearly management’s responsibility and it is not the role of the practitioner to set out his explanation.

## MHA

In addition to our comments above, we would welcome further clarification from the IAASB on the following areas of concern, which, in our view, are not currently addressed to an appropriate level of detail in the proposed standard:

Use of separate conclusions on specific aspects of sustainability information and disclosures: paragraph A10 of ED-5000 is particularly vague and does not clarify the circumstances under which an assurance practitioner should provide separate assurance conclusions.

Compliance with laws and regulations: paragraph A135 of ED-5000 refers to the practitioner’s “understanding” of laws and regulations insofar as they affect the sustainability information. The use of the word “understanding” as opposed to “general understanding” applied in ISA 250 (Revised) Part A indicates a greater burden on the assurance practitioner in an assurance engagement to have a more detailed and specialist knowledge of the range and specific requirements of laws and regulations applicable to the reporting entity and the sustainability information reported. We question whether this is a reasonable expectation of the IAASB, given that the underlying data for many ESG metrics can derive from multiple jurisdictions and sources, and may not have a bearing on the accuracy or quality of the sustainability information being assured. We are not convinced that non-accountant assurance practitioners would sufficiently understand this requirement and are concerned that a two-tier quality outcome will arise as a result.

The assurance practitioner’s responsibilities in relation to ‘other information’: given the critical need for the assurance practitioner to challenge the work performed where a discrepancy arises between the assured sustainability information and other information not subject to assurance, the traditional “read and consider” approach outlined in paragraph A434 of ED-5000 is less helpful, particularly for non-accountant assurance practitioners. We encourage the IAASB to develop more robust application guidance on this topic.

Emphasis of matter topics: we would reasonably expect the frequency of ‘emphasis of matter’ paragraphs to increase in sustainability assurance reporting. It would be helpful if the IAASB provided greater clarity on when it expects such a paragraph to be necessary, by expanding the range of examples provided in paragraph A500.

## PricewaterhouseCoopers International Limited

### Other information

With respect to circumstances when an integrated form of annual report is presented, we note the following two significant factors that we believe will give rise to inconsistencies in how practitioners are likely to satisfy the proposed other information work effort requirements of the standard:

The firm appointed as the sustainability assurance provider may or may not have undertaken other engagements for the entity, for example the financial statement audit or other assurance engagement.

Sustainability reporting is still evolving, and what may or may not be reported alongside the sustainability information subject to assurance is also likely to vary depending on the industry, jurisdictional established practice, how mature an entity’s reporting process is, and the entity’s appetite for integrated reporting. The IAASB has undertaken a post-implementation review of ISA 720 (Revised) and identified several challenges with practical implementation of that standard, including confusion over the definition of annual report and scope of information that does and does not fall within that definition. We believe these issues are likely to be the same, potentially on an even larger scale, in the context of sustainability reporting.

In our view, there is a risk of an expectations gap arising by requiring explicit disclosure in the assurance report identifying the other information and describing the practitioner’s responsibilities in relation to such other information, as users are likely to infer a consistent level of work across all practitioners with respect to any other information reported alongside the sustainability information subject to assurance. Due to the potential consequences of the factors described above, we recommend that until:

reporting has matured to a point where there is greater clarity as to the nature and extent of other information that is being reported by entities;

the IAASB has completed a limited scope project to address the findings arising from the auditor reporting post-implementation review related to issues with ISA 720 (Revised); and

the IAASB has given further consideration to the inter-relationship between the financial statements and reported sustainability information when included in the same document,

it is premature to require explicit disclosures with respect to other information in the assurance report. We recommend the IAASB limit the procedures on other information to the extant ISAE 3000 (Revised) requirement at this time and give due consideration to addressing other information on a more holistic basis as a future ISSA once the above matters have been addressed.

### Other Drafting Observations

Paragraph 15 (b) includes the objective of expressing “a conclusion” whereas the remainder of ED-5000 explicitly acknowledges that more than one conclusion may be provided. We therefore suggest replacing “conclusion” with “conclusion(s)” in this paragraph. This also applies to Paragraph 17 (d). In addition, within paragraph 17 (d), we further recommend clarifying the introductory paragraph to reflect the fact that an engagement may comprise both reasonable and limited assurance elements:

17 (d) “Assurance engagement – An engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion(s) designed to enhance the degree of confidence of the intended users about the sustainability information. Each assurance engagement is either a may comprise one or both of the following elements:

Reasonable assurance engagement – .....

In the context of misstatements, we have noted a degree of inconsistency as to whether misstatements are referred to in the context of the “sustainability information” or “disclosures”. While neither term is incorrect, we believe one should be used consistently. Examples:

Paragraph 15(a)

Paragraph 17 (l)

Paragraph 17 (aa)

Paragraph 17 (qq)

Paragraph 17 (pp)

We also note that paragraphs 134R (b)(ii)(b.) and 170 (h)(v) use the phrase “disclosures in the sustainability information” which in light of the definition of disclosures, creates a degree of repetition/circularity. There are multiple other instances of this phrase across the application material that, together with these requirements, we recommend be updated.

### RSM International

Terms of the assurance engagement

Agreeing the terms of the assurance engagement

We recommend adding the following requirement to the terms of the engagement in paragraph 78 of ED-5000:

For a reasonable assurance engagement: a statement about the inherent limitations, if any.

For a limited assurance engagement: a statement that the procedures performed in a limited assurance engagement vary in nature and timing from, and are substantially less in extent than, a reasonable assurance engagement and, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Responding to risks of material misstatement

Tests of controls and substantive procedures

Paragraphs 123R, 126R and A339R of ED-5000 refer to the ‘upper end of the spectrum of risk’ or ‘higher on the spectrum of risk,’ which is explained for the first time in paragraph A349R (application material to 110R regarding identifying and assessing risks of material misstatement at the assertion level for the disclosures). We recommend that the IAASB consider the following suggestions:

Clarify the requirement included in 110R to assess the risks of material misstatement based on a spectrum ranging from low to high, which would elevate it from the application material. In clarifying this as a requirement, we believe the practitioner should identify which risks of material misstatement are at the upper end of the spectrum of risk, similar to ‘significant risks’ under ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement.

We suggest cross-references to paragraph A349R be added to paragraphs 123R and A339R (note: paragraph 126R already includes the reference).

We recommend that the IAASB add a graph to depict the spectrum of risk to aid all practitioners in a consistent understanding of (and raise the prominence of) the concept.

## Sampling

We recommend additional guidance be added to assist in consistent application of sampling, specifically regarding how a sample size is determined. Accordingly, we recommend that the IAASB consider adding the following, which is based on paragraph A11 of ISA 530, Audit Sampling:

The sample size can be determined by the application of a statistically based formula or through the exercise of professional judgment. [Appendices 2 and 3] indicate the influences that various factors typically have on the determination of sample size. When circumstances are similar, the effect on sample size of factors such as those identified in [Appendices 2 and 3] will be similar regardless of whether a statistical or non-statistical approach is chosen.

In addition, we recommend including charts similar to Appendix 2: Examples of Factors Influencing Sample Size for Tests of Controls and Appendix 3: Examples of Factors Influencing Sample Size for Tests of Details of ISA 530 to add clarity and promote consistent application of sampling.

Written representations from management and those charged with governance

In paragraph 148 of ED-5000, we recommend adding the following representation: ‘that they have assumed responsibility for the work of the management’s expert used, when applicable’.

Extended External Reporting (EER) guidance

We encourage the IAASB to undertake a project to update the EER guidance for sustainability assurance engagements upon the issuance of ISSA 5000.

## 8. Assurance Practitioner or Firm - Other Profession

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

As mentioned already I urge the IAASB to refer to reporting standards rather than reporting frameworks as the latter do not provide sufficient detail to be used as suitable criteria in an assurance engagement and may lead to the situation where the practitioner confirms a topic or aspect is included in the reporting, without undertaking work to confirm the reliability of the reported information on that topic or aspect. This is not assurance in my view.

Para 55 Using the work of the internal audit function does not include the requirement to evaluate the internal audit on their competence in sustainability. As for the engagement team, the internal audit function needs auditing AND sustainability competence if the practitioner is to place reliance on the work they have done.

Finally, for clarity, I would also suggest that the introduction to the new standard should explain its relationship with, and differences from, both ISAE3000 and ISAE3410.

### ERM Certification and Verification Services Limited

An overarching concern is that without more explicit reference to subject matter expertise and increasing the bar on the Limited Assurance expectations, Assurance Reports provided under ISSA 5000 could be called into question for greenwashing (i.e., fraud). With the increasing level of stakeholder understanding and skepticism related to environmental, climate, and social data, we suggest more purposefully acknowledging the need for subject matter expertise throughout the Standard. We have highlighted several locations

where additional clarification on this point would be critical to ensuring the engagement quality and protecting the reputation of all practitioners.

Additional suggestions (unrelated to the above) are provided below the set of suggested subject matter expert references:

Added reference for Subject Matter Expertise: The definition of ‘Professional judgement’ is insufficient in protecting recipients of inaccurate assurance of sustainability information due to lack of professional skepticism as it does not consider relevant training in the subject matter, other than assurance and ethical standards.

The suggested revision is bolded as follows:

17(kk). Professional judgment – The application of relevant training, knowledge, and experience, within the context provided by the subject matter expertise and training, assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.

Added reference for Subject Matter Expertise: Without direct reference to practitioner’s competence in the subject matter, the practitioner may not have the subject matter competence to apply the required professional skepticism in assessing the Management’s Expertise as such a new paragraph reflecting the same experience required by the Management’s Expert (Para 85) should apply to the practitioner).

To address this concern the following, as bolded, should be added into ISSA 5000: A25X. Matters relevant to the practitioner’s understanding of the subject matter of the engagement:

The relevant field of expertise;

The nature, scope and objectives of disclosed information;

Whether there are professional or other standards, and regulatory or legal requirements that apply in preparing the information;

Understanding of assumptions and methods used within development of the disclosed information (subject matter), and whether they are generally accepted and appropriate within the relevant subject matter and appropriate in the context of the applicable criteria and the sustainability matters;

Added reference for Subject Matter Expertise: Relatedly, please update A75 to specifically reference a critical impediment to exercising of professional skepticism. The suggested language is bolded as follows:

Insufficient understanding of subject matter.

Clarification of acceptance requirements added references to audit and Subject Matter Expertise: In relation to ‘Acceptance and Continuance of the Assurance Engagement’, ‘competence’ has not been defined. As noted earlier it is important that both audit and subject matter expertise and addressed equally throughout the Standard.

Please either:

Add Ref A25X to 25(b) - preferred

OR revise the language, bolded as follows:

25(b). The practitioner has determined that those persons who are to perform the engagement collectively have the appropriate competence in relevant subject matter and audit capabilities, including having sufficient time, to perform the engagement;

Added reference for Subject Matter Expertise: In relation to ‘Assurance Skills and Techniques, Professional Skepticism and Professional Judgment’, the following needs to have some basis in subject matter expertise.

The suggested revision is bolded as follows:

37. The practitioner shall apply subject matter understanding, assurance skills and techniques as part of an iterative, systematic engagement process.

38. The practitioner shall plan and perform an engagement with subject matter and assurance-based professional skepticism, recognizing that circumstances may exist that cause the sustainability information to be materially misstated. (Ref: Para. A71-A76 OR reference to A25X).

Clarification related to Subject Matter Expertise: In relation to Para 96 ‘Designing and Performing Risk Procedures’, we assert that such a Team Meeting should only be applicable if the Engagement Leader does not have the necessary subject matter expertise to design and perform the risk procedures without input from an expert.

Assertion related to Subject Matter Expertise and sole practitioners: In relation to Para. A294, we assert that an engagement should not be carried out by a single individual unless they have subject matter expertise developed through extensive training and practical application (proposed revision to Para 32 referenced below and in our response to Question 1). As a sole practitioner without sufficient subject matter expertise, the sole practitioner does not have sufficient applicable knowledge to employ professional skepticism throughout the engagement. Limited Assurance, if retained as written, would present the most likely case for use of a sole practitioner. If that sole practitioner cannot use professional judgement or skepticism to identify the need for additional testing as referenced in A190L, an opinion provided by a sole practitioner, without subject matter expertise, would constitute greenwashing.

Further explanation regarding our proposed change and reasoning for the proposed change to Para 32 is as follows. Para 32 requires that the engagement leader have (a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application, but for subject matter competence, they are required only to have ‘sufficient competence to accept responsibility for the conclusions reached AND ‘sufficient competence’ is a matter of professional judgement (A67). Due to the diverse and complex subject matter the engagement partner (and engagement team members) should have subject matter expertise with a depth aligned with (a) as defined above.

As such, Para 32(c) should require the engagement leader have ‘Competence and capabilities in the subject matter developed through extensive training and practical application.’ This level of understanding and competence would allow for professional judgement and skepticism and would protect the integrity of Assurance Reports (limited or reasonable) and would meet the needs of the intended users.

Without the revision to Para. 32(c) suggested above, we have concern around a solo engagement leader, with self-determined professional judgement, producing an Assurance Report (limited or reasonable). In a worst-case scenario this could result in an Assurance Report that would appear to provide confidence to a user where no such confidence is appropriate resulting in fraud (i.e., greenwashing).

Comments on topics un-related to subject matter expertise

Clarification on reporter responsibilities:

In relation to 78(c)(v)(a) of ‘Agreeing the Terms of the Assurance Engagement’, it would be helpful to have additional clarity around this expectation. In practice, client Management teams routinely request to change

the language provided in 78(c)(v)(a) to ‘preparation of the sustainability information included in the scope of the assurance engagement’. As a result, please see the suggested revision bolded as follows:

78. The practitioner shall agree the terms of the assurance engagement with the engaging party. The agreed terms shall be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation, and shall include: (Ref: Para. A203-A206):

(c) The responsibilities of management or those charged with governance, as appropriate for:

(v) Providing the practitioner with:

a. Access to all information of which management is aware that is relevant to the preparation of the sustainability information within the scope of the engagement

OR

a. Access to all information of which management is aware that is relevant to the preparation of the sustainability information regardless of the scope of the engagement

Request for clarification: In relation to ‘Understanding the Legal and Regulatory Framework’, Para 100, it is unclear whether the suggestion is that for each assertion/key performance metric, the practitioner would need to assess ALL regulations associated with that particular assertion/key performance metric. Individual facilities will have air, water, waste permits with regulatory requirements at the federal, state and sometimes local level. These are generally held at an entity level as opposed to a group level, and the key performance metrics are often not directly aligned with the broader corporate disclosures. For a multi-national company, it would be challenging to understand ALL of the regulations and their method of compliance related to every topic/aspect at every entity within. Additionally, not all non-compliances are created equal (e.g., a report submitted late has a very different impact than a large chemical spill to a water way). Alternatively, is the context here intended to understand governance at a higher level related to how an organization manages compliance? OR does it only relate to finance-related regulatory disclosures (SEC/CSRD)? Please clarify:

100. The practitioner shall obtain an understanding of: (Ref: Para. A307-A309)

(a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, in the context of the entity’s sustainability information; and

(b) How the entity is complying with that framework.

Consider removal: In relation to A244 ‘Factors That Affect the Practitioner’s Professional Judgment Regarding the Attributes of Relevance and Reliability’, please consider removing A244 due to the potential for creating authority bias.

There are some assumptions within this section that require additional professional judgement and skepticism. In many/most cases, information that is pulled from an ‘information system’ will always start with a human entering information into that system. Reliability should be tested and not assumed. Another assumption that is often made is that if data/information is provided for regulatory purposes, that the data/information is correct. While the goal of companies is to report accurate data to regulatory bodies, control systems around the data are not substantial enough to make an assumption of accuracy completeness and reliability.

Consider revision: In relation to ‘Nature, Timing and Extent of Planned Procedures (Ref: Para. 89)’, A269 assurance is typically conducted at the assertion level for both limited and reasonable assurance. Assurance of the higher-level groupings below is currently uncommon.

Please consider revising as bolded as follows:

A269. Using professional judgement, the practitioner may group the sustainability information in various ways for purposes of planning and performing the assurance engagement:

Examples:

By topics: All disclosures on climate; all disclosures on labor practices.

By aspects of topics: All disclosures regarding risks and opportunities (regardless of the topic); all disclosures regarding targets.

By topic and aspect of topic: All disclosures regarding targets for climate; all disclosures regarding scenario analysis for climate.

By characteristics: All disclosures that are qualitative; all disclosures that are forward-looking; all disclosures that are historical.

By characteristics by aspect of topic: All disclosures regarding targets that are judgmental; all disclosures regarding targets that are historical.

Suggested wording change for clarity: Given the context of the Standard, it would be better to select different words for ‘reasonable assurance’ at the following part of the definition of ‘System of Internal Control’.

The suggested revision is bolded as follows:

17(ww) System of internal control – The system designed, implemented and maintained by those charged with governance, management and other entity personnel to provide increased confidence about the achievement of an entity’s objectives with regard to sustainable business activities and the reliability of sustainability reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations related to sustainability matters.

Improve completeness of definition: The definition of ‘Evidence’ does not consider the concept of completeness which is a critical component of evidence. The suggested language is bolded as follows:

17(r). Evidence – Information, to which procedures have been applied, that the practitioner uses to draw conclusions that form the basis for the practitioner’s assurance conclusion and report. Sufficiency of evidence is the measure of the quantity of evidence. Appropriateness of evidence is the measure of the quality of evidence. Completeness of evidence is the presence of any contributing information relevant to the reported information within the reporting boundary.

The concept of completeness is appropriately addressed in Para. 84(a) of ‘Information Intended to be Used as Evidence’.

Suggestion to enhance completeness: In relation to the following point under ‘Doubts About the Relevance and Reliability of Information Intended to be Used as Evidence’, the result could also be a lower rate of deviation. The suggested revision is bolded as follows:

A256. Factors or circumstances that may give rise to doubts about the reliability of information intended to be used as evidence include:

When procedures performed on a population result in a higher or lower rate of deviation than expected.

Request for clarification: In relation to A106: it is unclear what the definition of 'Remediation' is in this context. This is not a phrase routinely used by non-audit practitioners. Please define this for ease of use by multiple practitioner types.

## SGS

In several areas there is a need for assurance practitioners to make judgements on risk related to sustainability information disclosure. It would seem sensible to include a recommendation for evaluation of the Materiality assessment process, to enable an assurance to be conducted in relation to several of the key principles and to evaluate the risk of omission of information on material issues.

the standard-setting action part:

- Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)).

ISO standards can add guidance in that part, since ISAE is not specific enough. I should mention here and specific the reference to improve and standardize the assurance process (how many visits, samples, errors acceptancy). Iso is a bit more specific.

- PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence

It should better set the boundary of each assurance criteria.

- PA.2: The suitability of the reporting criteria, including addressing concepts such as "double materiality" . It is clearly CSRD focus, review the language and description. It should be "materiality" solely.

PA.4: Evidence, including the reliability of information and what comprises sufficient appropriate evidence.

PA.5: The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence.

It is missing the relevance on site visit, in some specific situations where desktop is not enough to confirm the scope, evidence and management process (ISO can be add as a reference)

In addition,

1.ED-5000, referring to control tests, if evidence is obtained in the middle of the period and the conclusions of these control tests are intended to be extended to the remaining period, which the remaining period specified to be at least a few months?

2. ED-5000 If only internal control understanding is carried out and no control test is performed, it is intended to obtain evidence through the implementation of substantive procedures.

Whether with limited assurance and reasonable assurance, the work to be performed in relation to the substantive procedures, we recommend more detailed clarification with quantified guidance.

## TIC Council

Terminology for partner/ firm/ staff is not necessarily profession agnostic. It is also not clear if subcontractors (exclusive or non-exclusive) count as staff or if they would be an internal or external expert can they be a lead practitioner or member of engagement team member. Definition (hh) only refers to partners and staff (further defined in (rr)) in firm - this an accounting structure and is not profession agnostic

and should be widened to be agnostic and refer to subcontractors who are abiding by all of the firm's processes and procedures (with reference to firm Definition (s)).

Accessibility for wider groups not used to IAASB standards: would benefit from a review of language in the introductory sections with schematics for key parts of the process with links to relevant sections in the standard to make this a more open and inclusive document for a wider range of professionals.

There are areas of repetition that could be removed and clearly cross-referenced to reduce length without reducing content/ intent. For example, paragraphs 16 and 24 repeat.

Would be beneficial to have the application and other explanatory material section as a separate document, as this is referred to while reading the main document and for ease of reference (ie to be able to view both concurrently) it would be better to have separate documents.

Paragraph 16 & 24 - why is this necessary, contract should allow for any outcome (unqualified, qualified, adverse)

Paragraph 66 - assembly of the engagement file should be done before issue of the assurance report (not in a timely manner after) as complete file needed for engagement quality review. It is important to clarify whether the review should or shall be conducted by an engagement leader or practitioner that is independent from the engagement being reviewed. Some companies have ISO 14065 based GHG verification program that requires project independent review.

170 (j) practitioner signature is required - not clear if this has to be an individual or if this can be the firm brand/ logo. If individual can it be any member of the engagement team or of the wider firm, or does it need to be the engagement leader? In the example template reports a different definition is given 'signature in the name of the assurance firm'

Para 171 states engagement leader name should be included, but this is not specified as a requirement in the assurance report content in para 170(j). In the example statements provided the 'personal name of the assurance practitioner' stated, which is different from the name of the engagement leader, as practitioner can refer to the firm (according to the definition of practitioner). A491 refers to reasonable assurance, is this also applicable for limited assurance engagements?

Not clear what happens in the circumstance where a number of different assurance conclusions are included (ref A10) for different topic. If these are different conclusions, for example one qualified limited and one unqualified reasonable, with different materiality levels applied, can these be included in one assurance report? If so how should the report be titled? (ref 170 (a) & (c))

A238 - practitioner observation of entity site activities/ site equipment and interview evidence (from entity staff) are not listed as sources of information.

In several areas there is a need for assurance practitioners to make judgements on risk related to sustainability information disclosure. It would seem sensible to include a recommendation for evaluation of the Materiality assessment process, to enable an assurance to be conducted in relation to several of the key principles and to evaluate the risk of omission of information on material issues. The standard-setting action part:

Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)).

ISO standards can add guidance in that part, since ISAE is not specific enough. I should mention here and specify the reference to improve and standardize the assurance process (how many visits, samples, errors acceptancy). Iso is a bit more specific.

PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence

It should better set the boundary of each assurance criteria.

PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”. It is clearly CSRD focus, review the language and description. It should be "materiality" solely.

PA.4: Evidence, including the reliability of information and what comprises sufficient appropriate evidence.

PA.5: The entity’s system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence

It is missing the relevance on site visit, in some specific situations where desktop is not enough to confirm the scope, evidence and management process (ISO can be add as a reference)

In addition:

ED-5000, referring to control tests, if evidence is obtained in the middle of the period and the conclusions of these control tests are intended to be extended to the remaining period, which the remaining period specified to be at least a few months?

ED-5000 If only internal control understanding is carried out and no control test is performed, it is intended to obtain evidence through the implementation of substantive procedures.

Whether with limited assurance and reasonable assurance, the work to be performed in relation to the substantive procedures, we recommend more detailed clarification with quantified guidance.

## 9. Public Sector Organizations

### First Nations Financial Management Board

The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) should be used as a benchmark against which corporate sustainability disclosures are measured. Notably, this includes the obligation for states to ensure that Indigenous Peoples’ free, prior, and informed consent (FPIC) be obtained in advance of activities taking place on Indigenous lands and territories. We submit that UNDRIP and FPIC be used as standards against which sustainability disclosures, made by entities operating on Indigenous lands and territories, must be evaluated by audit and assurance practitioners.

In its current iteration, ED-5000 does not incorporate UNDRIP at all. UNDRIP will be important in sustainability reporting. It is supported by 150 states around the world, including many that have Indigenous populations. The IAASB should include reference to UNDRIP principles in some manner in ED-5000. Alternatively, the IAASB should consider incorporating UNDRIP into other authoritative and non-authoritative materials (e.g. Basis for Conclusion, Explanatory Notes, Guidance).

We recognize that the Canadian Audit and Assurance Standards Board is considering Canadian-specific amendments to ED-5000, and we are advocating for inclusion of Indigenous-specific issues at that forum. However, there is also a need to consider UNDRIP and Indigenous-specific issues at the international level. This will ensure that sustainability reports are appropriately assured in jurisdictions where there may be less

capacity or political will to address these issues. Canada is seen as a leader regarding Indigenous rights, and we recommend the IAASB strongly consider incorporating references to UNDRIP and explain how an entity demonstrates its commitment to respecting Indigenous rights (e.g. FPIC) could impact assurance reporting for entities in Indigenous-intensive industries.

### **Government Accountability Office - US**

We support the IAASB’s efforts to develop a new overarching standard for assurance on sustainability reporting. We believe this standard is responsive to public interest and will aid in more consistent performance of quality sustainability assurance engagements. Nonetheless, we identified several areas in our detailed responses where improvements and further clarifications would be helpful. Specifically, we believe:

The proposed standard should provide additional specificity and guidance sufficient to reasonably assure consistent application of the standard, particularly for non-accountants who can provide assurance on sustainability engagements.

Further, we believe that material should be added to clarify the requirements of independence and qualifications for assurance practitioners and experts.

We believe more reliable sustainability information would result from added clarity regarding the quality management for the sustainability assurance engagements conducted by practitioners from different professions (professional accountant and non-accountant assurance practitioners).

Finally, it is important that the practitioner’s responsibilities are clearly defined in a limited assurance engagement with respect to risk assessment and response, materiality, obtaining evidence, and criteria used to avoid misunderstanding. Both misunderstanding of what is expected of the practitioner as well as the expectations of intended users. Further, extensive disclosure of the procedures performed in a limited assurance engagement would assist the user to understand the level of assurance that has been provided.

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

Definitions and other explanations required

The definition of intended users is very broad. ED-5000 describes that the intended users may be broader than those to whom the assurance report is addressed. The requirement to include an addressee in the audit report mentions that the addressee is usually the engaging party or those charged with governance. The intended users will always be broader than this. ED-5000 should describe in more detail and potentially require the practitioner to include a section in the audit report on who the intended users are and/or what the purpose of the assurance report is.

If the intended users are not appropriately described in the assurance report the assurance practitioner could be unreasonably exposed to risk of liability to users for whom the report was not intended.

A definition of a Direct engagement should be included – ED-5000 does not define this term and describes in the scope that the standard is only applicable to Attestation engagements, not Direct engagements.

Wording could include:

“The responsible party does not present the subject matter information in a report in a direct engagement. Instead the practitioner reports directly on the subject matter and provides the intended users with an assurance report containing the subject matter information”.

ED-5000 includes references to an “engagement plan” in paragraphs A100 and A260. There are no requirements for the practitioner to prepare an engagement plan and there is no explanation of what an engagement plan is or what purpose it is intended to serve.

### Office of the Auditor General of Alberta

We note the proposed standard does not incorporate enough about sustainability as identifying and reducing negative impacts on the environment or social impacts. The “information for decisions making” paradigm is too limited in a sustainability context where the issues are complex and many users do not even make decisions, because they may be unaware of the impacts, the impacts are uncertain or not easily observable by users, or the “users” are not humans and do not read the sustainability reports. The standard should have more focus on “sustainability performance” in the sense of are negative impacts being mitigated by the entity and positive impacts enhanced. ISSA 5000 may be more of a sustainability assurance standard, rather than a financial reporting standard, if a definition of sustainability is added, both internal and external impacts need to be considered, internal (impacts on the entity) are not limited to only financial impacts, and a stronger requirement to evaluate the entity’s materiality process is added. These are significant limitations with the standard that ultimately may not prevent the practitioner from providing assurance on ESG disclosures that are not relevant, or worse, are misleading.

As noted, because ED-5000 requires evaluation of suitability of the criteria, it is inherently tied to the subject matter being reported. This does not mean that IAASB becomes the reporting standard setter, but ED-5000 does set constraints on what can be reported as sustainability information, which means that IAASB has to be careful and exercise due diligence, in particular because of the importance of sustainability to people, communities and the environment. There is a lot at stake. Sustainability itself is not neutral: sustainability has an inherent bias towards reducing negative external impacts and promoting positive impacts. As proposed, the assurance standard risks the appearance of adding credibility to sustainability disclosures but may be condoning a redefinition of sustainability as only a matter of financial relevance that may not be in the public interest.

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

Connectivity between financial and sustainability reporting

There is an inherent connectivity between the information provided in financial statements and sustainability information reported. Sustainability reporting frameworks recognise this and require entities to demonstrate these links where necessary for users to have a full view of the entity. This connectivity in reporting has certain implications for sustainability assurance engagements.

In the EU, for instance, entities under the CSRD scope will be presenting their sustainability statements within their management report which is published along with audited financial statements. In addition, ESRS has specific reporting requirements for the current and expected financial impact of sustainability-related risks and opportunities.

Therefore, ISSA 5000 should be clearer on the expected communication between the assurance providers on financial and sustainability reporting, taking into account applicable laws and regulations about professional secrecy and confidentiality.

Initial assurance engagements

Planning and performing an initial (first year) sustainability assurance engagement necessitate specific procedures that would most likely be different in nature and extent compared to subsequent engagements. This is not recognised in the ED ISSA 5000.

As an example, the engagement team will need to spend more time to obtain an understanding of the entity and its operating environment, and to identify and assess risks of material misstatement. In addition, in cases where there is comparative information that had not been subject to assurance in sustainability statements, the practitioner will need to use professional judgment in considering the implications for the engagement and the assurance report.

Accordingly, ISSA 5000 should have specific requirements addressing the particularities of initial engagements. This is very important as sustainability reporting frameworks usually have certain reliefs and transitional provisions which means that even in subsequent engagements there may be unassured comparative information reported by the entity for the first time.

#### Use of Application Material

The application material of ISSA 5000 should clarify the objectives of a requirement and what a requirement means or is intended to cover. It should not include general background information or appear to create additional obligations for the practitioner.

In our view, there is scope to reduce the length of the application material without compromising the quality of the standard. We believe that following (non-exhaustive) list of application material paragraphs should be removed from the ED ISSA 5000:

Paragraphs A6, A7 and A8 refers to matters that are already explained in paragraphs A53, A54 and A56, respectively

A34 notes that the ISAs and ISREs may provide guidance in relation to a sustainability assurance engagement

A83 includes examples of cases where a practitioner’s expert may be needed. However, these examples are too generic covering all key phases of an assurance engagement process

A189 states that an agreed-upon procedures engagement or a consulting engagement may be more appropriate when the entity has little experience with the preparation of sustainability information (we do not believe that a practitioner will make such a conclusion upon obtaining preliminary knowledge for the purposes of an assurance engagement)

A191 basically repeats the requirement established by paragraph 70(b)

A221 does not explain anything else than what is already included in paragraphs A72 and A77

A259 explains benefits of adequate planning which are quite evident

#### **ACTEO AFEP MEDEF**

#### Other Matters

We have reservations on the developments regarding subsequent events, especially the examples given in the application material, § A427. First, the consequences are not clear : are those cases adjusting events or does it require additional information in the report ? Second, the first three triggers are not specific enough to be considered, especially on matters evolving as fast as sustainability. In the climate or biodiversity area, events such as the publication of revised factors, assumptions or benchmarks by a

body such as a government agency (e.g., revised emissions factors), changes to relevant legislation or regulations, significant improved scientific knowledge, are very likely to occur every year. They shouldn’t be considered as subsequent event and it should be deemed appropriate that the application of those new knowledges will be taken into consideration in the next reporting period.

### **ASSIREVI – Association of the Italian audit firms**

We set out below a list of matters that the IAASB could explore further:

ED-5000 uses terms such as “evaluate”, “consider”, “determine”, “be alert”: given the proposed standard’s stand-alone nature, we suggest the guidance include explanations/examples of the meaning of these terms;

ED-5000 refers to the double materiality process in the paragraphs on the Suitability and Availability of Criteria and Materiality. As the double materiality process is “The entity’s process to identify and select topics and aspects of topics to be reported”, it could be worthwhile to make explicit reference to this process in the part of the proposed standard that deals with understanding the components of the entity’s system of internal control;

the issue of sampling is solely addressed in paragraphs 132 and A385 of ED-5000: we propose that the application material be supplemented with examples and additional guidance;

the issue of external confirmations is solely addressed in paragraphs 1328R, A378 and A379 of ED-5000: we propose that the application material be supplemented with examples and additional guidance;

ED-5000.11 states that information about sustainability matters included in the financial statements should be audited in accordance with the ISAs. However, sustainability information often includes financial information taken from an entity’s annual or interim reports or the accounting systems (for example, sustainability reports prepared in accordance with Directive (EU) 2022/2464 must include the financial information that an entity has to present pursuant to Regulation (EU) 2020/852). We recommend that the IAASB include rules and guidelines in ISSA 5000 about the procedures to be performed by practitioners on financial information.

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

We refer to our answer to question 4 (required application of IESBA Code) and believe that more guidance for non-practitioners should be developed for the implementation of this engagement.

The standard allows unassured comparative information (para. 189), which is unhelpful, as the information will be compared anyway. Trends over several years will be extrapolated. The expectation should be that all information in a report is of the same quality/ reliability. In any case, greater transparency as to what is not assured is required.

### **Center for Audit Quality**

The comments in this section primarily reflect matters not addressed by other questions.

Prioritization of future work efforts:

We believe it is critical that the IAASB identify, prioritize, and begin development of standards and guidance regarding sustainability-related matters that have not been fully addressed in (or in relation to) ED-5000. We believe the following should be prioritized:

Forward looking information, narrative, and qualitative information (as noted in Question 16).

Using the work of other practitioners (as noted in Questions 14 and 15).

Groups or “consolidated” sustainability information (as noted in Question 18).

(We encourage the IAASB to address this item and using the work of other practitioners concurrently, as the two concepts are closely related (as noted in Question 18)) and

Revising ISAE 3410 and relocating it as a topic-specific standard under the ISSA 5000 suite of standards (as noted in Question 3).

Based on the IAASB’s strategy/workplan for 2024-2027, it seems that there is only space for two sustainability projects, of which we understand one will be focused on updating the EER guidance, and the second potentially conforming amendments to ISAE 3410. Given the number of high priority areas (noted above) requiring additional standard setting, guidance, or educational material, we urge the IAASB to consider its overall project prioritization and whether more focus is needed on sustainability engagements at this time given the immaturity of the standards relative to the ISAs, and the need to embed quality in these engagements from the outset. We also recommend that the IAASB work with others (e.g., Accountancy Europe, national standard setters) to identify priority topics and opportunities to leverage additional guidance that has been developed to continue to provide relevant support for these engagements and drive consistency across jurisdictions.

Updates to ISAE 3000 (Revised)

Updates to ISAE 3000 (Revised) are necessary to incorporate content from the ISA’s that was added to ED-5000. It is in the public interest that ISAE 3000 (Revised) is consistent with ED-5000 with regards to fundamental assurance principles that are relevant to both sustainability assurance engagements and other assurance engagements.

Status of EER Guidance

The EER guidance, which was developed using an extensive public consultation process, contains much information that is helpful to those performing sustainability assurance engagements. Because the EER guidance refers to ISAE 3000 (Revised), the applicability of the EER guidance to ED-5000 is unclear. We strongly encourage the IAASB to update the EER guidance as soon as practicable after the issuance of ISSA 5000. Until then, the IAASB should clarify that the EER guidance can be applied, or adapted as necessary, to ED-5000 and promote its use through its website and other avenues available to it.

Additional user education needed

There is a public interest need to educate users to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse than financial statement users and less knowledgeable about traditional financial reporting and related audit reports. Recognizing the IAASB’s capacity and resource challenges, and its mandate, we encourage the IAASB to collaborate with other bodies (e.g., IFASS, PAOs, and monitoring group members (e.g., IOSCO)) to support users’ understanding of these assurance engagements and how to interpret assurance reports. Key focus areas for user education (not already mentioned in response to other questions) are as follows:

Insight into the fact that what the opinion/conclusion is actually providing assurance on can vary and should be read very carefully. For example, when assuring that the risks/opportunities disclosed are management’s risks/opportunities identified according to their process, this doesn’t necessarily provide assurance that those are the correct/appropriate risks/opportunities or that management’s process was effective.

Insight into how practitioners consider materiality from an assurance perspective in the context of a sustainability assurance engagement.

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

We have concerns that the definition of assurance skills and techniques found in paragraph 17(e) is incomplete. While we understand that professional skepticism and judgement are appropriately addressed in Part 2, in our view, when referring to assurance skills and techniques, professional skepticism and professional judgement should also be explicitly stated here similar to planning, evidence gathering and evaluation all of which are also addressed later in ED-5000. The importance of professional skepticism and judgement were found to be of vital importance for sustainability assurance engagements during our outreach with assurance practitioners for ACCA's recently published report, Sustainability Assurance - Rising to the Challenge.

The standard requires the engagement leader to have competence and capabilities in assurance skills and techniques in paragraph 32(a). Other than the definition of assurance skills and techniques in paragraph 17(e), the application material does not provide detailed guidance about how the competence and capabilities may be assessed and what they are, compared to the detail provided on sustainability competence. Engagement partners who are financial statement auditors will have audit competencies that meet the requirements of IES 8 Professional Competency for Engagement Partners Responsible For Audits Of Financial Statements. Similarly, there needs to be clarity around what assurance competence and capabilities are required in order for practitioners to establish an appropriate system of quality management in relation to engagement leadership.

Our stakeholders have expressed concern over the balance of examples used in ED-5000. Currently the vast majority of examples provided deal with quantitative sustainability information not qualitative. Providing assurance over qualitative disclosures is challenging, and more examples need to be provided. Similarly, more is needed on forward-looking information and value-chain information.

The timelines for adoption of mandatory reporting and assurance may be challenging. It is possible that NPAPs may require transitional periods for first-time adoption. Our bigger concern is that there is likely to be an issue with entities not being able to initially meet the preconditions required for assurance engagements or not having fully fledged internal control systems in place. Education may be required for preparers and users to understand that initially, assurance practitioners may be issuing modified opinions. National standard setters and regulators will be able to consider these matters for their jurisdictions, but we encourage the board to consider the need for education and communications about these matters.

There is a need for considerable outreach and education to assist preparers, directors and other users to understand the nature of the assurance being provided. We encourage the board to collaborate with national standard setters, regulators, and professional bodies to undertake this education.

### **Chartered Accountants Ireland**

Throughout the ED a number of terms are used which auditors would be familiar with in the context of their audit and assurance engagements (such as partner, engagement team etc.). However, they may well be interpreted differently in the context of an engagement under this ISSA and furthermore non-accountant assurance practitioners may not be as familiar with these terms. Appropriate extracts from the IAASB glossary for auditing and assurance standards should be included or cross-referenced. For example, paragraph 96- refers to “key members of the engagement team”- this is not defined in ED-5000 (should this include only those in senior positions, or does it include other members of the engagement team?).

Paragraph 47- ‘significant’ matters are not defined in the application material and a definition should be included.

Paragraph 83 appears to include all the proposed revisions to ISA 500 (Revised) Audit Evidence (ISA 500 (Revised)). However, all of the equivalent requirements of ISA 500 (Revised) (e.g., Application Guidance) have not been included in ED-5000. If the intention is for the evidence concept to apply similarly to ISA 500 (Revised) then the equivalent guidance should also be included in ED-5000.

We note the practitioner’s requirement in paragraph 122 of ED-5000 if the practitioner plans to use evidence from a previous sustainability assurance engagement. We also note the requirement in paragraph 122(a) where the practitioner shall test some controls in each engagement. We believe it is unclear to the practitioner what “some controls” in this paragraph are referring to and it would be helpful for the practitioner if paragraph 122(a) includes further clarification on this section. We also believe it would be helpful to the practitioner if paragraph 122 (a) refers to paragraph 123R in the case of reasonable assurance engagements.

We note in paragraph 123R the requirement to test controls in the current period is only specific to reasonable assurance engagements. We believe it would be helpful to the practitioner if a similar consideration was included for a limited assurance engagement where this is applicable.

We note paragraph 123R of ED-5000 refers to the “upper end of the spectrum of risk”. We believe further clarification is needed on this statement as it is unclear whether the “upper end of the spectrum of risk” refers to only significant risks or higher and significant risks.

The standard references reasonable assurance “opinion” and reasonable assurance “conclusion” in different places. We believe that the term assurance conclusion (be it reasonable or limited) should be used consistently.

Paragraph 171 requires the assurance report to include the name of the engagement leader when the entity is listed. Why does this not reference “Public Interest Entities”?

Paragraph 181 is open-ended in that it deals with the circumstance where “other information” may or may not be available at the time the sustainability report is signed. We believe that paragraph 181 could be perceived to mean that if a practitioner does not receive the information, then they do not have to treat it as “other information”. We believe that it would be better to word this paragraph in a manner that states;

If there is other information included with the sustainability information at the date it is published, then the practitioner must read and review that information.

Paragraph 191 addresses material misstatements in the comparative information and sets out that this is addressed in an other matter paragraph. We believe that where the comparatives are materially misstated then this should result in a qualification (as is the case under the ISAs).

In paragraph A166, it is not clear what the practitioner should do with the remaining sustainability information that does not have appropriate criteria, e.g., in ISAE 3000 (Revised) it includes “In such cases, the assurance report may need to clarify that the report does not relate to the original underlying subject matter in its entirety.”

In paragraph A167 is the list of framework criteria intended to be an exhaustive list? E.g., “Framework criteria may be:”

In paragraph A170 we believe a reference should be added to the entity’s need to supplement the criteria, rather than being silent on this fact, as could be read as either’s responsibility e.g. In such cases, the entity may need to supplement the criteria with additional framework or entity-developed criteria in order to:

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

Please see out comments above regarding the need for guidance on assurance procedures for value chain reporting.

### **CPA Australia**

See our comments in Part A of this submission.

Also, we believe it would be helpful if the IAASB develops and includes illustrative examples for an engagement letter and management representation letter.

Paragraph 32(c) requires the Engagement Leader to have sufficient “sustainability competence”. We do not believe this term sufficiently captures the competence requirements in this regard and suggest rewording to:

(c) Sufficient understanding of the sustainability topics, and the necessary Sustainability competence and knowledge sufficient to accept responsibility for the conclusions reached on the engagement.

Paragraph 57 Engagement Quality Review specifically refers to ISQM 1 but there is no consideration of other equivalent quality management requirements, which should also be referenced in this paragraph. Therefore, we suggest the IAASB to refine the wordings as below:

57. For those engagements for which an engagement quality review is required in accordance with ISQM 1 or other equivalent quality management requirements the firm’s policies or procedures, the engagement leader shall discuss significant matters and significant judgments arising during the engagement, including those identified during the engagement quality review, with the engagement quality reviewer.

Paragraph 78(b) refers to “the responsibilities of the practitioner” but does not then provide the details of such responsibilities. We suggest such detail is added to the paragraph. The content in paragraph 170(h) could be repurposed for inclusion in paragraph 78(b).

### **European Confederation of Institutes of Internal Auditing**

ISSA 5000 identifies Internal Audit as an engagement resource whose work may be relied upon by the external assessor, and we appreciate this positive positioning. It is Internal Audit’s role to provide independent and objective reasonable assurance and insight to the board and management, on all aspects of governance, risk management and internal control, and Internal Audit can be an important part of the “assurance chain”.

Many actors are involved in this chain, both internally and externally, so we advocate the coordination role that Internal Audit may play and the need for a strong collaboration to deliver combined assurance to the board.

The professional principle of Internal Audit already provides their independence and professional diligence. Even now already, many internal auditors are involved in auditing the non-financial information in the annual reporting, and sustainability should not be an exception to that. Also even now, many internal auditors report on observations adverse to sustainability goals and/or to the ESG strategy, and – in less advanced situations – drive the initiatives to change (together with risk management).

Internal audit work is performed in conformance with the most current global internal auditing Standards, as promulgated by The IIA, mandatory requirements that not only call for objectivity and independence but request that internal auditors have or obtain the skills they need to properly conduct audits. They use experts when necessary, for the skills needed when not available in the team. The Standards also require that internal auditors share information, coordinate the activities (assurance map concept as an example), and consider relying on the work of other assurance providers to ensure full coverage and avoid duplications.

In this context, we recommend that the section related to the “work of Internal Audit function” includes the need to be in conformance with the Standards. It will guarantee the quality of the Internal Audit work as the Standards also define quality conditions, including the need for an external quality assessment at least every 5 years.

We also recommend being more explicit on the topics to be considered for exchanges with the appropriate parties.

The various Stakeholders (including boards) are looking for trust and confidence in the data published, but even more in the reported ESG strategy, the longer-term goals, the related roadmap, the desired culture change to succeed, and the periodical status reporting. This urges the need for reliable, transparent, complete, correct, timely and comparable reporting, which needs to be the result of a strong governance and internal control system (efficient and effective), as part of integrated enterprise-wide risk management (e.g., COSO model that integrates the sustainability dimension, or ERM model that also includes sustainability issues).

Like all risks an organisation is facing, reliability of reporting follows from risk analysis, risk appetite setting, risk responses, and risk monitoring. An integrated approach is key, and organisations need a strong governance over ESG, with clear roles and responsibilities, and effective coordination to effectively execute the strategy.

It is important that the assurance process includes these key elements about the need for a strong governance over ESG. We suggest integrating this dimension in the Standards.

The IIA has published a Three Lines Model that articulates the core components of effective governance:

Accountability by a governing body to stakeholders for organisational oversight;

Actions, including risk management, by management to achieve the objectives of the organisation through risk based approach;

Assurance and advice by an independent internal audit function to provide clarity and confidence, and to promote and facilitate continuous improvement.

Each organisation must adapt the model to its own environment, but it is important to define the accountability of each party involved to ensure the reliability, coherence, and transparency of the information needed for risk-based decision making.

Internal Audit, in this context, can and may play a significant role in an organisation’s sustainability journey, as it provides assurance and insight on such important areas of the organisation like the achievement of the organisation’s strategic objectives, culture and behavior, reliability and integrity of financial and non-financial information, effectiveness and efficiency of operations and programs, as well as compliance with laws, regulations, policies, and procedures. It can add value in an advisory capacity by helping to identify and

establish a sustainability control and risk environment and can provide insight to the governing body and management.

We recommend including this element as well in the description of the work of Internal Audit.

We would like to conclude by thanking IAASB for the inclusion of the role of Internal Audit and we recommend to further extend the role and potential collaboration and coordination with the independent external assurance provider in the ESG assurance process.

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

We strongly encourage the Board to urge regulators to provide high-quality, robust oversight that supports high-quality assurance outcomes from all practitioners.

#### **European Group of International Accounting Networks and Associations (EGIAN)**

Detailed comments (if any): Value chains: giving assurance on value chain information is required by CSRD but not addressed by ED ISSA 5000. Value chain reporting is an important factor for a broad range of stakeholders in ESG reporting. Consequently ED ISSA 5000 should address assurance on value chain information.

Ensuring ISSA 5000 is fit for purpose for application in 2026: to avoid fragmentation of assurance standards ED ISSA 5000 must be ready and enjoy broad stakeholder support, especially given that the EU plans to adopt an EU-wide assurance standard in 2026.

#### **Federation of Accounting Professions (TFAC)**

The procedure requirements in general in ED-5000 are based on the ISAs framework. We believe some detailed procedures should be tailored to align more with the sustainability reporting framework. IFRS S1 requires the company to disclose information about its sustainability-related risks and opportunities that’s useful for investors’ decision making on the topics of governance, strategy, risk management, and metrics and targets. The sustainability report discloses a variety of sustainability information while ED-5000 provides general requirements for sustainability assurance engagements. We suggest that ED-5000 should provide more detailed guidance for the nature, timing and extent of the procedures to respond to the disclosures on strategy and opportunities, including metrics and targets.

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

##### Scalability

We consider there to be a need for application material, including examples, to illustrate how scalability may be applied in practice.

##### Other information

We believe that there could be some confusion around ‘other information’. The requirements for assurance providers could be given greater clarity. For example, if assurance is being provided only on a single metric / topic / aspect of topic, is the practitioner required to read all of the other information or only that information related to the subject matter being assured?

We note that 5000.12 indicates that an entity’s audited financial statement may be considered as ‘other information’ when it is presented with sustainability information, for example as part of an entity’s annual report. We believe that this is likely to necessitate a significant level of understanding of financial reporting frameworks (eg, IFRS), which may prove challenging for other practitioners. More guidance on procedures

for the practitioner to perform in relation to this ‘other information’ would be helpful. We also note that while some jurisdictions may have a clear definition of ‘annual report’, other jurisdictions may not, and therefore there may be issues in applying this in practice.

#### Laws and regulation

The impact of requirements regarding law and regulation may be significant. The quantum of law and regulation related to E, S and G is considerable, especially for large, complex international groups. ED 5000 requires “an understanding” of law and regulation rather than “a general understanding” (which was the wording in earlier drafts). We believe this could be extremely challenging for all practitioners, but perhaps especially other practitioners or practitioners from SMPs. We invite the IAASB to consider whether a more nuanced approach – for example, requiring obtaining an appropriate understanding – might be acceptable. As a minimum we would like further guidance on determining the level, depth, and extent of understanding in different circumstances.

#### Emphases of matter

We believe that it would be helpful if the IAASB provided some examples of potential ‘emphasis of matter’ topics – these will be particularly relevant for wider sustainability assurance engagements under reasonable assurance where substantial narrative information is subject to the assurance report provided (eg, as we expect from 2027/2028 for CSRD/ESRS reporting).

#### **Institute of Chartered Accountants of Ghana**

As aforementioned, this ED drives a fundamental change to the ethos, mindset and approach accountants have hitherto been applying and therefore requires an investment in ‘re-wiring’ the mindset and outlook of practitioners, especially as regards estimates and forward-looking information and the professional agnostic approach adopted by the IAASB.

#### **Institute of Chartered Accountants of Pakistan (ICAP)**

We understand that besides auditors, the audit clients and regulators also need to be engaged in developing an understanding about the use of ED-5000. In this context the regulatory understanding and support would be of significant importance.

For this, we believe that the IAASB’s support would be helpful for developing the understanding and implementation of ED-5000 through the following:

e-learns and guidance material for the audit committee/Board of directors/those charged with governance of the companies and for the regulators.

Conduct of series of IAASB webinars on ED -ISSA 5000.

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

We would highlight the following:

##### Extent of application material

The length of the standard is a concern, and we request that the IAASB review the extent of the application material to ensure that it is all necessary and relevant and not merely repetitive in nature. In that regard we would highlight paragraphs such as A221 which does not appear to add anything but rather just repeats the requirement established at paragraph 70 (b).

## Connectivity

There is ever increasing focus by users on the connectivity between financial and sustainability reporting. This will become increasingly important, and we therefore believe that the proposed standard needs to be clearer on the communications that should take place between the financial statement auditor and sustainability assurance provider. This would of course need to take into consideration applicable laws and regulations on confidentiality.

## Other information

Paragraph 12 of ED-5000 states:

“12. Sustainability information also may be presented together with the entity’s audited financial statements, for example, as a part of the entity’s annual report or in a separate document or documents accompanying the annual report. In these circumstances, the audited financial statements are considered other information for purposes of this ISSA.”

Where the assurance engagement on the sustainability-related information is being undertaken by another assurance provider who does not have knowledge of financial reporting this might prove to be a considerable challenge.

## Institute of Internal Auditors

Please find additional IIA recommended amendments listed below.

### Definitions (Page 10)

(x) Internal audit function – A function of an entity that performs assurance and consulting advisory activities designed to evaluate and improve the effectiveness of the entity’s governance, risk management and internal control processes.

NOTE: Use of the term “consulting” is changing to “advisory” in the newly revised version of The IIA’s 2024 Global Internal Audit Standards™ set for publication in early January.

### Using the Work of the Internal Audit Function (Page 18)

55. If the practitioner plans to use the work of the internal audit function, the practitioner shall: (Ref: Para. A126-A128)

The IIA recommends defining the term “practitioner.” The document currently reads: “This project includes the development of ethics and independence standards for implementation and use by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements).” These engagements could be second line or third line functions, so further clarification is needed.

(a) Evaluate the extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity and independence of the internal auditors;

(b) Evaluate the professional background and levels of competence and experience of the internal audit function, including in sustainability matters and applicable criteria;

NOTE: Since competence is not defined, The IIA suggests a better way to say this is: “Evaluate the professional background and levels of competence and experience of ....”

(c) Evaluate whether the internal audit function applies a systematic and disciplined approach, including a system of quality control and periodic reporting to the board/audit committee;

(d) Determine whether the internal audit function adheres to the most current global internal auditing standards, as promulgated by The IIA;

Determine whether the internal audit function has an established internal audit Quality Assurance and Improvement Program, as defined by the most current global internal auditing standards, as promulgated by The IIA;

(e) Determine whether, and to what extent, to use rely upon and reference specific work of the internal audit function; and

(f) Determine whether that work is adequate for the practitioner’s purposes.

The IIA suggests greater elaboration on what is meant by “adequate.” In subsection (e) if it says “rely upon” the work of the internal audit function, then, once that is done, is the work reliable? Have they done a good job? Is it sufficient to achieve objectives?

#### Inquiries and Discussion with Appropriate Parties (Page 27)

101. The practitioner shall make inquiries of appropriate parties and, when appropriate, others within the entity regarding whether: (Ref: Para. A310-A311)

(a) They have knowledge of any actual, suspected, or alleged fraud or non-compliance with laws and regulations affecting the sustainability information; and

(b) The entity has an internal audit function and, if so, makes further inquiries to obtain an understanding of the activities and main significant findings, if any, of the internal audit function with respect to the sustainability information.

NOTE: The IIA suggests that “main” is not clear in this context, while “significant” means impact on the organization.

#### Forming the Assurance Conclusion (Page 42)

160. The practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained, including evidence from the work performed by a practitioner’s external expert, another practitioner or internal audit function, and, if necessary, in the circumstances, attempt to obtain further clarification including additional evidence. In making this evaluation, the practitioner shall: (Ref: Para. A444-A447)

(a) Evaluate whether the evidence obtained meets the intended purpose of the procedures and supports the conclusions; and

167. The practitioner shall include in the engagement documentation:

(a) The basis for the engagement leader’s determination conclusion in accordance with paragraph 166(b) that sufficient appropriate evidence has been obtained, including:

#### Using the Work of the Internal Audit Function (Ref: Para. 55) (Page 79)

A127. The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity and independence of the internal auditors and the level of competence of the function are particularly important in determining whether to use and, if so, the nature and extent of the use of the work of the function that is appropriate in the circumstances.

A128. Factors that may affect the practitioner’s evaluation of whether the internal audit function applies a systematic and disciplined approach include the following:

The existence, adequacy and use of documented internal audit procedures or guidance (i.e., the most current global internal auditing standards, as promulgated by The IIA) covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity.

Whether the internal audit function has appropriate quality control policies and procedures, for example, policies and procedures that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance and supervision) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

Planning (Page 110)

A262. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the sustainability matters and applicable criteria. Examples of matters that may be considered include:

The IIA suggests adding this bullet: A clearly defined scope, objectives and time period of review.

The characteristics of the entity and its activities;

Whether the engagement is a limited assurance engagement, reasonable assurance engagement or a combination of both.

The nature of the disclosures.

The expected timing and the nature of the communications required with management or those charged with governance.

The reporting boundary.

The IIA suggests clarifying what is meant in this bullet.

The practitioner’s understanding of the entity and its environment, including the risks that the disclosures may be materially misstated.

The intended users and their information needs.

The extent to which the risk of fraud is relevant to the engagement.

The nature, timing and extent of resources necessary to perform the engagement, such as expertise required, including the nature and extent of the involvement of experts.

If the entity has an internal audit function and the impact on the engagement coordination exists between assurance providers to avoid duplication.

The Entity’s Process for Monitoring the System of Internal Control (Ref: Para. 102R(c), 105R) (Page 125)

A327R. Understanding the entity’s process for monitoring the system of internal control relevant to the preparation of the sustainability information may involve understanding:

(a) Those aspects of the entity’s process that address:

(i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified;

(ii) The entity’s internal audit function, if any, including its nature, responsibilities, and activities, and evaluation of the design and operating effectiveness of related internal controls; and

(b) The sources of information used in the entity’s process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose.

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

Reference paragraph 137 (Accumulation and Consideration of Identified Misstatements). More guidance is needed apart from the requirement itself. ISSA 5000 differs from ISAE 3410 where all the sustainability information is measured in the same unit (similar as financial statements). For these kinds of engagements where different aspects or topics are measured at a different unit more guidance in accumulating identified misstatements should be developed. A398 acknowledges the situation where difference in nature could arise but there is no guidance on how accumulating when different in nature. All application material (A398-A403) deals with misstatements (omissions, etc.) and the clearly trivial concept, but not about accumulating.

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

Issue 1: As the voice of the global profession, IFAC supports the IAASB’s development of ISSA 5000 (i.e., similar to ISAE 3000 (Revised)) in a practitioner-agnostic manner—applying to both accounting and non-accounting practitioners. This view is consistent with IOSCO’s September 15, 2022 statement encouraging the IAASB and IESBA to develop standards that “could apply irrespective of whether an assurance engagement is provided by an audit firm or a non-audit firm.”

Our research on current market practice in sustainability assurance substantiates this approach. (See The State of Play, 2019-2021 Trends & Analysis and The State of Play Beyond the G20.)

Consultancy and engineering organizations have meaningful market share around the world—i.e., 43% in 2021, up from 37% in 2019, according to our State of Play research. In fact, other service providers performed the majority of assurance (i.e., over 50%) in fifteen jurisdictions we have reviewed (i.e., Egypt, Hong Kong S.A.R., India, Ireland, Israel, Japan, Malaysia, Peru, Philippines, Poland, South Africa, South Korea, UK, USA, and Thailand).

The practitioner agnostic approach is already well-established under ISAE 3000 (Revised)—the IAASB’s current standard for non-financial assurance engagements. Based on our research, ISAE 3000 (Revised) is the dominant standard used by accountancy firm practitioners (i.e., 95% in 2021) and was the second most frequent standard used by other service providers in our 2021 review (i.e., 38%).

Further, based on our stakeholder engagement, IFAC appreciates different jurisdiction-specific circumstances (e.g., market concentration concerns, perceived capacity deficiencies, etc.) that may lead regulators and policy makers to support sustainability assurance being performed by both accounting and consulting organizations.

Taking this evidence into account, we support a practitioner-agnostic approach, but there must be robust regulatory oversight to support high-quality outcomes from all service providers. While the IAASB does not have enforcement authority over the use/application of its standards, we encourage the Board to use its stature and recognized expertise to encourage regulators to provide high-quality, robust oversight that supports high-quality assurance outcomes from all practitioners.

Finally, the IAASB had clearly articulated the need for additional standard-setting work (e.g., to address emerging issues). Therefore, we believe that jurisdiction-specific add-ons or additional requirements should be minimal—especially following the extensive outreach conducted by the IAASB during the current

Exposure Draft comment period. We encourage the accountancy profession to advocate for jurisdiction adoption of ISSA 5000 without modification—only adding additional requirements to address immediate and material jurisdiction-specific needs. We also encourage the IAASB to work with pace to meet the emerging needs of stakeholders—be it with additional guidance or standard-setting.

Issue 2: We believe that ED-5000 could be improved by providing commentary on the treatment of unassured comparative information. Analysts, rating agencies and other users may extrapolate and prepare analysis that combines assured and unassured figures, perhaps from different reporting periods. We are concerned that such practice may be misleading or confusing with respect to the overall reliability of sustainability information. While the primary responsibility for transparency in this area rests on management in preparing and presenting an entity’s sustainability reporting, some guidance for assurance providers would be useful and the potential impact on the sustainability assurance report should be considered if there is insufficient clarity provided by management.

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

#### **1. Stronger link between financial statements, etc., and sustainability information**

Financial statements and information used to prepare them are an important source of sustainability information. Thus, financial statements and their audits should be considered in assurance of sustainability information. In particular, major applicable criteria including the ISSB, ESRS and SEC climate disclosure rules all require disclosure on the link between financial statements and sustainability information. In this regard, ED-5000 should provide sufficient requirements and related guidelines, considering the link between sustainability information and financial statements.

If the procedures / results of financial statement audit are required to be considered including the use of evidence obtained in the course of audit on financial statements, the assurance on sustainability information can have a stronger effect and efficiency. The results of financial statement audit have a strong relevance when the sustainability assurance practitioner performs ‘other information’-related procedures as well.

It is necessary to ensure that the practitioner, even if not the financial statement auditor, considers the financial statement audit opinion and communicates with the financial statement auditor to the extent necessary. Closer communication is required between the financial statement auditor and the sustainability assurance practitioner, particularly when the financial statement audit report and the sustainability assurance report are required to be issued simultaneously.

#### **2. Accuracy & completeness assessment for the information intended to be used as evidence**

ED-5000 requires to assess the accuracy and completeness only for the information produced by the entity. However, it is also necessary to assess the accuracy and completeness for the information obtained from sources external to the entity in case of reasonable assurance engagements, consistent with the proposed amendments to ISA 500.

### **Malaysian Institute of Certified Public Accountants**

With regard to the use of work of service provider i.e., collection of data and forward-looking information, we suggest the IAASB to provide guidance on this area.

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

We kindly make reference to our comments on page 1 of this Response Template i.e those included before this Section and Section C hereunder.

One further comment would be in relation to the predisposition of who the user in that this will depend from which profession the assurance provider would be hailing – those already working with ISAs might have a deeper background in this regard.

We would also like to note that doing both the financial and sustainability audit will aid the assurance provider in understanding the entity in its entirety, which is not the case in other scenarios characterised by different assurance providers.

A practical example of this would be in relation to fraud, management remuneration and performance linked benefits - if you segregate the two engagements from each other in terms of who is providing the assurance on each one, the sustainability auditor will most likely not go into the metrics in this regard and the importance of the outcome of this to the C-suite.

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

#### **Initial assurance engagements**

Planning and performing an initial (first year) sustainability assurance engagement necessitate specific procedures that would most likely be different in nature and extent compared to subsequent engagements. This is not recognised in ED-5000.

As an example, the engagement team will need to spend more time to obtain an understanding of the entity and its operating environment, and to identify and assess risks of material misstatement. In addition, in cases where there is comparative information that had not been subject to assurance in sustainability statements, the practitioner will need to use professional judgment in considering the implications for the engagement and the assurance report.

Accordingly, ED-5000 should have specific requirements addressing the particularities of initial engagements. This is very important as sustainability reporting frameworks usually have certain reliefs and transitional provisions which means that even in subsequent engagements there may be unassured comparative information reported by the entity for the first time.

#### **Use of Application Material**

The application material in ED-5000 should clarify the objectives of a requirement and what a requirement means or is intended to cover. It should not include general background information or appear to create additional obligations for the practitioner.

In our view, there is scope to reduce the length of the application material without compromising the quality of the standard. For further suggestions we refer to Accountancy Europe’s list of application material paragraphs that we believe could be deleted.

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

ISSA 5000 is intended to be a global standard for sustainability assurance. However, there are a number of other sustainability assurance standards that are currently in use. It is important for ISSA 5000 to be convergent with these other standards to the extent possible. This will help to reduce the burden on entities that need to comply with multiple sustainability assurance standards and as a result increase the acceptability of ISSA 5000.

### Securities Analysts Association of Japan

Sustainability assurance standards projects following ISSA 5000

We understand that the IAASB is considering the development of specific individual standards for sustainability assurance following the development of the overarching ISSA 5000. We have the following comments on the specific standards.

We believe that the specific standards should be developed along two axes: “thematic” (e.g. climate-related, human capital, etc.) and “engagement phase” (e.g. the judgement of materiality, group and consolidated sustainability information, etc.).

In order to clarify the system of thematic and engagement phase specific standards, we would like to propose that branch numbers be added under the ISSA 5000 series. For example, the series of thematic standards should be ISSA 5100 and the series of engagement phase specific standards should be ISSA 5200.

Among the thematic standards, we believe that the highest priority is climate-related, as IFRS S2 was first published as a thematic standard in the ISSB Standards. The next highest priorities are biodiversity, human capital and human rights, which the ISSB proposed as new research and standard-setting projects in the Request for Information (RFI) “Consultation on Agenda Priorities” published on May 4, 2023. We believe that human capital has the highest priority. For further details, please see our comments on Question 3 of the RFI (\*).

(\*) [https://www.saa.or.jp/standards/sustainability/pdf/ikensho\\_230901en.pdf](https://www.saa.or.jp/standards/sustainability/pdf/ikensho_230901en.pdf)

Among the engagement phase standards, we believe that the judgement of materiality is the highest priority. In judging materiality, there may be a difference between the materiality applied by the entity and the assurance practitioner and the materiality expected by users, resulting in an expectation gap. If a material misstatement on a material sustainability issue is found in a sustainability report with assurance, the issue of comprehensiveness and completeness of the sustainability reporting and its assurance would become serious, raising concerns that the social credibility of the assurance engagement would be compromised. Therefore, we believe that the development of a specific standard for the judgement of materiality should be given high priority.

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

SAICA would like to suggest the following:

ED-5000 was drafted using some principles of the International Standards on Auditing (ISAs). Considering that non-accountants do not necessarily have a background on the ISAs, the IAASB should consider issuing separate ‘supplementary guidance material’ highlighting important terminologies and principles adopted in the ED-5000. This will enhance the quality of assurance engagements performed by non-accountants’ practitioners.

There will be a need to educate users and broader stakeholders to understand the assurance being provided over the sustainability reporting and key concepts being used.

The IAASB will need to consider how best to produce guidance and how it can communicate with regulators, and professional bodies on its plans for guidance so that these bodies can work to provide additional guidance either internationally or at the local level where gaps are identified.

There is also a need to consider that many entities may not initially have systems in place to allow them to produce the sustainability information required for reporting to a standard that can be assured. While this may be more an issue for local regulators to consider in establishing timeframes and transitional considerations in their timeframes, it is important that those charged with governance, preparers and users understand that there may be time necessary for an entity to evolve its sustainability reporting prior to it being assured.

More examples and guidance in relation to qualitative disclosures are required. Assurance over narrative/qualitative disclosures is challenging and most of the examples in the ED-5000 are in relation to quantitative disclosures.

### **Wirtschaftsprüferkammer (WPK)**

The requirements and application material on scalability in paragraph 13 seem to be very general and too brief. In particular, there is no guidance regarding the areas in which scaling is possible.

Recommendation:

We recommend to include additional guidance on the areas in which scaling is possible and conceivable.

According to Paragraph 137, the practitioner shall accumulate misstatements identified during the engagement, other than those that are clearly trivial.

Recommendation:

In view of the large number of measured variables (e.g. monetary values, weights, full time equivalents, areas, etc.) more detailed guidance regarding such accumulation is desirable.

A qualified conclusion is required according to paragraph 184 if the "effects ... of a matter are not so material and pervasive as to require ...".

Recommendation:

We suggest to replace the wording "not so material and pervasive" by the wording "material, but not pervasive" like it is also used in ISA 705.

## **11. Academics**

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

Yes: the use of ISAEs by non-accounting practitioners often departs from the ethics and quality control requirements that are intended to be used with the standard.

Ge et al. (2023) commented "We find that non-accounting practitioners have significantly increased their use of ISAEs in the post-implementation period, suggesting that the IAASB has effectively encouraged increased and broader use of its assurance standards. We also observe increased references to the underpinning ethics and quality control frameworks by these assurance providers, although there remain significant rates of departure from these requirements in the post-implementation period. Thus, our results support a concern that there are increased risks to the assurance profession, reflected by the fact that mandated conditions of use are commonly not followed. This lack of conformance highlights the dilemma facing international standard setting bodies in developing best practice standards; while all practitioners are encouraged to use best practice standards, international standard-setting bodies have no direct means to enforce any mandated conditions of use. Although the IAASB is now – ten years later – revisiting these

conditions of use, our study suggests that the IAASB should undertake more immediate post-implementation reviews of such changes to its standards, evaluating whether intended objectives are being achieved”.

### Monash University

Our analyses of current disclosure practices suggest that specific reporting guidelines or standards could improve the quantity and quality of disclosures in financial statements and notes. One potential financial implication arising from climate-related risks includes asset impairment and changes in the asset’s useful life. From a practical point of view, we provide evidence that entities making voluntary climate change, sustainability, and other risk-related financial disclosures (in response to existing regulatory signals) revalue their long-term assets, considering the future cash flow implications. Therefore, we recommend emphasis on the scenarios considering the impact of climate change on long-term asset values.

### University of Southampton

In paragraphs 25-28 of ED-5000, there is no clear guidance for accountant practitioners about whether they should accept the demand for assurance engagement from their existing client whose financial statements are audited by them. For example, joint provision of sustainability assurance and financial auditing by same accountant practitioner is very common in sustainability reporting environment (Dal Maso et al., 2019). However, we are concerned that joint provision of sustainability assurance and financial audit can give rise to potential economic bonding between client and accountant practitioner (DeAngelo, 1981). This economic bond may adversely affect an auditor’s objectivity and independence. For example, auditors are more likely to neglect material misstatements in financial statements as their economic incentives increase with clients (Asare, van Buuren and Majoor, 2019). In this case, the assurance quality may be compromised as the benefits of accepting client requests could overshadow the low litigation risk in the sustainability assurance environment (Choi and Wong, 2007). For example, the economic incentives from an existing client could lead the auditor to avoid reporting material misstatements in clients’ sustainability reports. In support of this, Ballou et al (2018) find that accounting practitioners are more likely to be associated with non-material sustainability reporting restatements.

Please note that reference list is at the end of this document.

## 12. Individuals and Others

### Capitals Coalition

In paragraph 4 of the ED: “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.”

Presumably this is information expected by the assurance provider. If so, we recommend that the basis for these expectations is linked to subsequent sections, for example in A158 ‘Obtaining a Preliminary Knowledge of the Scope of the Proposed Assurance Engagement’ and following paragraphs.

Sustainability information will generally include information that was not expected. There will be unexpected impacts. If the scope excludes these impacts, we recommend that the opinion includes a caveat. We also recommend that this is differentiated from what the assurance provider expects to see since they will expect to see unexpected impacts.

Paragraph 12 in the ED referring to the ‘Relationship with the Audited Financial Statements’.

Even when not part of an annual report, financial reports could be part of other information or could be part of the initial risk assessment relating to a scope.

Where financial and sustainability information is being provided to the same user, the assurance process for either the financial or the sustainability information or both will need to address completeness, consistency and the risk of duplication between sustainability disclosures and financial reports. For example, where an entity has written down asset values under IAS 36 in line with IASB guidance on the effect of climate change, there may be a requirement for further disclosure under a sustainability standard for information that has not met the required level of certainty under IAS 36. The existence of information on relevant impairments would inform the approach to assuring completeness of sustainability disclosures.

We recommend a discussion of these issues is included.

Paragraph 17 of the ED on definitions

We recommend that definitions are included of the following:

The addressee, including within a three-party relationship between engaging party, user and assurance practitioner and providing clarity on the existing inconsistency between A467 and A26.

The three-party relationship, although this is addressed in A160 this is too far back in the ED, including clarity as to which of the parties is the responsible party, generally the engaging party.

Double materiality, especially as there is not one definition, for example investor/multistakeholder or inside out/outside in, but also in the context of the internal control environment and the need, for example in assessing completeness of financially material information, for an assurance provider to have sight of the assessment of double materiality and the process for identifying which are financially material to form an opinion.

Sustainability as defined by Bruntland (1987) as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” and including assessment of management performance in creating positive and reducing negative impacts at rate commensurate with stakeholder expectations and thresholds and planetary needs and thresholds.

Rational purpose, given that a purpose that does not account for and so accepts negative impacts on people’s wellbeing or on their human rights or does not seek to maximise the contribution being made to sustainability could, perhaps should, be considered irrational (and would have implications for paragraph A191)

We recommend that the following definitions are amended.

Intended users, expanded to address the issue that was included in the Guidance on Assurance of EER in paragraph 145

A distinction is made between intended users and stakeholders. A stakeholder in the entity may:

- Have a relationship and interactions with the entity.
- Be directly or indirectly affected by the entity’s actions.

There may be circumstances when the stakeholders and intended users are not the same. When a stakeholder is not an intended user, their interests may be taken into account by other parties who are intended users. It should not be assumed that, just because a class of stakeholders that would have a legitimate interest in the EER report is not expected to use the report, information about reporting topics that

would meet their information needs would not be relevant to the other classes of intended users, when the categories of intended users are diverse.

Where the scope is not clear on this or has not identified an intended user that acts in the interests of other stakeholders, this increases the risk that information is not complete. Our recommendation is that in these circumstances an existing user would have to act in their interests to retain a three-party relationship with an addressee.

Other information, as this could include third party certifications of internal controls especially where the certifications relate to sustainability matters and may reflect a three-party relationship and so the information does not come from managements experts.

Performance materiality, as the current definition is very hard to follow and perhaps could be more than one sentence and tie in with subsequent paragraph explaining this in more detail.

Risk of material misstatement, to link this risk to the level of uncertainty that the users of the information are willing to accept – their risk tolerance and appetite. This uncertainty is explicit in IASB relating to existence, outcome and measurement uncertainty and the level, though not calculated, has been normalised through legislation, reporting, audit and legal actions. This is not yet the case in sustainability reporting where the level of uncertainty, and hence the risk of misstatement and acceptable assurance risk, will vary with the users and their purpose.

Paragraph 25, 32 (c) and 41 of the ED on Competencies

In the absence of a recognised certification scheme that is relevant to the scope, it is not clear how the practitioner will determine competence and capabilities and information may be identified during an engagement which may require this to be reassessed. The risks relating to completeness and the need for stakeholder engagement are fully not addressed by the those with financial audit skills making use of experts on specific sustainability topics.

Paragraph 71 of the ED on Appropriate Sustainability Matters

We recommend that Paragraph 71 is expanded to address assessment of whether the sustainability matters are complete within the context of the scope. This issue does not seem to be covered by A172 (b).

Paragraph 74 of the ED on ‘Rational purpose’

We recommend that Paragraph 74 is expanded to give practitioners clearer understanding of how to determine rational purpose within the context of the public interest. See also our recommendation above on amending the definition of rational purpose:

a purpose that does not account for and so accepts negative impacts on people’s wellbeing or on their human rights or does not seek to maximise the contribution being made to sustainability could, perhaps should, be considered irrational.

Paragraph 97 of the ED on Understanding the Sustainability Matters and the Sustainability Information

We recommend that this paragraph refers to the practitioner developing an understanding of expected sustainability matters in the context of the scope and that this should be done before the practitioner has sight of the sustainability information prepared by the responsible body to reduce the risk that this information prejudices expectations.

Paragraph 99 of the ED on Understanding the Entity and Its Environment

Without stakeholders having been involved throughout the process, there is a risk that acceptable levels of risk for material misstatement are not acceptable to the intended users including the stakeholders whose lives are impacted. The standard does not include sufficient information on processes for stakeholder involvement that are designed to reduce the risk of omission of sustainability topics or aspects of topics, in context of the language in the ED, or of impacts on wellbeing.

We recommend that this issue should be added to this paragraph but then expanded in Application material. The existing reference to intended users in A171 does not address this issue.

Paragraph 150 of the ED on written representations

The risk of material misstatement will increase with the extent to which the assurance provider places reliance on written representations especially in relation to the completeness of sustainability information. There will be a point at which the reliance becomes so high that it is not possible to form an opinion.

We recommend that a discussion on reliance on representations is included.

Paragraph A26 of the ED on intended users

Paragraph A26 suggests that the users are the addressee in contradiction with A467 which says the addressee is generally the engaging party.

We recommend this is clarified.

If the scope of the information includes impacts on stakeholders that are not users then there are sustainability risks when the assessment of relevant information is limited to users. There is also a risk that because they cannot be identified the opinion cannot be addressed to them and they are excluded on that basis. This might undermine the three-party relationship if, for example, the opinion were to be addressed to the directors with management being the responsible party, especially as the directors primary legal interest is to members and not to stakeholders. This ties in with our recommendation that an existing user must act in the interest of those stakeholders (whose lives are impacted) where required by the scope and to retain a three-party relationship.

If users within a scope are further restricted as proposed, to those that have significant and common interests, there is a further increase in the risk of material misstatement. This restriction can only be made in the context of whether the exclusion increases the risk to the point an opinion would be qualified. It may then also imply that the criteria are restricted to the common interests of those users which would require an expression of matter paragraph in line with paragraph 180.

We recommend that who would be responsible for determining the common interest, and who they would determine it, or what steps the assurance provider would need to take to consider whether that determination was reasonable should be clarified.

Paragraph A179 of the ED on Relevance of the Criteria

We recommend that paragraph A179 is more strongly linked to the requirements section.

Links the information back to the decisions being made by intended users. Clarity over the users, their decisions and the purpose behind those decisions should be added as a requirement for the scope in paragraph 3. The requirement for a purpose could be added to A179 (a) but also in A181 and A200 just as it is included in A179 (b) and A270. (Financial reporting standards are based on primary users, decisions to provide economic resources, with an interest in financial returns. All three are necessary as the basis for

useful information. Assurance against information that does not include all three would need to consider the high risk that resulting information was not useful as, for example, its purpose might not be known)

States that the criteria should assist decision making, including general types of decisions. This use of ‘general’ probably relates back to the earlier reference to common interests and clarity over user, decisions and purpose would provide more clarity. It would also be useful to provide example of other types of decisions since the presumption might be that these were the only types of decisions would be those that intended users would make based on purpose of sustainability information. This may be the first use of the word ‘purpose’ and yet it is so important to the ED.

Critically raises the issue that uncertainty, covering measurement and evaluation uncertainty. The relationship between these two types and those used in financial reporting would be useful especially if there is a view that there are different types of uncertainty in sustainability information. The implication of this for different scopes (now including different purposes) should be raised earlier in the ED.

Recognises the importance of aggregation but should also recognise that this will be informed by the purpose. It would be useful to give examples, for example not netting off positive and negative impacts, not providing averages to obscure different experiences for different stakeholders or stakeholder groups. The process by which an impact is treated as positive or negative is not as simple as whether the direction of change was positive or negative and the assurance practitioner would need to assess these thresholds and allocations. This also influences A200 fourth bullet. However, aggregation across impacts, aspects of topics or topics, is required to assess risk of material misstatement across different topics which requires a common unit and this should be included.

Whilst it is true that reporting processes may not have matured, the implication is that the risk of material misstatement will then increase. This highlights an important issue that should perhaps be recognized earlier in the document since there is likely to be a higher level of qualifications of sustainability reports than of financial reports and it would better serve the public interest to have wider but qualified scopes than narrower but non-qualified scopes.

(ii) refers to commitments. This would be a further example of an overlap with financial reporting where those commitments are treated as obligations and for example as constructive obligations. If so information on sustainability related constructive obligations would become ‘lost’ in the aggregate of liabilities in the financial reports but might still be useful and separately identified in notes to accounts or in sustainability disclosures but requiring a statement that the information had already been included.

Paragraph A183 of the ED on Neutrality of the Criteria

Paragraph 183 third bullet refers to reasonable basis without guidance on what is reasonable or whether this is different to the use of rational above. Give that criteria could and perhaps is likely to change in line with changing assessment of sustainability information it might be the lack of change between reporting periods that would need to be justified or at least would indicate a risk.

Paragraph A198 of the ED on appropriateness of the scope and ‘reasonable basis’

Paragraph 198 raises the risk of incomplete information as in A179 (f) and the risk that a qualified opinion may be required. We restate our recommendation that it would better serve the public interest to have wider but qualified scopes than narrower but non-qualified scopes.

Paragraph A201 of the ED on whether and how the sustainability information is used

An alternative conclusion is possible from the last bullet. If management are not using the information in decision making it may be because they are not effective.

We recommend this possibility is included.

Paragraph A238, A289 and A437 of the ED on Sources of Information

These paragraphs could include references to, for example, social media and civil society organisations in identifying relevant sustainability matters. This is a good example of the other sources of information that would be relevant in assessing completeness of relevant information.

Paragraph A243 of the ED on Reliability

We recommend that ‘applicable’ is defined.

Paragraph A270 of the ED on Materiality

Recommend including a link from intended purpose to the level of uncertainty that is acceptable to intended users for the purpose.

Paragraph A275 of the ED on materiality process

As opposed to management’s materiality process, the information may be determined by a sustainability standard or by legislation.

Paragraph A278 of the ED on Qualitative Materiality Considerations

We recommend that the example in the first bullet is amended to point out that the value lost, of adverse consequences, to the person experiencing the waste spill are also likely to exceed any financial losses experienced by an individual investor.

The second bullet that refers to the ‘interaction between, and relative importance of, multiple topics’ confirms the point made above in relation to Paragraph 179 (d) about the need for a common unit and A398 below about transparency of the process to apply weightings.

Paragraph A279 of the ED on Quantitative Materiality Considerations

A further point (c) could be added relating to the use of quantitative factors to assess relative importance (weighting or value) of, for example, topics.

Paragraph A284 of the ED on Performance Materiality

We recommend that what would be ‘appropriate’ especially for different users with different purposes is clarified.

Paragraph A295 of the ED on Understanding the Sustainability Matters and the Sustainability Information

We recommend that, in addition to characteristics, the understanding of sustainability matters requires a consideration of expected matters as part of the tests for completeness.

Paragraph A310 of the ED on Inquiries and Discussion with Appropriate Parties

We recommend that paragraph A310 defines appropriate parties and includes references to external as well as internal parties.

Paragraph A398 of the ED on Accumulation of Identified Misstatements

The effect of accumulation of misstatements requires that the weighting used for that accumulation is then transparent.

We recommend the need for transparency in the weighting that was used for accumulation is transparent and the extent to which those people experiencing impacts inform that weighting.

#### Paragraph A448 of the ED on Evidence Obtained That Is Inconsistent with Other Evidence

The practitioner will need to make enquiries directly with stakeholders (representative samples of people impacted by the entity) to assess the completeness and accuracy of sustainability information and this will be an important potential source of inconsistencies. As with reference to stakeholder engagement, we recommend that this is included in the ED.

#### Appendix 1

The examples of topics listed are not mutually exclusive or consistently defined which highlights the risk of double counting impacts in more than one topic.

We recommend that examples are amended or defined to reduce the risk of overlaps.

#### Global Legal Entity Identifier Foundation (GLEIF)

When assessing the reliability of the reported information, as part of seeking evidence to support the practitioner’s conclusion and form of conclusion, the ED-5000 should require the assurance practitioner to assess whether the entity is effectively identified in the context of its reporting exercises.

More specifically, for this purpose, the practitioner should be required to take into account whether or not the entity uses its ISO 17442 Legal Entity Identifier (LEI) in its reporting exercise – in particular to indicate to which entity the reported information relates to and to sign/authenticate the reporting documents.

The LEI is a 20-digit, alpha-numeric code that enables clear and unique identification of legal entities. The code is linked to a set of key reference information relating to the legal entity in question e.g., name, legal form, headquarter address, parent company, child entities. These pieces of information need to be updated on a regular basis in order to be considered current.

The use of the LEI, and more broadly the effective identification of the entity, should be considered by the practitioner as confirming the reliability of the reported information for the purposes of the evidence assessment – especially when reported information resides in multiple locations within the entity (i.e., within the entity’s organizational boundary) or outside of the entity (e.g., in the value chain).

Overall, this would address a key challenge in ESG reporting at the global level, namely the lack of standardization for entity identification.

There are many national and regional standards for entity identification across the world. Such fragmentation can create conflicts and inefficiencies when reconciling data across geographical borders. The lack of globally mandated standards in entity identification and reporting can create opportunity for greenwashing and other misleading practices such as the misallocation of assets.

Without a clear and standardized entity identification system, it is very challenging to understand a company’s overall activities and to find, compare and consume ESG data globally – which means that ESG reports lose value and reliability as a means of evaluating performance indicators and promoting sustainable investment. To analyze a company’s performance across ESG factors, for example, investors need to unambiguously identify the entities engaged in activities that, for example, produce greenhouse gas emissions, to be able to analyze and understand the climate-related impact.

Building a global sustainability information architecture requires a universal way to identify and authenticate the legal entities involved – and the LEI is the right tool for this purpose.

The LEI avoids siloed identification approaches by responding to the critical need for a universal system of identifying entities across markets, products and regions.

As a machine-readable identification standard relevant across borders, the ISO 17442 LEI is a powerful tool for those conducting research on an entity's global strategies, assets, corporate structure and values. Entities are unable to conceal greenwashing activities via subsidiaries, thanks to the 360-degree view afforded by an LEI.

By connecting entities to key reference information including ownership structure – which is easily accessed via the online Global LEI Index – the LEI tackles data reconciliation problems across borders and promotes an interoperable identity standard. The LEI is also a data connector that allows analysis of corporate information across multiple data sources describing a legal entity and other mapped identifiers such as the Business Identification Number Code (BIC) and International Securities Identification Number (ISIN). The LEI as a connector permits stakeholders, such as investors and financial institutions, to access richer data regarding the entity.

All of these qualities position the LEI perfectly to deliver some critical yet missing components of a robust, efficient and effective global ESG discovery and reporting framework – transparency, consistency and compatibility. And the LEI can further instill trust in ESG reporting if it is embedded within the digital certificate signing a report and / or the digital signatures of its signing officers.

Organizations or publications that recognize the value of the LEI in sustainability reporting include: the OECD, B20 and IOE, Financial Stability Board, United Nations Development Programme, Monetary Authority of Singapore, Open Data Institute and Chief Data Officer Magazine. More details can be found [here](#).

### International Accreditation Forum (IAF)

Terminology for partner/ firm/ staff is not necessarily profession agnostic.

It is also not clear if subcontractors (exclusive or non-exclusive) count as staff or if they would be an internal or external expert can they be a lead practitioner or member of engagement team member.

Definition (hh) only refers to partners and staff (further defined in (rr)) in firm - this an accounting structure and is not profession agnostic and should be widened to be agnostic and refer to subcontractors who are abiding by all of the firm's processes and procedures (with reference to firm Definition (s)).

Accessibility for wider groups not used to IASSB standards: would benefit from a review of language in the introductory sections with schematics for key parts of the process with links to relevant sections in the standard to make this a more open and inclusive document for a wider range of professionals.

There are areas of repetition that could be removed and clearly cross-referenced to reduce length without reducing content/ intent. For example, paragraphs 16 and 24 repeat.

Would be beneficial to have the application and other explanatory material section as a separate document, as this is referred to while reading the main document and for ease of reference (ie to be able to view both concurrently) it would be better to have separate documents.

Paragraph 16 & 24 - why is this necessary, contract should allow for any outcome (unqualified, qualified, adverse)

Paragraph 66 - assembly of the engagement file should be done before issue of the assurance report (not in a timely manner after) as complete file needed for engagement quality review. It is important to clarify whether the review should or shall be conducted by an engagement leader or practitioner that is independent from the engagement being reviewed. Some companies have ISO 14065 based GHG verification program that requires project independent review.

170 (j) practitioner signature is required - not clear if this has to be an individual or if this can be the firm brand/ logo. If individual can it be any member of the engagement team or of the wider firm, or does it need to be the engagement leader? In the example template reports a different definition is given 'signature in the name of the assurance firm'

Para 171 states engagement leader name should be included, but this is not specified as a requirement in the assurance report content in para 170(j). In the example statements provided the 'personal name of the assurance practitioner' stated, which is different from the name of the engagement leader, as practitioner can refer to the firm (according to the definition of practitioner). A491 refers to reasonable assurance, is this also applicable for limited assurance engagements?

Not clear what happens in the circumstance where a number of different assurance conclusions are included (ref A10) for different topic. If these are different conclusions, for example one qualified limited and one unqualified reasonable, with different materiality levels applied, can these be included in one assurance report? If so how should the report be titled? (ref 170 (a) & (c))

A238 - practitioner observation of entity site activities/ site equipment and interview evidence (from entity staff) are not listed as sources of information.

In several areas there is a need for assurance practitioners to make judgements on risk related to sustainability information disclosure. It would seem sensible to include a recommendation for evaluation of the Materiality assessment process, to enable an assurance to be conducted in relation to several of the key principles and to evaluate the risk of omission of information on material issues. The standard-setting action part:

Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)).

ISO standards can add guidance in that part, since ISAE is not specific enough. I should mention here and specific the reference to improve and standardize the assurance process (how many visits, samples, errors acceptance). Iso is a bit more specific.

PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence

It should better set the boundary of each assurance criteria.

PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”. It is clearly CSRD focus, review the language and description. It should be "materiality" solely.

PA.4: Evidence, including the reliability of information and what comprises sufficient appropriate evidence.

PA.5: The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence

It is missing the relevance on site visit, in some specific situations where desktop is not enough to confirm the scope, evidence and management process (ISO can be add as a reference)

In addition:

ED-5000, referring to control tests, if evidence is obtained in the middle of the period and the conclusions of these control tests are intended to be extended to the remaining period, which the remaining period specified to be at least a few months?

ED-5000If only internal control understanding is carried out and no control test is performed, it is intended to obtain evidence through the implementation of substantive procedures.

Whether with limited assurance and reasonable assurance, the work to be performed in relation to the substantive procedures, we recommend more detailed clarification with quantified guidance.

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

JAB recommends IAASB to develop additional standard to implement ISSA 5000 and its compliance of the disclosures.

JAB recommends A189 to delete, because the following sentence has already lead the thread of independency of the practitioners and accredited assurance bodies.

A189. In some circumstances, the practitioner may conclude that, due to the condition and reliability of an entity’s records, it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information. This may occur, for example, when the entity has little experience with the preparation of sustainability information. In such circumstances, it may be more appropriate for the sustainability information to be subject to an agreed-upon procedures engagement or a consulting engagement in preparation for an assurance engagement in a later period. However, while such an engagement can serve a valuable purpose in enhancing the entity’s reporting process so that an assurance engagement can be performed, it can also give rise to potential threats to the practitioner’s independence in performing the proposed assurance engagement at a later date.

### **We Mean Business Coalition**

In the Ex Memo §§61-64 it is indicated that ISA 500 (Revised) will be included on “a principles-based approach” – and it is up to the individual practitioner to decide/define evidence requirements. We support the idea, but also fear the outcome may at times leave too much wiggle room for both the preparer and the practitioner and eventually jeopardize the usefulness of the report.

We claim, that most non-financial datapoints are “documentable”, or could be obtained in a different way, whereby they become “documentable”. As a result, they can be documented using the ordinary ISA 500 (Revised) requirements for evidence, e.g.:

external evidence is better than internal evidence (e.g., invoices on electricity or water consumption from a third party, are stronger evidence than internal manual meter-readings) direct evidence is better than indirect and inferences written evidence is better than oral original evidence is better than copies and maintenance of audit trail must be a requirement.

The residual sustainability information and disclosures of a more probable nature can obviously also be assured to a reasonable level, just like financial data of a more probable nature (e.g.: impairment tests, provisions, contingent liabilities, etc.). But it should be preferred to use hard evidence, where it is possible to obtain. This should be the main principle. With such a main principle, assurance of sustainability information

and disclosures of a more probable nature – or documentable datapoints which for odd reasons have been documented by the preparer with weak evidence – should require more corroborate evidence collection just as required for the financial data. Perhaps it would require increased testing using different test methods or different sources – and/or perhaps clearer accounting/estimate principles, which of course must be published.

The practitioner may also be called upon to highlight certain elements to be defined as “Key Audit Matters” (KAM) – just like we see in the financial auditor’s report. As mentioned in question 16, we would like to raise a concern that KAM apparently is not intended to be used for this (see Ex Memo §§ 121-123), as KAM-reporting will increase the attention on importance of the quality of evidence and assurance, the quality of the report, and hence the usability.

These requirements for audit trail, hard evidence where possible, and increased testing on more probable sustainability information and disclosures will also be important for the preparers’ ability and willingness to store the evidence material for a given minimum period (especially for social data where there often are GDPR clauses) – much as today, we have requirements for storage of bookkeeping material for a given time period, which supersedes GDPR.