

**Sustainability Assurance – Respondents’ Detailed Comments to EM Question 18**

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

**18.2 Agree with comments****4. Regulators and Audit Oversight Authorities****Accounting and Auditing Board of Ethiopia**

It is better to have a separate ISSA or additional guidance addressing groups or “consolidated” sustainability information for subsidiaries in different jurisdictions where no equivalent standard or no equivalent regulation if their sustainability information is consolidated within the group.

**Botswana Accountancy Oversight Authority**

We agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity, to the extent that any specific disclosures related to the individual entities do not disappear in the process.

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

ISSA 5000 could be used for group situations. However, significant addition detail is required to ensure consistency in approach by assurance providers when providing assurance on a group’s sustainability information. While paragraph 45 requires the engagement leader to take responsibility for the direction and supervision of the engagement team and the review of their work, the requirements of the standard and related application material are high level and do not deal sufficiently with situations where component auditors or other network firms are involved, as well as situations involving the assurance team operating in different locations.

As part of this, the “Using the Work of Another Practitioner” section should include more specific requirements, to address situations where sustainability information is gathered and consolidated from various external entities including information derived from the entity’s value chain. In this regard, the requirements in paragraphs 51, 52 and 54 should be strengthened. The practitioner should be required to communicate with the ‘other practitioner’ regarding not only the findings from their work, but also the extent of work performed. The sustainability assurance provider should also be required to obtain confirmation from the other practitioner of their independence (paragraph 51 (a)).

Additionally, the application material in paras A322-A326 (‘The Entity’s Risk Assessment Process’) is largely focused on reasonable assurance engagements – guidance in this area is also required for limited assurance engagements.

## 5. National Auditing Standard Setters

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

ED-5000 provides only high-level principles that can be applied for sustainability assurance engagements for group or consolidated information. Significant judgement will be required by assurance practitioners when determining the most appropriate approach to obtaining evidence for group engagements. As such the AUASB considers there to be a strong need for a standard to be developed dealing with groups that sit under ED-5000. Such a standard may include many fundamental concepts from ISA 600 (e.g., 2-way communication with others, materiality, planning and strategy) that will need to be developed and established for sustainability assurance. In the interim, additional guidance is needed to clarify the requirements for performing assurance over group sustainability information.

The AUASB encourages the IAASB to consider the practical challenges around access to information from outside the entity's organisational boundary and evidence of sufficient appropriate assurance, as well as assessment of an assurer's competencies and independence. Further the assurance provider may be asked to provide assurance on information provided to others in the entity's value chain.

The AUASB strongly encourages the IAASB's consideration of a topic-specific ISSA that is aligned, where relevant to the requirements of ISA 600.

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

While we agree that ISSA 5000 should include principles-based requirements on how to apply it for assurance on consolidated (group) sustainability information we would like to point out that currently, there is no specific requirement related to group circumstances in the ED and although relevant application material is helpful, it does not cover all significant aspects of group engagements. Therefore, we believe that the ISSA 5000, rather than a separate ISSA, should address the issues below:

the matters that the group engagement team may consider in determining whether, and the extent to which, practitioners as part of the engagement team are to be involved in identifying, assessing and responding to the risks of material misstatement at the component level

specific considerations (such as materiality) when the component's sustainability information is also subject to assurance

Two-way communication between the group and component engagement teams

documentation needed to evidence the nature, timing and extent of the group engagement team's direction and supervision of the practitioners at the component level, and the review of their work

procedures that the practitioner should perform on the aggregation/consolidation process of sustainability information for groups

Finally, the new concept of reporting boundary, which may not be the same as the group/consolidated entities, should be better explained to ensure consistency in application.

### Comite Brasileiro de Sustentabilidade (CBPS)

Considering that there will be many different groups that could use the standard, it is important that it provides guidance on how to plan and execute the procedures among the various components that are part of a consolidated group. Even though the IAASB's intention is to issue a specific standard to address the subject in the future (similar to ISA 600), we believe that in the context of ED-5000, additional guidance should be given to address at least the most sensitive issues, such as: (i) importance of defining the audit

plan and strategy and scope of procedures to be performed by the group auditor, considering the existence of two levels of assurance - reasonable and limited, (ii) the need to define risks of material misstatement at the component level, (iii) performance materiality to be applied at the component level and (iv) communication and documentation process between group and components.

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

“Groups” are addressed in draft ISSA 5000 by some developments on reporting boundaries, including value chain.

As ISSA 5000 is intended to be an overarching standard, we believe there is not relevant for it to include detailed requirements on groups. Some aspects can be developed by assurance practitioners in their methodology.

Even if some developments of ISA 600 (revised) may be relevant for sustainability assurance engagements, they may not be appropriate to deal with the diversity of situations due to the potential wide diversity of disclosures and of the reporting boundaries, including value chain.

However, we believe that ISSA 5000 could be enhanced by adding developments on multilocation situations, including work to be performed on aggregation/consolidation process.

Alignment of terminology on groups in sustainability assurance engagements between ED-5000 and IESBA Code

We note that Agenda Item 4-E of IESBA's September 2023 meeting provides draft definitions for various group engagement terms (such as “another practitioner”, “component” (for a group sustainability assurance engagement”), “component sustainability assurance client”, “component sustainability assurance firm”, “group engagement leader”, “group sustainability assurance client”, “group sustainability assurance engagement”, “group sustainability assurance firm”, “group sustainability assurance team”, “group sustainability information”, “key sustainability assurance leader”, and “reporting boundaries”).

We acknowledge the difference in timelines between the IAASB and the IESBA projects, as IESBA plans to approve the issuance of its exposure draft in December 2023 when ED-5000 exposure period will have ended. While we believe that it is very important that ED-5000 is finalized before the end of 2024, we also believe it is very important that vocabulary and definitions are aligned between ED-5000 and the IESBA Code for the terms relating to sustainability assurance. This alignment is key to help practitioners assess if the independence and ethics rules they apply are “at least as demanding” as IESBA Code. Therefore, we continue to encourage the IAASB to coordinate closely with IESBA.

We believe that the IAASB should add certain additional requirements and guidance to ED-5000 for group engagements, including:

Guidance related to materiality in group situations (e.g., group materiality and allocation among components).

A requirement for the practitioner to perform procedures on the aggregation/consolidation process of sustainability information when this information is coming from several locations or sites (i.e., multi-location engagements). We suggest that ED-5000 should build on the requirements in paragraphs 38-39 of ISA 600 (Revised), adapted as necessary for sustainability information.

Guidance stating that when a practitioner has used the work of “another practitioner”, the assurance report shall not refer to the “another practitioner” (consistent with the requirement in paragraph 53 of ISA 600 (Revised)\*).

\* The auditor’s report on the group financial statements shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor’s report shall indicate that the reference does not diminish the group engagement partner’s or the group engagement partner’s firm’s responsibility for the group audit opinion. (Ref: Para. A157–A158).

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

It is considered that the principles included in ED-5000 are relevant and sufficient in guiding practitioners to perform assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity. Though we are supportive of developing a separate ISSA specifically addressing groups or consolidated sustainability information with reference to ISA 600 (Revised), the IAASB should consider how the requirements for limited assurance engagements under ISSA 5000 should be adapted in the context of ISA 600 as the latter is primarily designed for a financial statement audit which is a reasonable assurance engagement. Therefore, the development of a separate ISSA in this area is not currently considered a top priority.

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

We refer to our comments to our responses to Questions 5, 14 and 15 in relation to how paragraph A22 undermines the definition of engagement team for consolidated sustainability information (that is, sustainability information for a corporate group, in which the entity has operational control over the other entities in the group).

As long as paragraph A22 is amended so it does not undermine the definition of engagement team, we believe that the draft can be applied on a principles-based level of assurance engagements to consolidated sustainability information. However, consideration could be given to providing further guidance on matters, such as the consolidation process.

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

Although ED-5000, as an overarching standard, can be applied for assurance engagements on groups or “consolidated” sustainability information, we believe guidance in ED-5000 is not sufficient. We recommend group and consolidated sustainability information specific standards or guidance within the ISSA 5000 suites be developed.

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

In principle, the requirements of the standard can be applied to sustainability information of a single entity or “consolidated” information.

In many, if not a majority, of engagements, due to the requirements of the applicable reporting framework, entities will need to include sustainability information from across their value chain. Therefore, in such cases the principles that apply to assuring “consolidated” information would be relevant.

See also responses to question 12, with respect to further guidance on aggregation risk, and question 15, with respect to challenges in using work performed by another practitioner from the entity’s value chain.

Additionally, we would suggest that the IAASB consider a separate topic-specific ISSA in near future covering Group or Consolidated Sustainability Information, particularly in relation to risk assessment and

documentation requirements. Such guidance could also be incorporated within ED-5000 if that is more practical.

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

The NZAuASB recommends that a specific ISSA relating to groups and value chain considerations should be added as a next focus. More guidance will be needed, including on communication with the auditors of financial statements.

## **7. Accounting Firms**

### **Crowe Global**

We agree that the requirements of ED-5000 can be applied for assurance engagements on the sustainability information of groups and situations where “consolidated” sustainability information is presented. We make this response in recognition that ED-5000 is an overarching standard, but we consider that the IAASB must develop a group standard on sustainability reporting as part of its suite of standards.

### **ETY sas**

There is limited guidance on consolidated sustainability information presented by an entity especially where the group is diverse and has exposure to various industries. What would be considered material at group level? More guidance on the materiality process performed by management at group level and the determination of materiality by the practitioner including benchmarks and thresholds is welcomed.

For example, for a holding company with operations in different regions, how would a practitioner consider the overall impact on the audit report where misstatements identified in one region are offset by “good results” in another region on similar or different disclosures.

### **European Contact Group (ECG)**

Most sustainability reporting assurance engagements will likely include consolidated sustainability information. Guidance on how to deal with the reporting entity’s aggregation process, on how to involve “component assurance providers”, and on how to allocate assurance materiality among components would be very helpful. The concepts of the reporting entity’s aggregation process and boundaries are also very important for consideration of its value chain (see also Q25). Given the timing of the EU new sustainability requirements, this would be needed in the shorter term.

### **Mo Chartered Accountants (Zimbabwe)**

We concur, since ED-5000 is primarily written in terms of principles or outcomes rather than procedures or steps which allow the practitioner to apply professional judgment in planning and performing the assurance engagement.

### **PKF International Limited**

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

In our view, of greater concern, is whether the standard can be applied for assurance engagements on the sustainability information of groups on a consistent basis. We consider that an absence of explicit requirements and guidance on the application of the standard to groups and consolidated information will

increase the risks that assurance engagements in such scenarios are not performed to a consistent and high level of quality.

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

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

#### **PricewaterhouseCoopers International Limited**

In many, if not a majority, of engagements, due to the requirements of the applicable reporting framework, entities will need to include sustainability information from across their wider organisation as well as their value chain.

As explained in our response to question 1, while we agree that the principles in ED-5000 can be applied to aggregated sustainability information, we strongly urge the IAASB to plan for the timely development of a further ISSA to address specific requirements and guidance in this area. Principles such as direction, supervision and review, including the use of other practitioners who are considered members of the engagement team, will be more straightforward to apply within the confines of the entity's organisational boundary as this will be more consistent with existing group ISA 600 (Revised) concepts. However, when extending beyond the organisational boundary significant challenges arise, as also described in our response to question 1.

In the meantime, we consider there to be certain areas of the standard where further guidance is warranted to address special considerations relevant to performing an assurance engagement on aggregated sustainability information.

#### **Materiality**

We believe further application material should be provided to address aggregation risk when engaged to assure aggregated sustainability information. For example, we suggest drawing on the application material from paragraph A118 of ISA 600 (Revised), which addresses factors the group auditor may take into account in setting "component performance materiality". Paragraphs A119 and A123 also provide useful guidance.

#### **Engagement strategy**

There is very limited guidance to assist practitioners in thinking about engagement strategy in an assurance engagement over aggregated sustainability information. Linked to our comments in response to question 1, there are many considerations and challenges in determining where, and to what extent, to perform work across a potentially wide reporting boundary. We recommend that additional application material be developed to assist practitioners in developing an assurance strategy by setting out relevant factors that may influence the practitioners' scoping judgements. For example, we suggest that paragraph A51 of ISA

600 (Revised) could be leveraged and expanded upon to develop relevant considerations for sustainability assurance, acknowledging specific challenges when dealing with information from outside the entity's organisational boundary, including how various entities up and down the value chain contribute to relevant sustainability disclosures, their relative significance across different disclosures, whether evidence may be available from work performed by other practitioners, and how to address non-significant "components", of which there are likely to be many when there is a relative extensive reporting boundary. Consideration should also be given to guidance on how these factors and decisions taken by the practitioner may vary for limited assurance versus reasonable assurance engagements. For example, to what extent might a group assurance practitioner need to involve component practitioners in performing risk procedures.

### **RSM International**

We believe these principles-based requirements may not be applied consistently by different type of practitioners. Non-accountant practitioners may not be familiar with ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors), or the updated ISA 600 (Revised) (i.e., group audits) and, as such, may not perform the nature, timing or extent of procedures at the levels expected to obtain sufficient appropriate evidence related to groups or 'consolidated' sustainability information. Accordingly, we encourage the IAASB to consider the approach of addressing groups or 'consolidated' sustainability information in a separate ISSA.

We recommend the following:

Adding a conditional requirement to understand the consolidation process if the assurance engagement is for a group or 'consolidated' sustainability information. In lieu of a conditional requirement, we also believe it would be acceptable to add application material on understanding the consolidation process (for at least reasonable assurance engagements) as part of understanding control activities when the engagement is for a group or 'consolidated' sustainability information.

Addressing different reporting frameworks used by the other entities within the reporting boundary and whether the reporting framework used is a fair presentation or compliance frameworks.

Addressing when entities within the reporting boundary use different policies in determining similar data or different methodologies to calculate estimates for similar data.

Addressing circumstances when different assurance standards are used between the practitioner and another practitioner.

Consider allowing the practitioner to refer to another practitioner in the practitioner's report when the practitioner is unable to direct, supervise and review the work of a firm other than the practitioner's firm. We believe this may lead to more efficient audits without impeding quality.

Consider if the practitioner is performing sufficient procedures to take responsibility for the engagement in accordance with paragraph 30 of ED-5000 if a significant portion of the assurance engagement is performed by another practitioner.

### **UHY International**

We agree with the IAASB's approach. However, we believe additional application guidance would be welcomed around group engagements, including situations where multiple firms are used to execute components of the engagement. How is the "principal service provider" determined and what level of oversight must the principal service provider have over the "component service provider" and what level of communication should take place?

## 8. Assurance Practitioner or Firm - Other Profession

### SGS

For grouped information, ED-5000's requirement can be applied but more guidance is needed, e. the timing of assurance engagement, sampling requirements of limited and reasonable assurance, etc.

We recommend referring to the International Accreditation Forum (IAF) guidance.

### TIC Council

Where there is a group that has entities with different sector operations, there may will be a need for the entity materiality to be considered for each part of its group rather than at whole group level. Practitioners should be aware of this as it will feed into the entity materiality review process, and as such this should be covered in the ISSA 5000 standard.

For grouped information, ED-5000's requirement can be applied but more guidance is needed, e. the timing of assurance engagement, sampling requirements of limited and reasonable assurance, etc.

We recommend referring to the International Accreditation Forum (IAF) guidance.

## 9. Public Sector Organizations

### Office of the Auditor General of Alberta

We agree. We believe that further concepts from ISA 600 should be included in ISSA 5000 given the importance of group situations for sustainability impact identification and negative impact reduction. As noted in responding to question 14, additional requirements from ISA 600 relating to a component auditor ("another practitioner") should be added, in particular that the practitioner involve "another practitioner" in evaluating suitability of the criteria, rationale purpose and risk assessment, and additional requirements from ISA 600 relating to evaluating communication of "another practitioner" and evaluating adequacy of work of "another practitioner." Guidance on understanding the consolidation/ combination/aggregation of sustainability information should also be added. Given sustainability impacts may occur at multiple locations, we expect "group" issues to be common and therefore requirements as strong as those in ISA 600 are necessary.

### Office of the Auditor General of Canada

While we agree the principles may be applied to the sustainability information of groups or in other circumstances when "consolidated" sustainability information is presented, they are not as robust an approach as we would prefer and expect.

## Files\10. Member Bodies and Other Professional Organizations

### Accountancy Europe

We agree that ISSA 5000 should include principles-based requirements on how to apply it for assurance on consolidated (group) sustainability information. Otherwise, the applicability of the standard in practice and thus, the level of adoption by local authorities and standard setters, will be limited.

The engagement team definition of the ED ISSA 5000 includes any other individuals who perform procedures on the engagement (except a practitioner's external expert) which means in principle that the standard can be applied to group engagements.

However, there is no specific requirement related to group circumstances in the ED and although relevant application material is helpful, it does not cover all significant aspects of group engagements. Therefore, we believe that the ISSA 5000, rather than a separate ISSA, should address the issues below:

the matters that the group engagement team may consider in determining whether, and the extent to which, component practitioners are to be involved in identifying, assessing and responding to the risks of material misstatement

specific considerations (such as materiality) when the component's sustainability information is also subject to assurance

two-way communication between the group and component engagement teams

documentation needed to evidence the nature, timing and extent of the group engagement team's direction and supervision of the component practitioners, and the review of their work

procedures that the practitioner should perform on the aggregation/consolidation process of sustainability information for groups

practitioner's responsibility when using the work of "another practitioner", clarifying that the assurance report shall not refer to the "another practitioner"

Finally, the new concept of reporting boundary, which may not be the same as the group/consolidated entities, should be better explained to ensure consistency in understanding and application.

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

The content of ED 5000 may be used also for assurance engagements on group sustainability information, as it is presented as a general principle. However, not investigating thoroughly the topic of groups, its application in this context could result difficult, since the circumstances that may occur when analyzing consolidated sustainability information are not dealt with. It would then be necessary to provide solutions tailored for the groups.

### **CPA Australia**

Groups, and the assurance of "consolidated" sustainability information can be very complex in comparison to the assurance of consolidated financial statements. One of the key distinctions is the inclusion of value chain information in the reporting of sustainability information, which is not relevant to the reporting of financial statements.

We agree that it would be inappropriate for ED-5000 to include detailed requirements and guidance for groups. As outlined in the EM, the IAASB will consider developing a separate ISSA to address group or "consolidated" sustainability information. We support and strongly recommend the IAASB in developing a separate ISSA for group and "consolidated" sustainability information as suggested. In developing the ISSA for group and "consolidated" sustainability information, we recommend the IAASB draw on existing material from ISAs including:

ISA 402 Audit Considerations Relating to an Entity Using a Service Organisation (ISA 402)

ISA 600 Special Considerations-Audits of a Group Financial Report (ISA 600)

ISA 610 Using the Work of Internal Auditors (ISA 610)

ISA 620 Using the Work of an Auditor's Expert (ISA 620).

As outlined above, the existing ISAs may not have addressed value chain information, therefore, in developing a new ISSA for groups, we recommend the IAASB to give consideration to the assurance procedures related specifically to value chain information.

While a separate ISSA is being developed, we also recommend the IAASB develop guidance material on this topic, preferably soon after the final standard is issued and before it becomes effective. Some of the more challenging areas that stakeholders have identified that are currently not adequately addressed in ED-5000 include:

dealing with the reporting entity's value chain information that may form a significant portion of the overall reporting of the entity. For example, the reporting data on scope 2 and scope 3 together can be significantly more material to the entity's scope 1 reporting. This scenario is unlikely to apply to financial reporting therefore, current literature in using the work of another practitioner in ISAs may not have considered the appropriate assurance procedures in this scenario.

the entity's group sustainability information including the value chain information can also be far-reaching to many more jurisdictions than financial information. Each jurisdiction is likely to have its own preferred reporting framework on sustainability information and some jurisdictions may not even have a reporting framework and will be relying on the entity-developed criteria. Unlike financial information which has a small number of well-established reporting frameworks such as IFRS and US GAAP, there are multiple reporting frameworks for sustainability information, and some are still in their development stage. Therefore, the reporting entity will be "consolidating" sustainability information derived from multiple reporting frameworks, and reporting timeframes of entities up/down stream.

the differentiation in procedures and work effort (if any) between limited and reasonable assurance engagement in the group or "consolidated" context.

We recommend the IAASB develops guidance material to adequately address the above-identified challenges, especially from the perspective of the practitioner in relation to his/her responsibility in managing and reviewing the work of a multi-disciplinary team and using the work of the practitioner's external expert and another practitioner.

We also recommend the IAASB include a provision in the standard to encourage direct communication between the financial statements auditor and the sustainability information assurance practitioners if they are different. This provision will be especially critical especially when the practitioner reviews 'Other Information' for consistency with what is reported in the Sustainability Information Report.

#### **European Federation of Financial Analysts Societies (EFFAS)**

Assurance principle-based standards will be aligned with the current IFRS standards.

#### **Institut Akuntan Publik Indonesia**

It would be helpful, or necessary, to include any specific requirements similar to those included in ISA 600 (Revised) sufficient and effective engagement planning and execution.

### **Institute of Chartered Accountants of Pakistan (ICAP)**

We agree that ED-5000 is an overarching proposed standard. However, the IAASB may consider developing a separate ISSA with focused guidance for groups or “consolidated” sustainability information in future.

### **Institute of Chartered Accountants of the Maldives**

This is particularly relevant when considering the complexity of modern business structures, where data and processes may be decentralized or involve external parties (functions outsourced) in the value chain.

There are principle-based requirements (ED-5000, Para A117 – A125) for using the work of other practitioners, however practical challenges may arise, especially when obtaining evidence from entities in different jurisdictions, such as regulatory challenges due to varying legal and compliance framework.

### **Institute of Singapore Chartered Accountants (ISCA)**

While the requirements can be applied to “consolidated” sustainability information, the application material is not sufficient to support execution of a group assurance engagement.

We support the development of a separate standard on assurance of “consolidated” sustainability information that draws reference from ISA 600 (Revised), covering areas such as:

Identifying significant components from a sustainability perspective

Applying materiality to “consolidated” sustainability information and addressing aggregation risk from group perspective

Extent of review and documentation when relying on the work of component engagements teams

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

Providing more guidance that aligns with ISA 600 (Revised) is essential to help practitioners perform scoping and risk assessment activities in group situations. It would also be helpful to include guidance on work related to information from reporting boundaries beyond the legal group. However, limited information access from entities not legally controlled by the entity reporting sustainability information could raise issues. We recommend providing additional guidance on obtaining audit evidence over such information and its impact in the assurance work and report.

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

Noting ED-5000 is an overarching standard, the principles-based requirements can be applied in cases where consolidated information is presented by the entity. However, additional information concerning the treatment of groups and dealing with consolidated information would be beneficial, especially for non-professional accountant service providers who may be unfamiliar with the requirements of ISA 600. Guidance on identifying components and materiality in the context of a group are some areas where additional direction could be particularly useful.

### **Malaysian Institute of Certified Public Accountants**

We noticed that some of the requirements in ISA 600 (Revised), such as common materiality, component materiality and etc were not embedded in ISSA 5000. We suggest to include specific requirements similar to those included in ISA 600 (Revised) that results in sufficient and effective engagement planning and execution

In addition, for joint ventures and associates, practitioners do not have the access to the information of joint ventures and associates. It would be great if the IAASB can provide clarification as to whether this will be regarded as work of another practitioners or within the scope of practitioners.

We would also like to seek clarification as to whether the IAASB will issue the equivalent standard of ISA 600 (Revised) for performing an assurance engagement.

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

We note that the points raised further above in relation to the necessary guidance also refer here.

In this regard, further guidance such as on how to obtain assurance of scope 3, scoping materiality and aggregation, and component auditors, among others, is required.

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

The engagement team definition in ED-5000 includes any other individuals who perform procedures on the engagement (except a practitioner's external expert) which means, in principle, the standard can be applied on groups.

However, there is no specific requirement related to group circumstances in the ED and although relevant application material is helpful, it does not cover all significant aspects of group engagements. Therefore, we believe that ED-5000, rather than a separate ISSA, should address the issues below:

the matters that the group engagement team may consider in determining whether, and the extent to which, component practitioners are to be involved in identifying, assessing and responding to the risks of material misstatement

specific considerations (such as materiality) when the component's sustainability information is also subject to assurance

two-way communication between the group and component engagement teams

documentation needed to evidence the nature, timing and extent of the group engagement team's direction and supervision of the component practitioners, and the review of their work

procedures that the practitioner should perform on the aggregation/consolidation process of sustainability information for groups

practitioner's responsibility when using the work of "another practitioner", clarifying that the assurance report shall not refer to "another practitioner"

Finally, the new concept of reporting boundary, which may not be the same as the group/consolidated entities, should be better explained to ensure consistency in application. The reference in A93 to value chain information as consolidated information might cause confusion regarding the distinction between value chain and consolidated information and what procedures are to be expected in those circumstances.

#### **Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)**

Stakeholders report that there is limited guidance on consolidated sustainability information presented by an entity especially where the group is diverse and has exposure to various industries. We suggest that more guidance is provided on the materiality process performed by management at group level and the determination of materiality by the practitioner including benchmarks and thresholds.

### **Pan African Federation of Accountants**

There is limited guidance on consolidated sustainability information presented by an entity especially where the group is diverse and has exposure to various industries. What would be considered material at group level? We suggest that more guidance is provided on the materiality process performed by management at group level and the determination of materiality by the practitioner including benchmarks and thresholds.

For example, for a holding company with operations in different regions, how would a practitioner consider the overall impact on the audit report where misstatements identified in one region are offset by “good results” in another region on similar or different disclosures.

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

While drawing attention to matters raised in our responses to the questions above, SOCPA agrees the principles-based requirements in ED-5000 can be applied to even “consolidated” sustainability information. Additionally, we believe that consolidation concept in sustainability reporting is not as clear as in financial reporting, thus, we encourage providing more guidance regarding performance of assurance engagement on the sustainability information of groups.

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

There is limited guidance on “consolidated” sustainability information presented by an entity especially where the group is diverse and has exposure to various industries. What would be considered material at group level? We suggest that more guidance is provided on the materiality process performed by management at group level and the determination of materiality by the practitioner, including benchmarks and thresholds.

For example, for a holding company with operations in different regions, how would a practitioner consider the overall impact on the audit report where misstatements identified in one region are offset by “good results” in another region on similar or different disclosures?

### **Virginia Society of CPAs**

Yes. We agree that ED-500 principle-based requirements can be applied to assurance engagement on sustainability information of groups or when “consolidated” information is presented.

### **Wirtschaftsprüferkammer (WPK)**

Please refer to our concerns expressed in question 14.

The requirements and the application material are comprehensible and generally sufficient. However, we would like to point out that obtaining audit evidence is more difficult in certain cases, for example if the „other practitioner“ operates outside the practitioner's network and/or is based in other cultural jurisdictions.

## **11. Academics**

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

However the IAASB should be aware of research on the problems associated with group audits (Coram et al., 2021).

## Monash University

Due to the heterogeneous nature of climate, sustainability, and risk-related financial disclosures, it is imperative for the IAASB to develop sector/industry-specific standards or guidelines to increase the uniformity of disclosures in the financial statements. Such standards or guidelines would assist the IAASB in developing assurance guidelines that will benefit auditors in providing financial reporting assurance.

## 12. Individuals and Others

### Japan Accreditation Board (JAB)

Consolidated sustainable information can apply for groups, however, the reporting of the entity shall document how the data and the information have been consolidated.

In addition to ISA600, it is necessary to set sampling requirements which office to be sampled, for example, head quarter or some subsidiaries, when the assurance activities of sustainable information for group companies. Without such requirements, the volume of the data sampling will be very depended on the practitioners and accredited assurance bodies, that will cause the difference of the assurance duration time (man-hours), and the cost of assurance activities. It might cause the intentionally short duration and cheap practitioners and accredited assurance bodies, may dominant the assurance market mechanism, that also lead to overlook the root cause of the green washing.

### We Mean Business Coalition

We do not agree that ISA 600 (Revised) cannot be used for assurance of consolidated sustainability reporting. It should be used. We cannot see from the Ex Memo, what the arguments are for not using it.

### World Wide Fund for Nature

The ED-5000 standard is appropriate for the review of consolidated or group-level information. However, as mentioned in our response to Question 17, the way in which entity-level and group-level information may interact and the different elements that should be assessed for risk of material misstatement, should be clearly identified.

Notably, the following topics could be improved upon :

Determination of the material character of qualitative information and their importance in providing a global picture of a group's sustainability engagement, thus creating a specific aggregation risk for this type of information;

The different levels at which the risks of material misstatements should be identified, and the way in which different material misstatements could interact to threaten the integrity of the overall publication of a group.

## 18.3 Neither agree or disagree

### 1. Monitoring Group

#### Basel Committee on Banking Supervision (BCBS)

There may be challenges and complexities around assurance over sustainability information associated with situations where multiple entities are involved, including reporting boundaries that are outside an entity's consolidated group. The Committee notes that ED-5000 deals with using experts and other practitioners but considers that further requirements and guidance may be needed in ED-5000 or in a separate ISSA (paragraph 107 of the Explanatory Memorandum).

#### International Association of Insurance Supervisors (IAIS)

The IAIS believes that there would be value in the IAASB considering taking certain steps to expand and clarify the requirements and application material to ensure more consistent application when carrying out engagements on sustainability information of groups or, in other circumstances, when information may be disclosed relating to entities outside an insurer's accounting reporting boundary (eg about entities in its value chain). For example, we recommend examining the extent to which certain concepts of ISA 600 (revised) Special considerations – audits of group financial statements (including the work of component auditors) should be added to the principle-based requirements in ISSA-5000.

### 2. Preparer and Users of sustainability information

#### Keidanren (Japan Business Federation)

We are aware that the appropriate scope of consolidation for disclosure of sustainability information may not necessarily be the same as the scope of consolidation for auditing of financial statements, and in future there will be more situations in practice that require previously unnecessary judgments to be made in this regard. We would like the IAASB to take care to prevent confusion arising in the course of actual assurance engagements by providing practice notes and guidance, among other measures.

#### MFIs' Internal Audit ESG Working Group

"Consolidated" sustainability information shall be within the same perimeter as for the presentation of financial statements.

ED-5000 is a framework-neutral standard and does not address requirements specific to any global framework for presentation of sustainability information. With this background, if multiple locations within the entity or outside of the entity (e.g., in the value chain) follow different frameworks, it will be a challenge for assurance practitioners to review consolidated sustainability information prepared by entities. Therefore, a similar ISSA standard for consolidated sustainability information is necessary, similar to ISA 600 (Revised).

Consider providing guidance on reporting boundary with what procedures need to be used to assess them and in obtaining audit evidence outside the auditor's jurisdiction.

### 4. Regulators and Audit Oversight Authorities

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

There is limited guidance on the consolidated sustainability information presented by an entity, especially where the group is diverse and has exposure to various geographical locations and industries. What would

be considered material at group level? As a result, we suggest that more guidance be provided on the materiality process performed by management at group level and the determination of materiality by the practitioner, including benchmarks and thresholds. For example, for a holding company with operations in different regions, how would a practitioner consider the overall impact on the audit report, where misstatements identified in one region are offset by “good results” in another on similar or different disclosures?

We also encourage the IAASB to develop further guidance, especially for non-accountants, as auditors may use their knowledge of ISA 600 in performing assurance engagements on the sustainability information of groups, or when an entity presents “consolidated” sustainability information. Aspects such as scoping, setting materiality at a component level, expectations in terms of sign-offs, differences in using another auditor from a member firm compared to a firm that is not a member firm may need more considerations and guidance in ED-5000.

To this end, ED-5000 does not sufficiently address issues about group/consolidated reporting and assurance. For example, the “Using the Work of Another Practitioner” section should include more specific requirements, to address situations where sustainability information is gathered and consolidated from various external entities, including data derived from the entity’s value chain.

The requirements in paragraphs 51, 52 and 54 of ED-5000 are not sufficiently robust. The practitioner should not only communicate with the “other practitioner” engaged regarding the findings from their work, but also about the extent of work performed. In reference to paragraph 51(a), the IAASB may want to consider including a requirement in ED-5000 for the practitioner to obtain a confirmation from the other practitioner confirming their independence.

With our above comments in mind, the IAASB may thus want to consider guidance in the short-term and a separate standard on aggregated sustainability information in the long term.

## **10. Member Bodies and Other Professional Organizations**

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

Additional information concerning the treatment of groups and dealing with consolidated information would be beneficial, especially for non-professional accountant service providers who may be unfamiliar with the requirements of ISA 600. Guidance on identifying components and materiality in the context of a group as well as requirements for a unitary approach at group level are some areas where additional direction could be particularly useful.

The challenges involved in handling 'consolidated' sustainability information for groups often involve complexities beyond the scope of standard assurance engagements. Despite the guidance provided in ED-5000, the nature of information spread across multiple entities within a group or value chain presents unique challenges. Although the standard touches upon considerations for these circumstances, the practical execution might demand specific tailored guidance or additional standards to effectively address the nuances associated with these engagements.

Given the complex landscape of group reporting, it's apparent that practitioners could benefit greatly from a specialized set of standards or comprehensive guidelines. Such resources would effectively help them to navigate the complex details inherent in these types of engagements.

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

We believe that ED-5000 should address group sustainability assurance engagements by providing further guidance in the form of special considerations for group sustainability assurance engagements within the standard or through guidance initially and addressed in a separate standard in the near future. While financial statement auditors have experience in managing multiple entity and/or cross jurisdictional engagements, this is a complicated process to manage, to ensure that sufficient appropriate evidence is obtained, and that ethical, independence and quality management standards are also met. ISA 600 Special Considerations—Audits of Group Financial Statements (Including The Work of Component Auditors) is considered necessary to achieve this for financial statement audits and is applied together with the suite of ISAs. Given that ED-5000 is a standalone standard we believe that it should incorporate equivalent requirements for group sustainability assurance engagements, given the potentially more complex nature of the information being reported and number of parties involved.

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

Please see our response to Q14 above.

We are concerned that there are no explicit provisions for groups, including component assurance practitioners, nor for value chain reporting.

In the EU from 2025 onwards we can expect to see the publication of thousands of sustainability reports (for the financial year 2024) with limited assurance. Most of these reports will be for groups. We accept that the standard is an overarching one, where the principles can be applied to group assurance engagements, and that eventually we might have an ISSA for group engagements, in the same way we have ISA 600 for group audits. However, we suspect that many practitioners, especially SMPs with limited or no experience of performing group audits in accordance with ISA 600, will struggle to apply the principles in ISSA 5000 to group engagements. Guidance on identifying components and materiality in the context of a group could be particularly useful.

Therefore, we urge the IAASB to consider either including a few high-level requirements for group assurance engagements – these could be conditional, conditional on the report being a group one – or separate guidance on how to apply the principles to group assurance engagements that could remain ‘in force’ until an ISSA for group engagements is developed. The IAASB might wish to emulate EFRAG which is developing guidance for value chain reporting.

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

This is a complex conclusion to reach as the audit world has a specific standard dealing with group situations that provide requirements and guidance. However, for sustainability assurance work, we recognize that practitioners that lack such knowledge/background may struggle more with the scoping, execution and evaluation of the evidence obtained to form a conclusion and therefore, inconsistencies may be perceived in practice. This could also be an item that may need to be developed as a separate standard within the 5000 series.

## **12. Individuals and Others**

### **Dr. Prachi Ugle Pimpalkhute**

It should be also process based

## 18.4 Disagree with comments

### 1. Monitoring Group

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

##### Consolidation

ED-ISSA 5000 does not sufficiently address issues around group/consolidated reporting and assurance. For example, the “Using the Work of Another Practitioner” section should include more specific requirements, to address situations where sustainability information is gathered and consolidated from various external entities including information derived from the entity’s value chain.

In this context, the requirements in paragraphs 51, 52 and 54 are insufficiently robust. The practitioner should not only communicate with the ‘other practitioner’ engaged about the findings from their work, but also the extent of work performed. The sustainability assurance provider should also be required to obtain a confirmation from the other practitioner confirming their independence (paragraph 51 (a)).

### 2. Preparer and Users of sustainability information

#### Philip Morris International INC.

We recommend clarifying the requirements for consolidated sustainability information, especially when it includes sustainability information from value chain (e.g. supply chain, contractors) where the entity does not have a direct control on the information. The methods and minimum requirements for assurance of such information should be set to provide clarity and consistent implementation. Please refer to our response to Question 7.

#### World Business Council for Sustainable Development (WBCSD)

##### Value chain reporting

Members highlighted the following points in relation to the assurance of information from the value chain:

For companies with large, complex and diverse value chains, obtaining the necessary information and data to meet the reporting requirements will be difficult. To do so in a manner that is sufficiently robust to meet assurance requirements will likewise be challenging.

Challenges include the reliability of data coming from small suppliers that do not have the systems nor capacity to implement more robust data gathering processes.

There are also internal challenges around ensuring comfort with third party data or relying on information from certification organisations.

Members queried what their responsibility to verify the information they receive from third parties is: clarity on what level of evidence (for assurance purposes) will be sufficient would be welcomed.

Members also queried what the assurance provider’s responsibility was towards information provided that is based upon lifecycle assessments: will they review the process? Will they run their own assessment to confirm the information provided? This is another area where clarity would be welcomed.

Due to these complexities, it was emphasized that it is important for assurance practitioners to have deep expertise on the industry and sustainability challenges of the company to be able to effectively conduct their engagement.

#### 4. Regulators and Audit Oversight Authorities

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

Communication to deal with consolidated sustainability information

The adaptation of the approach to consolidation of information stemming from different entities, or to capturing information from the value chain is also limited to some application material in the ED. Communication between various assurance providers should be required in this context, depending on the structure of the groups, when various assurance providers are engaged in entities for which the information is consolidated or compiled, unless prohibited by laws and regulations.

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

We believe that the requirements in ED-5000 can be applied for assurance engagements on a group/consolidated basis. However, we are concerned that the proposals give insufficient attention to the distinction between the practicalities of addressing information that relates to entities within the organizational boundary and entities in the value chain outside that boundary but within the reporting boundary (see our response to Q15 in relation to using the assurance work of another practitioner). As much sustainability reporting will be at the group level, this ISSA, even as an 'overarching standard' would benefit from greater focus on assurance in a group context which could help address our concerns described in Q15.

That the practitioner has sole responsibility for the assurance conclusion expressed is stated in A108 in the context of using the work of a practitioner's external expert. However, this sole responsibility needs more prominence and it is important to state also that the use of the work of another assurance practitioner in no way lessens the responsibility of the engagement leader for the assurance conclusion.

#### 5. National Auditing Standard Setters

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

As discussed in our answer to question 15, ED-5000 is not clear when addressing situations in which the practitioner is using the work of another practitioner (whether that work has already been completed or that work has not yet been performed), but the practitioner will be unable to direct and supervise the other practitioner and review that work (whether the engagement leader has requested that another practitioner perform the work or not.) These circumstances often arise in relation to groups or in other circumstances when "consolidated" sustainability information is presented by the entity. We would support the development of a separate ISSA addressing groups or "consolidated" sustainability information, but in the interim, further guidance will be necessary for the consistent implementation of ED-5000. Suggestions for further guidance are as follows:

Add application material on understanding the entity's consolidation process (at least for reasonable assurance) as part of understanding control activities in paragraphs A305, A333, and A337, using ISA 600 (Revised) as a resource.

Add application material leveraging paragraph A51 of ISA 600 (Revised) in developing considerations related to scoping judgements.

Address qualitative and quantitative information in the context of materiality in a multilocation audit.

ISA 600 (Revised), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors), provides requirements on applying the other ISAs to group audit situations. Professional accountants may leverage the group audit model in ISA 600 (Revised), but non-accountant assurance practitioners likely will have limited or no experience applying that model. This is likely to result in inconsistency in how these engagements are performed, which is not in the public interest. Therefore, we recommend that the IAASB develop an ISSA addressing group sustainability information. We note that it is important that the standards of the IAASB and IESBA be consistent and are concerned that IESBA is moving towards exposing definitions of key terms relating to group sustainability information when ED-5000 does not include these concepts. These disparate efforts will cause further fragmentation and confusion among assurance providers.

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

We do not agree that the requirements and application material ED-5000 are sufficient to enable practitioners to apply it to assurance engagements on the sustainability information of groups, or for when “consolidated” sustainability information is presented by the entity.

Concern: Missing core concepts for assurance over group sustainability reporting

Although it may be intuitive for financial statement auditors to analogize consolidated sustainability engagements to consolidated financial statements under ISA 600, sustainability assurance practitioners may not be as familiar with foundational concepts such as group auditor, components, component materiality, the consolidation process, and group opinion.

Further, even if the sustainability assurance practitioner can analogize consolidated sustainability engagements to consolidated financial statements under ISA 600, there are numerous concepts missing in ED-5000 related to assurance over group sustainability reporting, that if added, would facilitate consistent performance of these types of engagements.

Suggest:

The following concepts and requirements from ISA 600 should be included in ED-5000 and contextualized for assurance over group sustainability reporting:

Include definitions for components, component practitioner, component materiality, group practitioner, group sustainability reporting (ISA 600.14).

Determine the components at which work will be performed and the nature, timing and extent to which component practitioners are involved (ISA 600.22).

Determining group performance materiality and component performance materiality (ISA 600.14(m), 35-36)

Designing and performing further audit procedures to respond to the assessed risks of material misstatement (reasonable)/ where material misstatement is likely to arise (limited), of the group financial statements arising from the consolidation process (ISA 600.38)

Communications between the group practitioner and the component practitioners on matters that are relevant to the group practitioner’s conclusions regarding assurance over group sustainability reporting (ISA 600.45 - 49).

In determining the components, the proposed standard should contemplate all entities within the entity’s reporting boundary (as defined by the entity or their applicable sustainability reporting framework), including

as applicable, those components that are part of the supply chain outside of the organizational boundary of the entity.

Consider what additional edits or connectivity are needed between the new content and paragraphs that refer to using the work of a firm other than the practitioner's firm or using the work of another practitioner (for example: paragraphs 42, 51-54, A87-A91, A117-A124).

Exploring a future standard-setting project on assurance over group sustainability information.

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

As referenced before in this letter, the NBA has strong concerns that ED-5000 does not address sufficiently and appropriately the topic of group assurance as well as the topic of assurance on information from outside the group (i.e., scope 3 and value chain reporting). Given that most of the entities that will be subject to the first wave of mandatory sustainability reporting, will have consolidated reporting, including reporting on value chain and/or scope-3 emissions, this topic is extremely relevant to high quality assurance. In addition to our other observations on this topics elsewhere in this letter, we have the following comments:

- Under ED-5000, assurance for consolidated reporting focuses on reporting boundaries. This is a new concept/approach. This may lead to two different approaches being applied in entities that are subject to both financial statement audit and sustainability reporting by the same practitioner/auditor/firm. These different approaches may lead to confusion and misunderstandings, both for the company and for those involved in audit/assurance. In addition, it will likely lead to inefficiencies and higher costs for stakeholders, without a related quality gain. We therefore propose to develop an approach consistent with the recently revised ISA-600 approach. In our assessment, that approach, which drives audit work on the areas of financial statement risk, would work well also for assurance on sustainability reporting.
- Finally, we are of the opinion that the communication between the various practitioners and auditors within the group audit and the group assurance engagements deserves much more attention in the standard. Timely communication between them will contribute to quality of audit and assurance, but this is not sufficiently addressed in ED-5000, nor in consequential amendments to the ISAs.

## **6. Global Standard Setter**

### **Social Value International**

It is not clear from the text of the proposed standard (e.g. paragraph A305) how these requirements apply to the value chain (for instance, reporting against Scopes 2 and 3 of GHG emissions). The discussion of the reporting boundary needs further elaboration along with what procedures need to be used to assess them.

## **7. Accounting Firms**

### **Ataf Noor Ali Chartered Accountants**

18.1 No.

18.2 We find too many variables in the equation. What if there are not fully owned subsidiaries?

18.3 Our first step is to restrict this to stand-alone entities with caveat that its not for the entity as a whole.

### **Baker Tilly International**

The first entities reporting ESG information will mostly be groups. Reporting entities will likely gather and report ESG data from around their business using different procedures along different reporting lines under different control systems to those which they use for consolidating historical financial reporting information. ED ISSA 5000 should address aggregated ESG information in a group situation.

### **BDO International Limited**

Similar to our response to question 2 above, we consider it essential to include more guidance that aligns with ISA 600 (Revised) to help practitioners in performing scoping and risk assessment activities in a group situation. In addition, we suggest including guidance on work to be performed related to information included from reporting boundaries beyond the legal group/entities (i.e., within the value chain). There are also likely to be issues relating to limited access to information from entities not legally controlled by the entity reporting the sustainability information. Additional guidance (e.g., through non-authoritative guidance that could potentially become requirements in the future) on the impact of this issue when obtaining audit evidence over such information is needed.

### **Deloitte LLP**

With regard to assurance engagements on the sustainability information of group entities, it is not clear how the requirements of ED-5000 would be practically applied. Consolidation may bring about specific risks necessitating additional principles-based requirements and therefore we would be supportive of a separate ISSA addressing group or “consolidated” sustainability information subject to assurance (akin to ISA 600 Revised). In the absence of a separate standard, additional application material is needed to

clarify the requirements for performing assurance over group or “consolidated” sustainability information, including clarification around aggregation risk and scoping decisions in a multi-location engagement.

With regard to information pertaining to an entity’s value chain, additional application material is needed to help guide how a practitioner is expected to assure information that is prepared outside of the entity’s operational boundary (and not subject to the control or oversight of management), including what level of procedures the practitioner should undertake. Furthermore, the reporting boundary concepts in paragraphs A30 and A31 need further application material consideration (e.g., circumstances where different sustainability information has different boundaries).

As sustainability reporting matures, we expect the use of service organizations to be of increasing significance (particularly in relation to an entity’s value chain). We therefore suggest the IAASB provide application material and/or implementation guidance addressing the responsibilities of the practitioner with regard to evidence obtained from a service organization.

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

While we support the principles-based requirements in ED 5000 on the sustainability information of groups or in other circumstances when ‘consolidated’ sustainability information is presented by the entity, we do not believe that ED-5000 addresses in detail the challenges for practitioners on multi-location or multi-site engagements, nor the challenges of access and reliability of information related to an entity outside the control of the reporting entity.

We believe that the IAASB should add certain additional requirements and guidance to ED-5000 for group engagements, including:

Guidance related to materiality in group situations (e.g., group materiality and allocation among components).

A requirement for the practitioner to perform procedures on the aggregation/consolidation process of sustainability information when this information is coming from several locations or sites (i.e., multi-location engagements). We suggest that ED-5000 should build on the requirements in paragraphs 38-39 of ISA 600 (Revised), adapted as necessary for sustainability information.

Guidance on situations where there may be restrictions on access to information on people, building on the application material in ISA 600 (Revised) paragraph A38 to A44.

Guidance stating that when a practitioner has used the work of “another practitioner”, the assurance report shall not refer to the “another practitioner” (consistent with the requirement in paragraph 53 of ISA 600 (Revised)).

In addition to the above suggestions to be made to ED-5000 now, we agree that additional guidance on “group” information can be issued as a separate standard, as suggested in paragraph 107 of the EM. We believe that many concepts and requirements of ISA 600 (Revised) may not necessarily be relevant and practicable in sustainability assurance engagements, and therefore developing a specific standard will require further consultation with practitioners to understand the challenges and the potential solutions. As an example, the use of the work of “another practitioner” not being a member of the engagement team is not contemplated by ISA 600 (Revised).

Therefore, given the amount of time it may take to develop and issue a separate standard for group engagements, we strongly suggest that the IAASB issue some form of implementation guidance for group engagements concurrent with the effective date of final ISSA 5000. We believe that issuing final ISSA 5000 without any additional implementation guidance for group engagements will create a risk of inconsistent application of final ISSA 5000 for these engagements.

We also believe that additional implementation guidance is needed describing what is expected to be performed by the practitioner to be able to rely on information that is prepared by other third-party entities outside of the reporting entity’s operational boundary and therefore not subject to the control or oversight of the reporting party’s management (e.g., information utilized to calculate scope 3 emissions).

Alignment of terminology on groups in sustainability assurance engagements between ED-5000 and IESBA Code

We note that Agenda Item 4-E of IESBA’s September 2023 meeting provides draft definitions for various group engagement terms (such as “another practitioner”, “component” (for a group sustainability assurance engagement), “component sustainability assurance client”, “component sustainability assurance firm”, “group engagement leader”, “group sustainability assurance client”, “group sustainability assurance engagement”, “group sustainability assurance firm”, “group sustainability assurance team”, “group sustainability information”, “key sustainability assurance leader”, and “reporting boundaries”).

We acknowledge the difference in timelines between the IAASB and the IESBA projects, as IESBA plans to approve the issuance of its exposure draft in December 2023 when ED-5000 exposure period will have ended. While we believe that it is very important that ED-5000 is finalized before the end of 2024, we also believe it is very important that vocabulary and definitions are aligned between ED-5000 and the IESBA Code for the terms relating to sustainability assurance. This alignment is key to help practitioners assess if the independence and ethics rules they apply are “at least as demanding” as the IESBA Code. Therefore, we continue to encourage the IAASB to coordinate closely with IESBA.

### Grant Thornton International

We do not believe that ED-5000 can be applied on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity. The practitioner will need to understand the requirements and how to apply ISA 600 to apply ED-5000 in these situations. For example, without experience in applying ISA 600, the practitioner will not know how to evaluate the aggregation process or how to communicate to and work with other practitioners. Professional accountant practitioners will use their experience from applying ISA 600 in other assurance engagements to implement ED-5000 on the sustainability information of groups or other “consolidated” sustainability information. Non-accountants will not have this experience to fall back on and we believe this will lead to inconsistencies in applying ED-5000.

We propose the IAASB add additional requirements and guidance to ED-5000 in the following areas to promote consistent application of the standard to sustainability information of groups or other “consolidated” sustainability information:

How to apply qualitative and quantitative materiality as it relates to component sustainability information or inputs to “consolidated” sustainability information.

Whether it is appropriate to consider the component auditor (as defined in the ISAs) a member of the engagement team or “another auditor” (see also our response to Question 14).

How to evaluate the aggregation of sustainability information. We believe guidance and examples will be needed to help practitioners apply this. For example, guidance on how to determine which entity will “take the hit” for a particular emission when emissions are accumulated over several entities (such as a manufacturing plant and the entity they ship to) or across the value chain.

Given the high frequency with which we expect to see assurance engagements on the sustainability information of groups and other circumstances when “consolidated” sustainability information is presented by the entity, we believe the IAASB should prioritize addressing these before ED-5000 is issued to avoid inconsistencies in application.

### HLB International

It is likely that the first assurance engagements will have to be carried out for groups of companies. ISSA 5000 should therefore address aggregated ESG information in a group situation.

### KPMG International

We acknowledge the decision of the IAASB not to include requirements based on ISA 600 to address groups/“consolidated” or aggregated sustainability information as part of this proposed standard.

Requirements and application material relating to consolidated or aggregated sustainability information

However, we do not consider that the requirements and related application material in the proposed standard are sufficiently clear and specific in this area, even for an overarching standard. We highlight that this is the only standard, currently, addressing sustainability assurance engagements and also recognise that the “consolidation” or aggregation of information from across the wider value chain is likely to be a key feature of many sustainability assurance engagements. Accordingly, we recommend that certain material be included, at least at a high level, within the standard itself, prior to issuance, to ensure that there is sufficient content to enable practitioners to perform engagements over “consolidated” or aggregated sustainability information. In particular, we consider it critical that the standard address obtaining sufficient

appropriate evidence in respect of the entity's "consolidation" or aggregation process itself, which should include clear linkage to related considerations regarding the entity's "materiality process".

In connection with this, we refer also to our response to Question 9 regarding materiality and we note that ED-5000 does not address materiality in the context of "consolidated" information, or concepts such as establishing a lower level of materiality (similar to performance materiality in an audit) to address aggregation risk, which may be particularly relevant when information is "consolidated" or aggregated from different sources in the entity's value chain, using different processes to develop the information, and even, in some cases, different criteria.

Concept of "consolidation" of information and recognizing alternative means to obtain sufficient appropriate evidence in respect of such information

We highlight that the "consolidation" or aggregation of sustainability information is different to the concept of consolidation of component financial information for group financial statement purposes, in particular, because information may be "consolidated", aggregated, or otherwise reported from the entity's value chain and this aspect is a unique feature of sustainability reporting that impacts assurance. We do not consider that the proposed standard gives sufficient recognition to this type of "consolidated" or aggregated sustainability information and the different ways to obtain sufficient appropriate evidence in respect of such information. Instead, the focus is primarily on "using" the work of other practitioners over such information, with a lack of clarity around the meaning of the term "use", as we describe in our response to Question 15.

We recommend, therefore, that ED-5000 make explicit reference to a broader approach to obtaining sufficient appropriate evidence in respect of information that is "consolidated" or aggregated from across an entity's value chain but outside its organizational boundary.

We highlight that the criteria, in the form of a number of recognised sustainability reporting frameworks, appear to address this feature of sustainability reporting and may be less stringent in terms of the "measurement" or "evaluation" of information from the value chain. Accordingly, they include flexibility in the form of:

Practical workarounds for management to prepare such information, e.g., they permit the use of "proxies", such as industry averages for certain information;

Transition reliefs on initial adoption of the standards in the form of scope outs or "work arounds" as a result of undue cost or effort, or the impracticability of obtaining certain information; and

Permitting the use of "best efforts" to obtain information.

These workarounds acknowledge the initial challenges in obtaining information at the start of the sustainability reporting "journey", with such reliefs being phased out over time, recognising that the ability of an entity to obtain information is likely to improve as reporting practice matures. We recommend that the application material to ED-5000 explicitly recognise the flexibility afforded by certain criteria and clarify that the practitioner is required to obtain sufficient appropriate evidence that the sustainability information has been prepared/presented in accordance with the criteria, but that their work effort should not need to go beyond the requirements of the applicable criteria when evaluating relevance and reliability. In other words, the practitioner is providing assurance that the sustainability information is prepared/presented in accordance with the criteria and the practitioner is focused on evaluating whether the evidence that they have obtained is sufficient and appropriate for this purpose, but does not necessarily need to "use" the work of another practitioner in order to do this.

Accordingly, we recommend that the standard discuss the practitioner's considerations in respect of whether information that is intended to be used as evidence obtained is relevant and reliable, considering the attributes of relevance and reliability, as applicable, and how these may apply when the information is from an external information source. Such guidance could draw on concepts from ISA 500, Audit Evidence and also consider the proposed changes to that standard as part of the ED-500 project, regarding evaluation of information intended to be used as evidence. In addition, such material may guide the practitioner to consider whether concepts such as undue cost or effort, or impracticability have been appropriately applied.

Furthermore, although the practitioner may determine that they do not need to "use" the work of another practitioner, i.e., they do not need to obtain access to and review their workpapers, in order to obtain sufficient appropriate evidence, the practitioner may consider that another practitioner's assurance report that is publicly available is nonetheless helpful to the practitioner. In such circumstances, the practitioner may perform procedures to evaluate the relevance and reliability of the information from the entity's value chain and whether they can use it as evidence. For example, the practitioner may consider matters such as whether that information has been independently assured or not by another practitioner, the level of that assurance, the reputation of the practitioner etc. as well as perform other procedures to obtain evidence as to its reliability, such as applying analytical procedures to the information or comparing it to other independent sources.

#### Clarification of considerations relating to sources of information

As the requirements in respect of sustainability information are developed from the ISAs, they focus on whether information is prepared by the entity or is obtained from an external information source. We highlight that this distinction may be less clear in respect of sustainability information, in particular where this is obtained from the wider value chain, e.g., an industry average or proxy may be developed by the entity using inputs that are from external information sources, including information that is publicly available, but which are adjusted based on the assumptions and judgements of management, and may therefore be considered to be information produced by the entity. Accordingly, the consideration of attributes of relevance and reliability that are applicable to such information is likely to be a matter of professional judgement, and the attributes of completeness and accuracy may not be the primary applicable attributes. Additionally, it may not be practicable for the practitioner to evaluate these attributes, e.g., when information has been developed by a service provider using a proprietary model. The standard may acknowledge this, e.g., at paragraph 84 when referring to evaluating reliability, the standard requires the practitioner to obtain evidence about the accuracy and completeness of the information "as necessary in the circumstances". We recommend that the IAASB provide more explicit clarification regarding this in the application material, to emphasise the link to the flexibility of the criteria and the principle that the practitioner's work effort should be to evaluate that of the preparer.

#### Meaning of "assurance" over different aspects of sustainability information

We are also concerned that it may be misleading to users if practitioners appear to "assure" information from the value chain in the same way as information for which the policies and procedures to measure or evaluate such information are wholly within the entity's system of internal control. Accordingly, we suggest that the IAASB explore mechanisms to highlight the differences in the meaning of "assurance" in respect of different types of information in the reporting section of the standard. This may include:

Where the reporting standards require preparers to include information regarding significant assumptions and judgements made in "consolidating" or aggregating information from elsewhere in the value chain, highlighting these disclosures within an Emphasis of Matter paragraph within the assurance report;

Describing the inherent limitations in terms of the reliability of such information, within the inherent limitations section of the assurance report, including in respect of the criteria themselves; and

Clarifying also what has not been done, to provide greater transparency to intended users. Please refer to our response to Question 21 for further details.

Development of a separate ISSA to address “consolidated” or aggregated sustainability information from across the value chain

In light of the fact that an assurance “journey” is contemplated, with practice evolving over time, we also recommend that the IAASB monitor the development of practice in this area and consider developing a more comprehensive set of requirements and guidance addressing “consolidated” or aggregated sustainability information. This may be in the form of a separate standard, following the issuance of ISSA 5000, or may be in the form of additional guidance in the EER Guidance, focused on the special considerations in respect of such engagements.

Close liaison with IESBA with respect to ethics and independence requirements

We understand that the IESBA and IAASB are working together to address responsibilities of practitioners performing assurance engagements in terms of ethics and independence requirements. This includes when sustainability information is “consolidated” or aggregated and we encourage both Boards to coordinate closely to ensure that terminology, definitions, and approaches are fully aligned, such as the meaning of the term “consolidated”, as well as the approach to information obtained from the wider value chain and therefore the applicable requirements in respect of independence of practitioners regarding related entities. In particular, we highlight that an approach based on ISA 600 (Revised) concepts alone may not be practicable, and that proposals would need to take into account the sustainability information-specific features of information within the value chain and the significance of this to the sustainability information subject to the assurance engagement, as well as the requirements of the applicable reporting criteria in this area. We recommend that the IAASB continue to liaise closely with the IESBA to explore these matters further, with a focus on developing appropriate and proportionate ethics and independence requirements in respect of related entities within the broader value chain.

### **Mazars**

Albeit important to have principles-based standards, those standards, including any application material and other guidance, need to be capable of being delivered consistently in practice. While we recognize that ED-5000 is intended to be a principle-based overarching standard, we have serious concerns about the ability of practitioners to effectively apply the standard to assurance on sustainability reporting by group entities in the absence of further group assurance engagement standards in the ISSA 5000 series. There are currently no requirements relating to Group or Consolidated sustainability reports and the only references to either term are in the application material.

In most jurisdictions the first entities to be subject to assurance will be large groups. As currently presented, ED-5000 lacks sufficient content to deal with group audits. This is a major omission from the standard and has been raised in many different forums since the ED was issued. Furthermore, it has been questioned whether the standard can even be adopted until group engagements are sufficiently incorporated. It is imperative that this shortcoming of the standard is addressed to avoid fragmentation in assurance standards (for example, guidance issued in France on Limited Assurance engagements attempts to address provisions for consolidated sustainability information and there have been amendments to standards in the Netherlands to reflect group engagements).

We appreciate that ISA 600 is a special consideration standard but note that it does set out requirements for the application of audits in group engagements. We feel that ED-5000 should similarly set out requirements for group engagements, especially as there will not be time for the IAASB to develop a group standard for sustainability engagements before ED-5000 is applied to group engagements. There will also be significant differences in how group engagements are conducted on sustainability reporting and it will not be as simple as applying the approach in ISA 600 to such engagements (e.g. there will not necessarily be sustainability assurance at all components and therefore the “component audit” concept will not always apply, there will be specific considerations in respect of understanding the group, components and the environment (including extended value chain considerations), determination of materiality and responding to risks will also be very different.

Furthermore, we do not believe that the standard achieves the aim of being profession-agnostic as written as there are insufficient requirements and guidance to support non-audit practitioners who will not have the understanding of ISA 600 and group engagements to fall back on.

The IAASB should develop content relating to group engagements, either as part of ED-5000 or as a separate standard to be issued at the same time as ISSA 5000, though we appreciate this is a highly accelerated period for such a development. The group requirements and guidance should cover, as a minimum:

understanding the group, its components and the environment

scoping, materiality, aggregation risk, including consideration of the entity's process for considering materiality at the group level

responding to risks at the group level

the consolidation process

communication with other assurance providers

obtaining evidence over an extended value chain for the group and its components

evaluating evidence at the group level (e.g. when obtaining assurance over sustainability information across the group, the practitioner may receive assurance reports for different entities, but what responsibility does the group practitioner have for the work of those parties providing assurance? And what work does the group practitioner need to perform?).

Issues and challenges around obtaining sufficient appropriate evidence across the value chain of the reporting entity will be further exaggerated for large complex groups and guidance to practitioners in regard of the relevant extent of the value chain would be helpful, especially as the first entities subject to assurance over full scope reporting will be large groups. For example, individual entities may find themselves in hundreds, or possibly even thousands, of value chains – how will communications work between assurance practitioners in this context?

#### MHA

We do not believe that the IAASB has adequately considered the circumstances of group sustainability assurance engagements, which will predominantly affect large groups in the UK and European Union, together with groups with material business interests in the State of California. The principles-based requirements can, in broad terms, be applied at the component assurance practitioner level but paragraphs A11, A12, A93 and A105 of ED-5000 are simply insufficient for the lead assurance practitioner and do not consider the practicalities of group engagements.

While professional accountant assurance practitioners leading a group sustainability assurance engagement are typically members of an international network of firms and are versed in collaborating across jurisdictions to plan, design and perform the group sustainability engagement under a universal methodology and universal tools, the same cannot necessarily be said of non-accountant assurance practitioners or smaller assurance firms that are not members of an international network.

The omission of sufficient content in the proposed standard on group sustainability assurance engagements will have a significant impact on the quality, consistency and willingness of assurance practitioners to undertake such engagements. We would expect the IAASB to provide definitive and authoritative guidance on the following topic areas, as a minimum:

Scoping;

Materiality;

Risk assessment and aggregation of risks identified;

Access restrictions and other limitations on value chain reporting;

Communication, assurance file access requirements and cooperation expectations between component and lead assurance practitioners;

Communication and consideration of misstatements identified; and

Consistency of adherence to ISQM 1 and the IESBA Code.

We strongly urge the IAASB to incorporate the above points into the final standard, recognising the IAASB's profession-agnostic ambitions for ISSA 5000.

#### **MNP LLP**

We believe that additional requirements and guidance is needed (e.g., guidance from ISA 600) when the sustainability information is consolidated and contains multiple components, and the practitioner intends to engage practitioners from other firms to provide evidence over the sustainability information of a particular component. As well, non-accountants may be less familiar with considerations related to group audits (e.g., identifying components, engaging component auditors, component materiality) and therefore would benefit from ED-5000 being revised to include requirements and application guidance related to groups and consolidated sustainability information.

#### **Nexia International**

We have concerns with how this would be practically applied absent providing principles-based requirements or referencing ISA 600.

### **10. Member Bodies and Other Professional Organizations**

#### **ASSIREVI – Association of the Italian audit firms**

While ED-5000 does not include specific requirements for “consolidated” sustainability information or sustainability assurance engagements for groups, it does state that sustainability information may be for a single entity or it may include consolidated information for entities that are part of a group or other entities in the reporting entity's value chain. The IAASB holds that the principles-based requirements in the proposed standard are capable of being applied for all types of sustainability information, regardless of the manner in which that information is presented (single entity, group, other entities in the value chain). However, the

“consolidation” of sustainability information is different from the concept of consolidation of component financial information for group financial statements purposes, in particular, because information may be consolidated or aggregated from the entity’s broader value chain and this aspect is specific of sustainability reporting and assurance.

When information resides in multiple locations within the entity or outside of the entity (e.g., in the value chain), the practitioner may decide that other practitioners are needed to perform procedures and obtain evidence. The practitioner thus refers to other sections of ED-5000 that cover the use of the work of another practitioner, which would trigger all the issues described in our response to question 15.

We are of the opinion that an assurance engagement on “consolidated” or group sustainability information has certain characteristics that should be dealt with individually, such as, for example:

understanding the group and its components and the environment in which they operate (e.g., entities included in the consolidation scope and/or the value chain located in different countries);

the procedures to be performed on the sustainability information consolidation process;

definition of the engagement strategy and plan;

definition of materiality for quantitative and qualitative disclosures;

the knowledge and understanding of the practitioners who perform the work at the components of the group and the value chain, as well as relationships and communications with them;

definition of the level of responsibility of the group auditor for information obtained from another practitioner that performs an assurance engagement for a group component or for entities in the reporting entity’s value chain, as part of the process to evaluate the evidence obtained;

matters related to documentation of the work performed.

As ISSA 5000 is intended to be an “overarching standard”, it should include all the requirements and guidance to allow a practitioner (who may not be a professional accountant) to perform the assurance engagement without having to refer to other professional standards (ISA, ISRE and ISAE). The non-inclusion of specific requirements for assurance procedures for group engagements or “consolidated” sustainability information or entities in the value chain could generate the risk of inconsistent approaches. The professional accountant assurance practitioner will most likely refer to ISA 600 (revised) while non-accountant assurance practitioners could adopt different approaches.

Given the specific nature of this aspect and while we are aware that a separate ISSA addressing groups or “consolidated” sustainability information may be drafted, we believe that the content of ED-5000 is not sufficient to provide adequate guidance about the work to be performed. Therefore, the standard should deal with this matter in a more detailed manner, establishing specific requirements and guidance on the basis of those provided in ISA 600 (revised) to ensure the adequate and effective planning and performance of the engagement. Specifically, ISSA 5000 should clearly specify what are the assurance procedures that a sustainability assurance provider should perform for the sustainability information related to group components and included in the sustainability information subject to the assurance engagement being carried out by the sustainability assurance provider.

Similarly, given the different nature of the information related to the entities in the value chain and possibly included in the sustainability information prepared by the sustainability assurance client, the lack of verification of such information by the sustainability assurance client, the nature of the processes and procedures adopted by them to collect, verify and validate such information before its inclusion in the

sustainability information, ISSA 5000 should unequivocally clarify what assurance procedures should be performed on such information related to the entities in the value chain, or if such assurance procedures should more correctly be based on the above-mentioned processes and procedures performed by the sustainability assurance client to collect, verify and validate the information.

### Belgian Institute of Registered Auditors

The concept of ISA 600 should be here developed.

The requirements can be applied, practitioners will recognize the principles with respect to engagement resources, the direction, supervision and review of the engagement team and the use of the work of externals. In view of the specificity of sustainability information however, more specific considerations relating to the sustainability information of groups should be provided.

More concrete examples or guidelines in the Application section would help.

### Center for Audit Quality

It is unclear how the requirements of ED-5000 would be practically applied in a group context, given that disaggregation of sustainability information is not defined and not commonly and consistently applied in today's sustainability reporting environment. Consolidation may bring about specific risks that may necessitate additional principles-based requirements that would need to be understood.

Additional clarifications required:

Additional guidance, especially relating to non-quantitative criteria, is needed. This is difficult even for experienced practitioners.

Application material on understanding the entity's consolidation process (for at least reasonable assurance) as part of understanding control activities in paragraphs A305, A333, and A337, using ISA 600 (Revised) as a resource.

Value chain should not be confused with consolidated information (as per the financial statements), see para A93. Regarding information pertaining to an entity's value chain, it is unclear how a practitioner would perform procedures over information that is prepared outside of the entity's organizational boundary that is not within the control or oversight of management in a manner similar to a component in a group audit. It's also unclear what level of procedures the practitioner should undertake in relation to the value chain. (See Question 15 for additional insight into value chains and the associated challenges.)

We recommend that the IAASB (and IESBA) take steps to obtain a deeper understanding of the value chain and associated challenges experienced in practice. The CAQ is willing to facilitate a discussion or educational session between the IAASB, IESBA and certain firms to share examples, in-depth insights and practical perspectives of how this works in practice, along with insights into how and why it is challenging.

ISA 600 (Revised), provides requirements on applying the other ISAs to group audit situations. Similar to how ISA 600 (Revised) is necessary for group audits, we believe that specific requirements are necessary for group sustainability engagements. We believe that it is unlikely that the principles-based requirements in ED-5000 can be applied appropriately without the practitioner considering the principles of the requirements of ISA 600 (Revised). While we believe that the group audit framework will be used by many professional accountants for these types of engagements, some professional accountants may not follow the group audit framework and non-accountant assurance practitioners will have limited or no experience applying the framework. Further, while ISA 600 (Revised) may be helpful in the absence of any other guidance, certain concepts may not be directly transferable to a sustainability assurance engagement (for example identifying

components, two-way communication, and clarifying leadership responsibilities). We believe these matters have the potential to fundamentally impact the quality and consistency of these engagements and increase the risk that appropriate communication, direction, supervision, and review may not be undertaken and the practitioner may place inappropriate reliance on the other practitioner – all of which are not in the public interest.

To help address this, we believe a separate ISSA addressing group sustainability information would be an appropriate approach going forward. Principles such as direction and supervision and review, including use of other practitioners who are considered members of the engagement team, will be more straightforward to apply within the confines of the entity's organizational boundary as this will be more consistent with existing group ISA 600 (Revised) concepts. However, once extending beyond the organizational boundary, significant challenges arise, so we would encourage the IAASB to initially focus on developing application material in this regard. Further, providing more guidance on:

aggregation risk and factors that may influence scoping judgments would be helpful – ISA 600 (Revised) para. A51 could be used as a basis for this and expanded upon.

what the practitioner is expected to do when a “component” practitioner or other practitioner uses standards that are not ED-5000, or indicate they are “based on ED-5000 or equivalent to ED-5000”, and the extent to which their work can be relied upon.

We encourage the IAASB to address groups concurrently with other practitioners, as the two concepts are closely related.

#### **Chartered Accountants Ireland**

We believe that ED-5000 does not address how to perform a group engagement. This includes how to perform an engagement across the larger reporting boundary in the context of a sustainability reporting engagement when the framework defines the reporting boundary outside the reporting entity's organizational boundary.

We note that the explanatory memorandum notes that a separate standard for groups will be considered and we would support this. However, in the meantime, guidance is needed to address this, particularly the area of materiality thresholds and how this should be considered in a group engagement.

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

We are concerned that there are no explicit provisions for groups, including component assurance practitioners, nor for value chain reporting.

Therefore, we urge the IAASB to consider either including a few high-level requirements for group assurance engagements – these could be conditional, conditional on the report being a group one – or separate guidance on how to apply the principles to group assurance engagements that could remain ‘in force’ until an ISSA for group engagements is developed. The IAASB might wish to emulate EFRAG which is developing guidance for value chain reporting.

#### **European Group of International Accounting Networks and Associations (EGIAN)**

The first entities applying CSRD will mostly be groups, so ISSA 5000 should address aggregated ESG information in a group situation.

## EXPERTsuisse

### Group Engagements

Very limited guidance and requirements on group engagements and / or consolidated sustainability information are included in the standard. By developing an overarching, stand-alone standard, which is also applicable for non-professional accountant assurance practitioners, specific guidance regarding group engagements and consolidated sustainability information would in our view be important.

Switzerland features a large number of corporate groups governing an international network of directly or indirectly controlled subsidiaries being subject to one or more reporting framework. Our objective should therefore be to harmonize guidance as far as possible. We suggest addressing the following topics in the standard:

- Involvement of and communications with Component Practitioners (if any are involved)
- specific consideration regarding materiality and scoping of group engagements
- assessment of component practitioners' competence and independence

We strongly recommend including more guidance which aligns with ISA 600 (Revised) to help practitioners in performing scoping and risk assessment in a group situation.

### Federation of Accounting Professions (TFAC)

Even though it can generally be applied for assurance the consolidated sustainability information of groups, we propose that the IAASB considers issuing a separate ISSA or detailed guidance addressing groups or 'consolidated' sustainability information due to wide variety of disclosure requirements and complexity involved.

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

The first significant sustainability assurance engagements performed using the new standard on reports produced using established reporting standards (eg, IFRS Sustainability Disclosure Standards and ESRS) will take place for large groups (eg, under CSRD in Europe and other jurisdictions likely to apply the standard to listed entities first, such as the UK, Brazil and Singapore).

We are concerned that ED 5000 lacks sufficient content relating to group sustainability assurance engagements. We believe that this is a major omission that could have a significant negative impact on usability, quality, and consistency. We recognise that the issue of group sustainability assurance engagements is complex and we therefore invite the IAASB to consider whether the most efficient and effective way to address the issue might be to set out broad principles in the proposed standard (being the overarching standard) but with a firm commitment to establishing a '5000 series' groups-specific standard as soon as possible. Some interim practical guidance would be helpful to bridge the gap in the meantime. In particular we would like to see more detailed material addressing:

scoping;

materiality as applied in a group context;

risk assessment aggregation;

value chain reporting limitations; and

guidance for other assurance practitioners addressing basic group engagements concepts such as level of cooperation and communication with which they may not be familiar.

We note that in addition to practicalities such as those mentioned above there may be terminology gaps which could also be alleviated by additional guidance. For example, 'group' and 'consolidation' concepts will differ from their usage in group financial statements audits and value chains and so may give rise to misunderstandings. We believe that this area needs significant and detailed expansion and should be a strong candidate for prioritisation.

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

Although we are supportive of the principle-based requirements in ED-5000 on the sustainability-related information of groups or in other circumstances when 'consolidated' sustainability-related information is presented by the entity, we do not believe that ED-5000 addresses in detail the challenges for practitioners on multi-location or multi-site engagements, nor the challenges of access and reliability of information related to an entity outside the control of the reporting entity. Whilst we agree that additional guidance on "group" information can be issued as a separate standard, we believe it is essential that:

Certain requirements and guidance be added to ED-5000 before its finalisation, including a requirement for the practitioner to perform procedures on the aggregation/consolidation process of sustainability-related information and further guidance on materiality and reporting boundary concept; and

The IAASB issue some form of implementation guidance for group engagements concurrent with the effective date of ED-5000. We believe that issuing ED-5000 without any additional implementation guidance for group engagements will create a risk of inconsistent application of ED-5000 for these engagements.

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

We acknowledge the decision of the IAASB not to include requirements based on ISA 600 to address groups/" consolidated" or aggregated sustainability information as part of this proposed standard. However, we do not consider that the requirements and related application material in the proposed standard are sufficiently clear and specific in this area, even for an overarching standard, noting that this is the only standard, currently, addressing sustainability assurance engagements and also recognizing that the "consolidation" or aggregation of information from across the wider value chain is likely to be a key feature of many sustainability assurance engagements. Accordingly, we recommend that certain material be included, at least at a high level, within the standard itself, prior to issuance, to ensure that there is sufficient content to enable practitioners to perform engagements over "consolidated" sustainability information. In particular, we consider it critical that the standard address obtaining sufficient appropriate evidence in respect of the entity's "consolidation" process itself, which should include clear linkage to related considerations regarding the entity's "materiality process". Most of the time entities disclosed information relating to parent entity level only, therefore more guidance required on what level of information should be included (if not entity to make a statement in the report).

We believe that the IAASB should add certain additional requirements and guidance to ED-5000 for group engagements, including:

- ▶ Guidance on situations where there may be restrictions on access to information on people.
- ▶ Guidance stating that when a practitioner has used the work of "another practitioner", the assurance report shall not refer to the "another practitioner".

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

We do not consider that the requirements and related application material in the proposed standard are sufficiently clear and specific in this area, even for an overarching standard, noting that this is the only standard, currently, addressing sustainability assurance engagements and also recognizing that the “consolidation” or aggregation of information from across the wider value chain is likely to be a key feature of many sustainability assurance engagements.

Initially, the ED-5000 has no specific requirements that address “consolidated” sustainability information. To include specific requirements like those included in ISA 600 (revised) to result in sufficient and effective engagement planning and execution.

It remains unclear how the requirements of ED-5000 would be practically applied in a group context given that disaggregation of sustainability information is not defined and not commonly or consistently applied in today’s sustainability reporting environment.

It is important to note that value chain should not be confused with consolidated sustainability information. It remains unclear how a practitioner is expected to assure information that is prepared outside of the entity’s operational boundary and thus not subject to the control or oversight of management. It is unclear what level of procedures the practitioner should undertake in relation to value chain.

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

When reviewing the contents of the draft standard, it is not clear how it would be applied for consolidated information, since it is not defined how the information of the group should be broken down or whether it will/will not be uniformly applied for sustainability reports. We think that this requires an assessment of specific risks and additional requirements that must be understood by assurance practitioners.

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

Response: No. Although we agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on sustainability information, we do not agree that it can be applied as is for groups, or in other circumstances when “consolidated” sustainability information is presented by the entity. We recommend that the IAASB incorporate the existing current guidance for practitioner’s responsibility from ISA 600 (Revised) to make it clearer and more consistent. We believe this change will not only create consistency with existing requirements, with which practitioners are already familiar, but it will also help avoid any potential doubt or inconsistency in the application by practitioners.

### **NOREA - Dutch Professional Association of Registered IT Auditors**

We believe that ED-ISSA5000 does not sufficiently address the topic of information that is generated outside of the entity itself, i.e. entities in the value chain. Given that most entities are required to report information from the value chain (e.g. scope 3 emissions data, workers in the value chain), it stands to reason that the practitioner should perform procedures with regard to the reliability of data/information received from entities in the value chain, assurance over such information, etc. dependent on the extent to which sustainability matters are captured and maintained in (mature) IT environments. We believe that the requirements with regard to such information should be made more explicit in ED-ISSA5000.

## 12. Individuals and Others

### Capitals Coalition

It is not clear from the text of the proposed standard (e.g. paragraph A305) how these requirements apply to the value chain (for instance, reporting against Scopes 2 and 3 of GHG emissions). The discussion of the reporting boundary needs further elaboration along with what procedures need to be used to assess them.

### International Accreditation Forum (IAF)

Where there is a group that has entities with different sector operations, there may will be a need for the entity materiality to be considered for each part of its group rather than at whole group level. Practitioners should be aware of this as it will feed into the entity materiality review process, and as such this should be covered in the ISSA 5000 standard.

For grouped information, ED-5000's requirement can be applied but more guidance is needed, e. the timing of assurance engagement, sampling requirements of limited and reasonable assurance, etc.

IAF recommend referring to the International Accreditation Forum (IAF) guidance.

In addition, to avoid the risk of greenwashing, IAF recommends IAASB to clarify that the audit firm should take into consideration all best practices in the market (e.g. when checking numbers related to GHG emission there are ISO standards and conformity assessment following ISO 14064/67. These are crucial elements to be asked as prove of reliable processes and data; if the auditor will check few numbers in GHG and confirm the reliability of data, the/ effort spent cannot be compared to what a company did to get ISO 14064/67)

IAF recommends

to align the engagement time also on how much a company can prove external reliable checks (e.g. ISO 14064/67, EPD; other certifications; external control for suppliers etc) so that the effort is comparable and the risk of greenwashing decreases

to create a guideline on how to conduct the pre-engagement process and to calculate the effort providing a specific guidance that will guarantee harmonized and comparable approach.

To increase the transparency in the engagement process and to prevent the risk of unfair competition in the market