

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 1

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

### 1.2 Agree with comments

#### 1. Monitoring Group

##### International Organization of Securities Commissions (IOSCO)

In addition to the observations mentioned above, IOSCO encourages the IAASB to consider these five priority topics in its efforts to develop a high-quality international assurance standard:

1. Definitions, requirements and guidance to support profession-agnostic application without diluting high-quality expectations and requirements

IOSCO agrees that the principles-based requirements in the Proposed ISSA5000 are capable of being applied for all sustainability assurance engagements. However, the requirements and application material may need to be expanded and/or clarified over time to encourage more consistent application and scalability in the conduct of sustainability assurance engagements. This is particularly important to support assurance engagements by non-accountant assurance practitioners, thereby helping to ensure that equivalent quality and performance standards are expected and upheld.

A profession-agnostic assurance standard needs to provide clear guidance for all types of providers. We therefore encourage the IAASB to develop implementation guidance to facilitate the consistent application of the requirements in the Proposed ISSA 5000, for example (but not limited to): (1) in a group sustainability assurance engagement situation; (2) to remind auditors of their responsibility under ISA 720 (Revised), The auditor’s responsibilities relating to other information and to support the proper implementation of the requirements in the Proposed ISSA 5000 regarding other information; and (3) on considerations around the connectivity of information, including the necessity of communications between financial statement auditors and sustainability assurance providers.

IOSCO also makes the following general observations:

- While it is important that an international sustainability assurance standard be principles- based, it should also be sufficiently detailed to promote consistent application and behavior by all assurance practitioners and be suitable for use across all reporting frameworks.
- Although the standard will inevitably be drafted using technical language (as is common in assurance standards), we believe a profession-agnostic assurance standard should provide, or be supplemented by, clear guidance suitable for use by all types of assurance providers, including guidance on key IAASB definitions and terminology.
- We also encourage further guidance and refinement of requirements in other areas – including the work effort and procedures required for limited and reasonable assurance engagements. These are elaborated in the next section.

- An assurance standard should promote a high degree of transparency, irrespective of the type of provider and whether the standards are applied on a mandatory or a voluntary basis, which the proposed standard appears to do. This broadly aligns with the recommendations in our March 2023 report which highlighted insufficient transparency on certain matters (which items have been subject to assurance, which standards have been applied, or the level of assurance provided), however noting that the jurisdictional determinations will be the ultimate driver of such requirements, including the form of reporting on assurance.

IOSCO commends the IAASB for its timely development of the Proposed ISSA 5000 in response to the public interest need for a profession-agnostic, sustainability assurance standard that supports the consistent performance of high-quality sustainability assurance engagements.

IOSCO supports the general approach taken in the Proposed ISSA 5000, including:

the consideration of the entirety of a sustainability assurance engagement, from acceptance or continuance to reporting

- building upon extant requirements in relevant International Standards on Assurance Engagements (ISAEs)
- the identification of those International Standards on Auditing (ISAs) that include concepts appropriate to an overarching standard for assurance engagements on sustainability information, and the selection of relevant requirements and application material from those ISAs.

## 2. Preparer and Users of sustainability information

### Ceres, Inc.

Detailed comments (if any). ED-5000, as described in paragraph 14 of the EM, is intended to have a broad or “overarching” reach, serving as the foundation for a future suite of ISSAs. Thus, the standard is designed to be applied to all sustainability topics and aspects of topics; all mechanisms or reporting; any suitable criteria; all intended users; both limited and reasonable assurance engagements; and use by all assurance practitioners. This is, of course, an ambitious approach, but we agree that it is appropriate.

### Climate Accounting & Audit Project

We agree that standards for providing assurance on sustainability reporting, as for the reporting of sustainability information itself, and the financial statements and their audit, should all be principle based and that overarching standards/requirements have a key role to play in this. We say this on the understanding that such standards will be followed and enforced. Our concern is that this is not currently happening. If the IAASB agrees with this, we would urge measures to ensure standards are followed. If it believes current standards are being followed, then that suggests that they, and the proposed sustainability standards will prove inadequate.

This submission focuses on what we consider to be a crucial aspect of the context into which the new sustainability reporting requirements and their assurance will be introduced. As we noted in our comment letter to the ISSB on its agenda consultation, this context already includes very widely adopted existing IFRS accounting requirements that address material climate risk and how it should be taken into account in preparing the financial statements, and in their audit.

Our concern, however, is that the evidence suggests that these requirements are being widely ignored. This may have several implications for the effective implementation of sustainability reporting and the related

assurance. While our concerns are interrelated, they can largely be summarised in relation to materiality judgements on disclosure to be made, and to consistency of information across sustainability reporting and the financial statements. We address these in responding to three questions in the Response Template.

Question 12: Materiality judgements and information to be disclosed

Question 19: Reporting and the potential for misstated information (including fraud and greenwashing)

Question 21: Reporting on consistency and the responsibility to read 'other information'.

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

#### CRUF's View

Agree, with comments below.

It is important for users of sustainability information to have confidence that high-quality assurance is provided based on an appropriate assurance process. ED-5000 is designed as a comprehensive set of requirements that are principle-based and broadly applicable.

There appear to be many cases where assurance practitioners may find it difficult to exercise their judgement. As users of sustainability information, we do not want to see the quality of assurance vary due to unjustified divergence in judgement among assurance practitioners.

In order to avoid such a situation, we recommend the IAASB develop more application guidance (including examples) for ED-5000. For example, we believe the IAASB could provide key considerations in the assurance process, based on the disclosure requirements in the International Sustainability Standards Board (ISSB) standards and the European Sustainability Reporting Standards (ESRS) for the EU Corporate Sustainability Reporting Directive (CSRD). The IAASB may refer effectively to the Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements (EER Guidance) for that purpose.

We believe more application guidance or educational material is needed for ED-5000 to provide a global baseline for consistent and high-quality sustainability assurance.

Based on the characteristics of sustainability information, we believe the IAASB should consider to strengthen the following points in particular:

Connectivity with financial information

Evaluation of materiality by the assurance practitioner (in particular, the importance of qualitative information)

Identification and evaluation of misstatements (including those due to fraud)

Representation of estimates and forward-looking information

Matters to be communicated with management and those charged with governance (TCWG)

Some CRUF participants are also concerned that the proposed standard is agnostic and not specific about intended users. One of the problems for some CRUF participants is that preparers' annual reports, which are the main documents of interest to CRUF, have become a depository for unintended users. Any business or corporate reporting should be meaningful and of value and therefore have key or material intended users in mind, such as shareholders for the annual report (which is why assurance reports on financial statements are addressed to shareholders). Therefore, for some CRUF participants, intended users should be defined.

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

### All sustainability topics

The scope of the IAASB proposed standard is clear, including the distinction to the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements. The IAASB recognized that in many cases a greenhouse gas (GHG) statement may be included with other sustainability information, and the practitioner may or may not be providing a separate conclusion on the GHG statement.

Overall we believe that the proposals made for the audit of sustainability reports, which are based on financial reporting practices, are robust.

However France Assureurs regrets that the proposed standard doesn't completely fit for sustainability reporting audit purpose as it does not seem to take sufficient account of the differences between sustainability and financial reporting.

Scope, time horizons and key assumptions may vary between financial and sustainability reporting because of the difference in the nature of the two exercises.

Indeed, with regard to ESG matters and especially environmental issues, time horizons may be significantly longer than the ones considered in financial reporting for strategic planning.

Furthermore, methodologies on sustainability information are at a very preliminary stage and with insufficient concrete data. The levels of maturity regarding ESG topics may vary significantly between sectors and undertakings and the comparability between them will be affected.

Information will most likely be estimated, with an important judgemental aspect and with certain level of uncertainty in the first place.

In addition, companies are struggling to recruit the appropriate talent and pool expertise to cope with the ever increasing and fast evolving sustainability reporting requirements.

On the other hand, financial reporting is a very mature universe with well-established metrics and methodologies.

Therefore, it is important that auditors consider the entity's maturity in sustainability reporting when applying their 'expert judgement' and consider the regulatory environment when assessing companies' maturity in producing sustainability reports.

In this context, auditors should thus acknowledge that it will take several years to reach a comparable equivalent level of maturity on sustainability reporting to the financial reporting one. Therefore, we suggest a more proportionate approach for the diligence in the context of limited assurance.

### All mechanisms for reporting

Consistency between requirements on estimates projected information changes in methodology and subsequent events is key.

As explained above, given the lack of maturity regarding the nature of sustainability reporting, the use of approximations and estimations is pivotal to progressively gain knowledge on methodologies and metrics that will thus enhance the quality of the sustainability reporting in the long run.

In this context, changes in methods should not be regarded as a seldom occurrence as it may be the case in financial reporting. In particular, the requirements to consider changes in methodologies and estimates from prior periods should be clarified, and not cause undue burden.

Such risk could prevent undertakings from exploring and launching new sustainable initiatives or projects. Indeed, reporting should remain a transparency exercise aimed at reflecting the actions taken by entities. It should reflect the efforts made to carry a real change in mindsets and business models towards a low-carbon future.

In addition, it might be challenging to provide information that is completely neutral and accurate in the first place because of the constantly evolving methodologies and data uncertainties, especially regarding forward-looking information, it might be difficult to meet requirements 'first time right' considering the challenges caused by sustainability-related data.

In conclusion, considering the immature state of sustainability reporting and the fact this is still today a fast-evolving field, the IAASB should reconsider the list of examples of subsequent event laid out in paragraph A427 of the application guidance to avoid creating disproportionate post closure procedures and create inconsistencies with the requirements on estimates and forward-looking information.

#### Limited and reasonable assurance engagements

The differences between limited and reasonable assurance requirements are clear in the standard.

However, Insurance Europe regrets that it doesn't sufficiently take into account that sustainability reporting is an immature and fast evolving field.

With regards to the verifiability of the sustainability-related information. It may be difficult to cope with significant data uncertainties as methodologies are still under development. A structural difficulty is also related to the time horizons to consider on ESG issues: very long term. Those are key especially on environmental matters linked to significant uncertainties and approximations on quantitative aspects. Thus, the verifiability of sustainability information is mainly linked to its related subject.

Sustainability reporting is still being developed, and it is expected that methodologies are going to evolve. Assurance procedures on those changes need to recognize this fast-paced environment.

Auditors should thus acknowledge that it will take several years before an equivalent level of maturity is reached on sustainability reporting compared to financial reporting.

Therefore, we suggest a more proportionate approach for the diligence in the context of limited reviews.

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

The system for sustainability disclosure is still under development and, while some sustainability information such as greenhouse gas emissions data can be based on the Greenhouse Gas Protocol and other relatively well-established criteria, there is also a large amount of sustainability information for which criteria are not yet available. Where sustainability disclosures are concerned, factors such as the availability of criteria to provide a basis for judgment can cause the objectivity and reliability of assurance engagements to vary greatly, and we therefore believe that the appropriate approach for assurance engagements should change accordingly. If obtaining assurance came to be regarded as essential for all sustainability information, including information for which criteria are not available, the reliability and understandability of disclosures could be compromised as a result of assurances provided without sufficient evidence, or significant increase in assurances for explanatory notes regarding the assumptions made. Moreover, if preparers of

sustainability information prioritize the obtaining assurance, this could have the effect of discouraging them from disclosing proactively.

We believe that steps should be taken to improve understanding of sustainability assurance among stakeholders, not least to ensure the effectiveness of assurance standards developed by the IAASB. For example, it would be helpful if the IAASB could provide information on situations in which assurance works effectively or not, and on the recommended assurance approaches in such cases.

Keidanren considers the following three points in connection with ED-5000 to be of particular importance:

The assurance system should not be designed in such a way that entities cannot obtain assurance unless they develop a sophisticated internal control system (Question 13).

Sustainability information often involves longer-term projections than is the case for financial information, and the discrepancies between estimates and actual results therefore tend to be larger. This should be clearly stated in the standards and elsewhere (Question 16).

As the discrepancies between estimates and actual results tend to be larger, the guidelines for distinguishing between error and fraud should be presented more clearly (Question 19).

Detailed comments on these points are provided in the responses to the relevant questions.

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

It appears that the proposed exposure draft aims to establish a general requirement for sustainability assurance engagements that can be applied broadly across various aspect of sustainability reporting.

Overall, the ED is very comprehensive, and it is written in a manner that could be easily understood by practitioners and non-practitioners. However, we would like to make following suggestions to prevent the risk of misinformation:

Rename the standards from Sustainability Assurance Engagements to Sustainability Reporting Assurance as it related to sustainability reporting only and not to sustainability.

Revisit evolution of sustainability, use the more recent, widely recognized/credible definitions of sustainability/sustainability development (i.e., UN SDG) as this would set the parameters of sustainable information.

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

We appreciate the efforts in developing such over-arching standards and believe in the tremendous value and direction it brings to the sustainability assurance while highlighting the need and urgency for more specific standards. Considering the highly complex and sometimes technical subject matters there will be a need for sustainability matter specific or framework specific rules or guidance to clarify the generally accepted approach to assure specific matters.

As it is also acknowledged by ISSA 5000, current approach requires high level of professional judgement in every aspect of the assurance, therefore clarifications and generally accepted rules to bring judgmental aspects onto a common ground would increase consistency and comparability of the results.

We also appreciate the approach taken by the IAASB to provide immediate guidance and FAQ for common concerns raised before the finalization of the standards (e.g FAQ on Materiality). Such pre-emptive guidance on other areas of concern would help to establish a common understanding across different stakeholders of sustainability assurance engagements in an era of foundation setting. Moreover, keeping similar

consultation and feedback channels open for the future enhancements would enable to address the needs that are identified through real-life experience and implementation.

### **Singapore Exchange (SGX Group)**

We support the development of ED-5000 as an overarching standard to provide a global baseline for sustainability assurance engagements.

In relation to “Use by all assurance practitioners”, Paragraph 14 of the EM sets out amongst others that ED-5000 is intended to be used by both professional accountants and non-accountant assurance practitioners, subject to the fundamental premises in the standard regarding relevant ethical requirements and quality management. Given the above, we suggest the IAASB considers providing definitions and guidance to practitioners from a non-financial audit and assurance background as they may be unfamiliar with the usage of certain terminologies and assurance-related concepts.

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

### **International Corporate Governance Network (ICGN)**

ICGN welcomes the IAASB's objective of developing a global standard that supports high quality and consistency in sustainability assurance engagements. We agree with the proposal that ED-5000 should aim to cover the broadest range of assurance engagements possible, and can be applied to all sustainability topics, all mechanisms for reporting sustainability information; key recognized reporting standards, all intended users, both limited and reasonable assurance engagements, and used by all assurance practitioners.

We welcome the proposal that ED-5000 should be applicable to the assurance of both financially-material sustainability information, and broader sustainability reporting, including regarding impacts the company may have on society and the environment (regardless of how these affect enterprise value). We encourage the IAASB to ensure that concepts and definitions in ED-5000 are aligned with those of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. According to these international standards, impact materiality is defined based on the severity of the actual or potential adverse impact and its likelihood, following a risk-based due diligence process by the company.

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

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

Due to the complexity of the areas to be covered by the standards and the varying nature of the standards, it would be challenging to accommodate all the areas covered in the explanatory memorandum. It may also be difficult to enforce the standard on practitioners

who are not members of the professional accountancy body.

### **Accounting and Corporate Regulatory Authority**

We commend the IAASB for developing an overarching standard for limited and reasonable assurance engagements. The draft ISSA 5000 provides a global framework for sustainability assurance engagements, which will enhance the credibility and reliability of sustainability disclosures reported by companies.

In respect of 'use by all assurance practitioners', the IAASB could develop educational materials (including a glossary of terms) designed to aid non-accounting assurance practitioners, especially those without a background in financial audit and assurance, in understanding the requirements and key assurance concepts. This could include definitions for Performance Materiality and Accumulation and Consideration of Identified Misstatement. Such an initiative would promote a consistent application of ED-5000 by addressing disparities in principles and language that may exist between this standard and other standards familiar to non-accountant practitioners.

#### **Botswana Accountancy Oversight Authority**

We agree that the Exposure Draft (ED)-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements.

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

Profession agnostic standard

The CEAOB welcomes the IAASB's objective to provide a standard that would be fit for all practitioners, meaning all assurance services providers, and not only statutory auditors, mirroring the options allowed by the CRSD. The CEAOB stresses in this regard that it is in the public interest that the same requirements apply for the provision of assurance on sustainability reporting, whatever profession the providers of the assurance opinion belong to.

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

The IRBA agrees that ED-5000, as an overarching standard, may be applied for each of the items described in paragraph 14 of the EM, to provide a global baseline for sustainability assurance engagements. However, we would like to highlight some improvements that the standard requires, and some conceptual issues that require clarification as described below.

All sustainability topics and aspects of topics

The interaction between ED-5000 and the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, needs further explaining. Has the IAASB changed its fundamental understanding of a risk-based audit? For example, the execution of procedures under ISAE 3410 refers to risk assessment for limited and reasonable assurance engagements, whereas ED-5000 applies a risk assessment only for reasonable assurance engagements. Further, where GHG is included as another subject for assurance in a sustainability assurance engagement, is the intention of the IAASB to prescribe and refer to both ED-5000 and ISAE 3410 for the assurance provider to apply?

Going forward, the role of ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, needs clarity regarding the subject matters to which it is expected to apply (and not apply), especially given the breadth of the definitions of "sustainability information" and "sustainability matters". In South Africa, for example, ISAE 3000 is used in public sector engagements and that emphasises the need for clarity concerning the subject matters to which ISAE 3000 is intended to be applied, compared to those that fall under ED-5000.

In respect of paragraph 9 of ED-5000 and the definition of an attestation engagement, it is not clear how this standard will apply to all sustainability topics and aspects of topics, if direct engagements are scoped out.

Use by all assurance practitioners

It is not clear whether ED-5000 provides enough guidance to non-auditors, as auditors may draw on their knowledge of other IAASB auditing standards in areas where uncertainty may exist. For example, the use of a management's expert, using the work of internal audit, independence and ISQM 1 related requirements as per question 4 below, risk assessment, use of work of others and 'group scenarios' that may be common in a sustainability environment given value chain reporting.

#### Limited and reasonable assurance engagements

The extent of work to be performed under limited sustainability assurance engagements, compared to reasonable sustainability assurance engagements, is still not clear. This is the situation despite the limited clarifications already provided in the proposed standard.

Under ED-5000 (see paragraphs 102L and 102R), a limited assurance engagement only refers to certain elements of internal control being assessed, in contrast to all these elements being assessed under a reasonable assurance engagement. The reason for these differences is not clear, and it is also not clear if the IAASB is making a fundamental change in its approach to reasonable versus limited assurance. We, however, hold the view that it is necessary for the practitioner to understand the internal control activities, irrespective of the level of assurance, to inform the risk assessment and to determine the approach for the assurance engagement.

In addition, it is not clear how a practitioner can arrive at "risks of material misstatement in disclosures that have been identified by the entity's risk assessment process", without performing a risk assessment in accordance with paragraph A366, as the application material to paragraph 115L of ED-5000 for a limited assurance engagement.

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

IAASA supports the IAASB's project to develop international sustainability assurance standards to promote consistent high quality engagements. While the standard represents a good starting point, the IAASB will need to devote resources to developing further standards in this area over the coming years as ED-5000 is too high level and lacks detail in a number of key areas such as:

Materiality

Groups and value chains

Forward looking information/estimates

Reporting

Given the importance of sustainability assurance, it is essential that assurance providers are required to comply with a comprehensive suite of standards that contain sufficient detail to ensure that they perform high quality engagements. This is particularly important to ensure that reasonable assurance engagements are performed to the same standard as an audit conducted in accordance with the ISAs.

With regards to the aim that ISSA 5000 is usable by all practitioners, it does not deal with situations where both sustainability assurance and the audit are performed by the same practitioner (see response to Question 21).

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

Use by all assurance practitioners:

The proposal in ED-5000 to include professionals other than accountants in assurance engagements may impact the quality and consistency of sustainability assurance. The involvement of a wide range of professionals in sustainability assurance may lead to inconsistencies in the application of standards, widening the expectation gap. There is a risk that sustainability-related financial disclosures will not align with the financial statements, if assurance practitioners do not possess the same level of competence and expertise as the auditors of financial statements. While flexibility and accommodation are important in developing this standard such that it can be profession-agnostic, the overriding factor should be of high-quality assurance services. As regulator's point of view, regulating various kind of professionals providing assurance services may not only create undue cost and effort, but may also not achieve the overarching goal of upholding integrity in the capital markets, credibility of reports and protection of investing public. Accounting firms, with specialists/experts from other fields of science, are best positioned to deliver assurance services, with the quality management in place following ISQM standards. With the accounting firms' developed organizational structure and breadth of experience, including strict ethics rules, it can help drive consistency and connections between financial and sustainability information, that can provide high quality of assurance leading to a more credible and reliable sustainability and financial reports.

## 5. National Auditing Standard Setters

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

We appreciate the opportunity to provide our views on this proposed standard to help inform the IAASB's standard-setting process and support the development of a high-quality sustainability assurance standard.

We agree with the following:

The decision to base ED-5000 primarily on the core concepts and requirements in International Standards on Attestation Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, [ISAE 3000 (Revised)], which is an acknowledged and accepted baseline on which to build an assurance standard that specifically addresses sustainability information.

That an assurance practitioner who is not a professional accountant ("non-accountant assurance practitioner") should be knowledgeable and competent in core assurance, quality management, and independence concepts.

The premise that compliance with relevant ethical requirements and quality management principles is fundamental to high-quality assurance engagements.

While fully supportive of the IAASB's goals in developing ED-5000, we have identified several areas of the standard about which we have concerns and that require revision to enable a final standard that can be consistently interpreted and applied. Our key high-level concerns relating to this question are as follows (see question 2 for additional concerns relating to the public interest):

How to evaluate whether relevant professional requirements are "at least as demanding" as International Standards on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements (ISQM 1) and the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe the IAASB should map its quality management standards to the comparable standards most commonly used by non-accountant assurance practitioners that the IAASB has learned about through its global outreach, and should assess whether those standards are sufficiently aligned with ISQM 1 and contain requirements that

are “at least as demanding”. Such efforts would increase the IAASB’s understanding of different sustainability assurance quality management standards, increase confidence in the existence of standards that are “at least as demanding”, increase global acceptance and use of the proposed standard, and enable the IAASB to offer non-authoritative guidance regarding other professional requirements that are at least as demanding as ISQM 1.

Further, it is unclear how users of assurance reports issued under proposed ISSA 5000 can be confident that non-accountant assurance practitioners are adhering to these high standards without an external monitoring process in place. (See question 4 for our additional recommendations.)

How ED-5000, once finalized, will be consistently and appropriately applied by all assurance practitioners. ED-5000 has inherited many, often complex, technical assurance terms used in the International Standards on Auditing (ISAs); for example, system of internal control, controls, deficiency, and assertions. Professional accounting practitioners are more likely to be familiar with these terms than non-accountant assurance practitioners. For ED-5000 to be consistently understood, interpreted, and applied in a manner that supports the performance of high-quality engagements by all assurance practitioners, it is critical that there be additional guidance in the standard that addresses more complex areas. Ensuring that the standard is clearly understandable will also serve to encourage adoption among a wide range of assurance practitioners.

Accordingly, to enable consistency and comparability in the engagements performed by professional accountants and non-accountant assurance practitioners, we believe that the IAASB should do the following:

Add application guidance relating to fundamental areas of ED-5000, such as materiality, estimates and forward-looking information, reasonable vs. limited assurance, and risk identification and assessment. In addition to the ISAs, IFAC’s International Framework for Assurance Engagements and the IAASB’s Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements (EER guidance) could serve as resources for this material.

Develop non-authoritative educational material in parallel with the development of the standard so that upon finalization, this material could be available to assist with implementation. This could include illustrative material based on current required or voluntary reporting standards, such as, the European Sustainability Reporting Standards (ESRS) of the

Corporate Sustainability Reporting Directive (CSRD) and those of the International Sustainability Standards Board (ISSB); and leveraging work already done in EER and other existing assurance guidance. We note that non-authoritative staff guidance issued by the IAASB is presumed by practitioners to be appropriate for use; accordingly, when such guidance is issued without offering stakeholders an opportunity to comment in advance, as the materiality Q&As were, it is important that IAASB be willing to revisit such guidance based on input from stakeholders.

Raise the awareness of the IAASB’s existing resources among assurance providers and work with national standard setters to leverage existing practice aids and educational material to assist in the implementation of the standard. For example, the IAASB might leverage the AICPA publication *Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures)* (AICPA Sustainability Guide), in particular the recently published chapter 6.

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

We support ED-5000 as an overarching standard on sustainability assurance engagements that can be applied for each of the items described in paragraph 14 of the explanatory memorandum. We also support the objective of the standard to be profession agnostic (i.e., intended for use by all assurance practitioners).

However, in considering the introduction and scope paragraphs in ED- 5000, we noted some concerns.

Concern: Ability to be applied by all assurance practitioners

We heard several concerns about how the entire standard (and more specifically, assurance terms and concepts) would be understood and applied by non-accountant assurance practitioners.

ED-5000 includes many references to concepts that are predicated on the assurance practitioner's understanding of other standards, including the ISAs. Although professional accountants will be familiar with these assurance terms and concepts, non-accountant assurance practitioners may not be as familiar with them. As an example, the standard contains several uses of the term "materiality" – and non-accountant assurance practitioners may require clarity on their different meanings, application, and interconnectivity in the assurance engagement.

While we support the intention of ED-5000 being an overarching standard that includes everything necessary to perform a sustainability assurance engagement, we believe additional guidance or application material may be necessary.

Suggest:

Developing additional application material or implementation guidance that explains certain terms within key foundational concepts in assurance that non-accountant assurance practitioners may not be as familiar with.

Examples of foundational concepts include:

Quality management,

Assurance competence,

Risk assessment,

Internal controls, and

Materiality.

Other suggestions

Flagging "net new" requirements from ISAE 3000 and ISAE 3410 to support methodologies. Understanding how the standard was developed and what the "net new" requirements are will support methodology and implementation considerations.

Consider updating and publishing as non-authoritative guidance the mapping document prepared by the IAASB in June 2023, that shows where the requirements in the final standard came from.

Training and upskilling are required for both preparers and practitioners. The market is at a stage of capacity building to get ready for assurance, particularly in the small and medium-sized entity and practitioner space.

Consider encouraging IFAC, other member bodies, and professional bodies and organizations of 'non-accountant assurance practitioners, to create educational materials to help small and medium-sized entities and practitioners start in this space.

In many jurisdictions, professional accounting bodies who serve the CPA profession are responsible for guidance on existing assurance standards.

Guidance for non-accountant assurance practitioners applying the requirements of ED-5000 should not be left up to local jurisdictions to create.

Note: We recognize that our ability to engage during outreach with non-accountant assurance practitioners was limited. The IAASB may wish to consider our suggestions alongside views it has received directly from non-accountant assurance practitioners.

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

Other than our strong disagreement with the approach to quality management and ethics in ED-5000 (see response to Question 4 below), the AUASB agrees that ED-5000 can be used as a global baseline for accountants. However, the AUASB considers that ED-5000 would not be very accessible or easily understood by non-accountants with no knowledge of the IAASB Standards.

While the AUASB is generally supportive of ED-5000, the AUASB anticipates a number of practical challenges that will be faced in implementing ISSA 5000 in Australia. While our detailed observations are included in the responses to each question below, we highlight the following key matters for IAASB consideration:

Question 4: Relevant Ethical and Quality Management Standards

Question 7: Differentiation of Limited and Reasonable Assurance

Question 8: Preliminary Knowledge of Engagement Circumstances

Question 15: Experts

Question 16: Forward Looking information

Question 25: Other information, others in the eco-system, guidance, sustainability competency

Para 14 of the Explanatory Memorandum (EM) deals with all sustainability topics and aspects of topics; all mechanisms for reporting; any suitable criteria; all intended users; Limited and reasonable assurance; use by all practitioners. The AUASB's comments on these matters are detailed below:

All sustainability topics and aspects of topics:

There is some confusion amongst Australian non-accounting practitioners regarding the scope and applicability of ED-5000. The IAASB should clarify in paragraphs 2 and 3 of ED- 5000, whether the standard would apply to contractual and voluntary assurance over sustainability information in general purpose reports in addition to assurance required over mandatory disclosures. The wording 'general purpose external reporting' in paragraph 2 of the EM indicates a much narrower focus than paragraph 2 of ED-5000. The AUASB suggests that consistent language is used across the EM and the Proposed Standard and that the term used is defined and well understood.

The title of the proposed standard, General Requirements for Sustainability Assurance Engagements, could imply that assurance is over whether an entity is sustainable and is taking appropriate action to be sustainable whereas it is about the disclosures made in period reports under a reporting framework. For clarity, the title could be changed to General Requirements for Sustainability Reporting Assurance Engagements.

It may be difficult for practitioners to achieve consistency in practice without appropriate supporting guidance material providing sufficient specificity into assurance of specific topics or aspects of topics. The AUASB suggests that the IAASB issue future standards or guidance and examples across multiple topics or aspects of topics.

All mechanisms for reporting:

The information being assured may be spread across parts of a financial report and accompanying documents. There is concern as to how the information subject to assurance will be readily identified in an assurance report. The AUASB suggests that the IAASB issues guidance to assist practitioners in this regard.

Any suitable criteria:

While the proposed standard is framework neutral, it may be difficult to achieve consistency in practice without appropriate material for common reporting frameworks (e.g., the ISSB's S1 and S2 Framework and GRI). The AUASB suggests that the IAASB issues future standards or guidance that cover the most commonly used sustainability reporting frameworks.

All intended users:

The AUASB agrees that in principle, ED-5000 is appropriate for all intended users, however the different reporting frameworks may be applied on a mandatory and voluntary basis that can have different intended users. Assurance may also be sought on information needed for reporting by others in the entity's value chain. Identifying the intended users will affect determining materiality both from the entity's perspective and the practitioner's perspective. The IAASB should develop guidance materials to aid practitioners in identifying the intended users of the assurance report.

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

Yes, we believe that ISSA 5000 can and should serve as a global baseline for sustainability assurance engagements. In our opinion, the final standard should be framework-neutral, profession-agnostic and stand-alone.

In this regard, development of any future ISSAs on assurance-related aspects (such as evidence, forward-looking information, group engagements, reporting, etc.) should be addressed only after the ISSA 5000 has been applied in practice for a certain period of time (e.g. 3 years). We believe, this would allow IAASB to better assess the adoption and implementation of the standard and to identify focus areas in potential new standard-setting projects.

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

The CBPS is supportive of the overall objectives set by the Board on the issuance of a specific standard to provide assurance on sustainability reporting. We agree that ED-5000, as an overarching standard, can be applied for the items described in paragraph 14 of the Explanatory Memorandum ("EM") to provide a global baseline for sustainability assurance engagements. In particular, we agree with: the elements presented in the EM Section 1-A, paragraph 14.

We understand that in relation to the item "All mechanisms for reporting" in paragraph 14 of the EM, the definition of "other information" in the ED-5000 could be clarified. Currently, under the ED-5000, both audited financial statements and other sustainability information that was not subject to any kind of assurance may be described as "other information". Users of general financial information may find difficult to differentiate the reported information, in particular which information was subject to assurance (and/or which level) and

what was not in the scope of independent assurance providers. In order to illustrate our comment, we refer to paragraphs 4 and 12 of the ED-5000.

Another item we understand requires further discussion is "Use by all assurance practitioners". Currently, there are no specific guidelines in the ED-5000 as to how auditing and assurance expertise, training, and qualifications will be demonstrated by non-accountants. There are further implications about the ethics requirements that should be observed (please see our answer to Question 4). Regarding the use of the work of "Another Practitioner Work" which is not considered an "Engagement Team Member", we understand the ED-5000 should also provide more details on the verification of the applied quality levels in relation to compliance with ethical issues, as well as in relation to the roles and responsibilities among the parties in the process of defining scope, performing procedures and issuing the assurance report (please see our answer to Question 15 below).

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

Overall, we agree with the fact that ED ISSA 5000 can be applied for the items described in paragraph 14 of the EM, but we have the following comments:

All sustainability topics and aspects of topics: ISAE 3410 needs to be updated and moved to ISSA 5000 category.

ED ISSA 5000 is not intended, at this stage, to be applied to all sustainability topics since paragraph 2 of ED ISSA 5000 states that "This ISSA applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, in which case ISAE 3410 applies."

Therefore, the work effort to be performed by the assurance practitioner on a GHG statement included in a broader sustainability report which includes also information on other topics/aspects of the topics than GHG will be different depending on whether the assurance practitioner is intending to include in the assurance report a separate assurance conclusion on the GHG statement or not. We believe that this difference in the work effort may be difficult to understand for the reader of the sustainability information and of the assurance report thereon.

Additionally, the coexistence of ISAE 3410 and ISSA 5000 will create the need for the practitioners to develop and maintain two different methodologies for sustainability and GHG assurance and to develop related training, which will create an unnecessary complexity.

We believe that, for ISSA 5000 to be able to be applied to all sustainability topics, ISAE 3410 should be updated and classified in the ISSA 5000 series. This should be done as soon as possible after the issuance of final ISSA 5000.

Use by all assurance practitioners (profession agnostic): need to update EER guidance.

For ISSA 5000 to be able to be applied by all assurance practitioners, additional guidance is needed, especially for practitioners that may not be familiar with existing IAASB pronouncements. EER guidance contains many relevant and useful examples but is currently aligned with ISAE 3000 (revised). EER guidance will need to be updated to be aligned with ISSA 5000.

All intended users:

We would like to highlight that the use of judgement in designing and performing further procedures to provide a meaningful level of assurance is likely to lead to significant differences in terms of the procedures

applied, in practice, and therefore, that the clear description of these procedures in the assurance report is critical to support the intended users' understanding of the procedures performed and the conclusions drawn by the practitioner, and ultimately support their decision-making.

Furthermore, we believe that it would be necessary to clarify the Application and Other Explanatory Material (A25 to A27) in order to distinguish "intended users" (key to the construction of the assurance approach) from "other users".

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

We support the development of ED-5000 by the IAASB to provide a global baseline for sustainability assurance engagements. Nonetheless, the choice of assurance standards depends on local jurisdictions and the specific needs of the intended users with regard to sustainability information assurance, given that there are other assurance standards in the market apart from the assurance standards set by the IAASB, such as ISO 14065 General principles and requirements for bodies validating and verifying environmental information and ISO 17029 Conformity assessment – General principles and requirements for validation and verification bodies and AA1000 Assurance Standard. Without a mandatory requirement set by the jurisdiction to obtain assurance on the sustainability information and obligation to adhere to a specific framework for assuring sustainability information, challenges in implementation of ED-5000 are expected.

It is critical that the public (including the intended users and all practitioners) be educated to increase their awareness of the benefits of having sustainability information (i) assured and (ii) reported on by qualified individuals. Such an understanding would enable entities and users to make well-informed decisions when selecting assurance standards and practitioners, and interpreting sustainability assurance reports. By promoting relevant knowledge and fostering understanding, the educational initiative will effectively contribute to enhancing the overall appreciation of the significance and impact of assurance in the context of sustainability reporting.

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

We believe that, subject to our comments immediately below and in our responses to the other questions thereafter, the draft as an overarching standard can be applied for the items described in paragraph 14 of this Explanatory Memorandum to provide a global baseline for sustainability assurance engagements. In particular, we believe that the draft can be applied to all sustainability topics and aspects of topics, regardless of the reporting mechanisms and the criteria applied. We also believe that the draft is suitable for all intended users. While the draft can be applied to both limited and reasonable assurance engagements, we refer to our comments in our responses to the questions below regarding the differentiation between limited and reasonable assurance.

The increased significance placed on sustainability information for making diverse decisions demands that the quality of reasonable assurance engagements in this space be on a par with that strived for in the audit of financial statements and that limited assurance obtain a meaningful level of assurance in the context of sustainability reporting. We suggest the IAASB underline the importance of ensuring that all assurance practitioners are subject to appropriately high standards governing their performance, including possession of high-quality skills and competencies in both assurance and sustainability-related matters, application of effective quality management over their work and adherence to appropriately stringent standards of ethical behavior. We are concerned with any weakening of the requirements for the equivalency of ethical requirements. The current stringency for equivalency for quality management at firm level must be retained. In our view, quality must be paramount and ethical requirements and quality management requirements should therefore not be diminished. See our response to Question 4 below.

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

We agree that ED-5000 as an overarching standard provides a global baseline for sustainability assurance engagements.

However, we believe that an overarching principles-based general standard alone may not be able to sufficiently address practical issues, leading to a variety of different guidance developed by different jurisdictions, which might result in an inconsistent application of ISSA 5000. Particularly, when performing an assurance engagement on the sustainability information of global companies including information from value-chain, some adjustment or reconciliation may be needed in the application of ISSA 5000 among jurisdictions if different and inconsistent guidance are developed.

We recommend that the IAASB develop, in a timely manner, subject or topic specific standards under ISSA 5000 series (refer to our comments to Q3 and Q18) or guidance on ISSA 5000 (refer to our comments to Q18 and Q21) that could facilitate consistent application of ISSA 5000 and high-quality assurance engagements across the world.

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

With respect to the mechanisms for reporting, the interrelationship between the audit and sustainability assurance engagements may need to be further addressed as reporting mechanisms evolve.

The concept of intended users is sufficiently clear in technical terms. From a practical perspective, identifying the common needs of intended users of general purpose sustainability reporting and the related impact on materiality and evaluation of misstatements are likely to be more challenging in comparison to that of the users of audited financial statements.

We support the objective of the IAASB in seeking to make the standard suitable for use by both professional accountant and non-accountant assurance practitioners.

We agree with the principle that an assurance practitioner should be knowledgeable and competent in core assurance concepts.

We also agree:

With the fundamental premises relating to compliance with relevant ethical requirements and quality management principles, on which the standard is based (see question 4).

In principle, with the standard being based on the core concepts and requirements from ISAE 3000 (Revised).

However, by anchoring the ED closely to ISAE 3000 (Revised) and introducing several ISA concepts and requirements, there is a risk that the standard may not be as readily understandable to non-accountant assurance practitioners who are not familiar with the IAASB's existing standards.

### **Public Accountants and Auditors Board Zimbabwe (PAAB)**

All mechanisms for reporting

However, the PAAB believes that in order to provide a global baseline for sustainability assurance engagements, the standard must deliver a global system for consistent and comparable assurance-sustainability information through establishment of a mandatory global reporting system of reporting sustainability related information.

## 7. Accounting Firms

### Ataf Noor Ali Chartered Accountants

We agree that the ED provides a global baseline for sustainability assurance engagements.

1.2 The ED is a comprehensive document covering many aspects from engagement to the reporting.

### Baker Tilly International

Detailed comments (if any): The work effort required for limited assurance opinions is too high and too close to the work effort required for reasonable assurance engagements. If left as is the IAASB risks enabling another “expectation gap” and fragmentation where national standard setters describe their own rules.

### BDO International Limited

We agree that the ED-5000 can be applied to most of the items in paragraph 14 of the explanatory memorandum. Sustainability information can be presented in many different formats using a variety of reporting frameworks and we agree that as the requirements and guidance in ED-5000 are principles-based, it can be suitable for different types of sustainability assurance engagements. Further, its development based on existing audit and assurance standards for financial and non-financial information provides existing assurance practitioners, preparers, and users of the sustainability information a familiar and proven framework in which to perform sustainability assurance engagements. We note, however, that in reviewing and providing comments on ED-5000, we are doing so from the perspective of a professional accountant assurance practitioner and therefore cannot conclude on whether the standard can be used by all assurance practitioners as a stated objective in paragraph 14 of the explanatory memorandum.

In addition, we recommend that due to the length and current structure of ED-5000, links are added throughout the standard when making references to various paragraphs, so practitioners are able to easily navigate the standard. This can be done through the use of the EIS platform. As advancements in sustainability assurance may lead to further requirements and application guidance in the future, the standard may become more complex. Therefore, we suggest reconsidering the suitability of having only one overarching standard to ensure assurance practitioners can achieve quality outcomes.

### Crowe Global

We agree that ED-5000 can be applied as an overarching standard for each of the items described in paragraph 14 of the Explanatory Memorandum to provide a global baseline for sustainability assurance engagements.

We see ED-5000 as a foundation standard, and the first of a suite of standards to support the performance of sustainability assurance standards. At this time, our view is that the ED-5000 requires completion and issue in line with the IAASB's timetable. This results in a standard that can be applied for the assurance of engagements where there is reporting under the EU CSRD.

### Deloitte LLP

Deloitte is supportive of ED-5000, General Requirements for Sustainability Assurance Engagements (“ED-5000”) as the overarching standard and global baseline for sustainability assurance engagements, and we agree in general that the standard can be applied to each of the items in paragraph 14 of the Explanatory Memorandum, subject to the comments and suggested solutions provided herein.

We believe consistent and comparable high-quality reporting underpins our ability to serve the public interest and should continue to be an area of focus for all stakeholders. With that in mind, we strongly

encourage the IAASB to continue to collaborate with other stakeholders, including the European Commission, IESBA, and the PCAOB, with the objective of achieving one globally recognized sustainability assurance standard (or set of standards).

We are concerned that fragmentation of sustainability assurance standards (and therefore diversity in the performance of related engagements, which may lead to negative quality outcomes) will cause confusion to assurance practitioners, users of sustainability assurance reports and other stakeholders, as there may be a lack of comparability across similar entities and/or industries. Fragmentation will also create additional complexity for multinational entities that are subject to reporting requirements in multiple jurisdictions including that such entities may potentially have to adopt multiple sustainability frameworks which may require the entities to maintain multiple systems and varied processes, controls, and resources. If, in addition to multiple reporting frameworks (which we acknowledge the IAASB cannot control), there are also multiple sustainability assurance standards (which the IAASB does have influence over), additional complexity and cost will result for both preparers and assurance practitioners, and ultimately, investors.

All sustainability topics and aspects of topics

Within the IAASB's sustainability assurance standards specifically, there is a need for further clarity on the relationship between ED-5000 and ISAE 3410, Assurance Engagements on Greenhouse Gas

Statements, ("ISAE 3410") to avoid inconsistencies in the nature and extent of procedures performed on greenhouse gas ("GHG") information. As drafted, for example, two different work efforts on limited assurance engagements over the same GHG information could be applied, depending on whether the practitioner used ED-5000 or ISAE 3410. This may not be easily understood or transparent to all users of the related sustainability assurance reports. Our response to Question 3 provides a proposed solution.

Use by all assurance practitioners

As noted above, we believe one of the most significant areas of focus should be on developing sustainability assurance standards that enable consistent, high-quality engagement performance globally, so that users of related sustainability assurance reports understand the work that was performed as the basis for the conclusions reached and the conclusions themselves. In order to enable this outcome, and given that the standard is necessarily principles-based and not all encompassing, it will be particularly important to develop implementation guidance or applicational material, that (1) recognizes the differences in professional experience and familiarity with the IAASB and IESBA standards that may exist across assurance practitioners and (2) therefore provides a bridge from these different knowledge bases and experience to enable consistent performance and reporting.

To further mitigate the risk of inconsistent application, we suggest the IAASB develop non-authoritative educational material in parallel with finalization of ED-5000 in key areas, for example: determining materiality, performing a limited vs. reasonable assurance engagement, identifying risks of material misstatement vs. identifying where material misstatements are "likely to arise", and procedures to be performed on estimates vs. other forward-looking information.

Other

We recommend the IAASB continue to consider the overall balance between requirements and application material both prior to finalization as well as in future revisions to the standard. We recognize that certain jurisdictions may adopt only the requirements, and not the application material, into law.

Given the importance of sustainability information to stakeholders and its nascence broadly, we recommend a “stand back” before finalization to revisit whether the balance between requirements and application material enables as consistent execution of sustainability assurance engagements as possible. In our responses, we have noted certain paragraphs that we believe should be changed from application material to requirement paragraphs.

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

Generally, we agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of the EM to provide a global baseline for sustainability assurance engagements. However, we have concerns with the exclusion of greenhouse gas (GHG) statements from ED-5000 and with the challenges presented by use of ED-5000 by all assurance service providers.

All sustainability topics and aspects of the topics: Assurance on greenhouse gas (GHG) statements should be aligned with ED-5000

We understand that ED-5000, as proposed, does not apply to assurance on GHG statements when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies. To enhance the “implementability” standard-setting characteristic, we believe that the requirements and application material dealing with assurance engagements on GHG statements should be aligned with ED-5000 instead of ISAE 3410.

Although we acknowledge that the revision of ISAE 3410 was not included in the scope of the project proposal to develop ED-5000, we urge the IAASB to revise ISAE 3410 as soon as possible after the issuance of final ISSA 5000. Refer to our response to Q2 for suggestions on updating the standards for assurance engagements providing a conclusion on GHG statements. As further support for the urgency to revise ISAE 3410, some aspects of ISAE 3410, such as the encouragement to exclude scope 3 information from the scope of sustainability assurance engagements, appear obsolete and contradictory with ED-5000 requirements and scope.

Use by all assurance providers: Additional implementation guidance is needed

There is a public interest expectation for ED-5000 to be “profession agnostic”, which means that ED-5000 should be able to be used by both professional accountants and non-accountant assurance practitioners. Professional accountants have the benefit of being familiar with the IAASB suite of standards and existing guidance (such as the EER guidance); however, non-accountant assurance practitioners may need additional guidance to apply ED-5000 consistently due its overarching nature.

As stated in our comment letter dated 11 April 2023 on the IAASB’s Proposed Strategy and Work Plan for 2024-2027, we encourage the IAASB to develop implementation guidance for ED-5000, including revising the EER guidance to align with ED-5000, as the EER guidance contains many examples that are useful to practitioners, particularly those not as familiar with the assurance standards. We believe that it would be difficult for practitioners to continue using the EER guidance without such revisions because the requirements and vocabulary used in ED-5000 differ significantly from those used in ISAE 3000 (Revised) and the existing EER guidance.

While ED-5000 provides useful distinction between limited and reasonable assurance engagements, we also believe that all practitioners would benefit from implementation guidance to help identify the differences between limited and reasonable assurance engagements and how a practitioner would scale a reasonable assurance sustainability engagement when transitioning from limited to reasonable assurance, which may be common in future years in complying with the requirements in the relevant jurisdictions.

## ETY sas

ETY agrees that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of the EM to provide a global baseline for sustainability assurance engagements.

However, we would like to highlight some concerns and improvements required in the standard in respect of the following matters:

Use by all assurance practitioners:

We do have concerns around how the assessment of 'at least as demanding' will be made, monitored and enforced in jurisdiction where IESBA code and ISQMs are not adopted or adapted and resources are lacking for regular relevant jurisdictional regulations assessments against the code and ISQMs. In our view that can be specifically challenging in developing countries, we therefore strongly recommend considering issuing a guidance to assist in the assessment.

## European Contact Group (ECG)

We welcome the significant work the IAASB has accomplished in developing ED-5000 and support the creation of a global baseline of standards for sustainability assurance engagements. Note that our responses and comments are limited to only sharing EU-specific perspectives, from the European ECG firms, resulting from the sustainability reporting requirements adopted in the EU; these replies do not replace the separate responses of each network. We agree that ED-5000 provides a global baseline for sustainability assurance engagements over sustainability reporting required in the EU. However, we note that ED-5000 does not address all sustainability information to be reported under the EU rules or other EU requirements, such as an entity's materiality assessment process, EU taxonomy requirements and the mark-up required for the European Single Electronic Format (ESEF), which require a consistent approach across the EU as well.

## KPMG International

Detailed comments (if any): We welcome the extensive efforts of the IAASB to develop this proposed standard in such a short timeframe, recognising the need for an accelerated timetable to avoid fragmented solutions in terms of separate standards being developed across different jurisdictions.

We believe that ED-5000 provides an appropriate global baseline for the performance of assurance engagements over sustainability information, and we consider that it is better placed than ISAE 3000 (Revised) to support the performance of high-quality sustainability assurance engagements across different jurisdictions.

Overall, we agree that, as an overarching standard, ED-5000 can be applied for each of the items described in paragraph 14 of the Explanatory Memorandum. Whilst our response to specific questions does include several key concerns and recommended actions, including changes to clarify and enhance ED-5000 that we would strongly encourage being addressed prior to issuance, we commend the IAASB for its efforts so far, and we express our full support for the development of this ISSA as a global baseline for the performance of engagements over sustainability information.

Further clarification/enhancement of certain aspects within ED-5000

We have identified certain aspects of the proposed standard that we believe need further enhancement to be more responsive to some of the challenges, or to address clarity or practicability concerns. In particular, we set out our key concerns and recommendations in our response to Question 16 relating to estimates and forward-looking information, which we believe have similarities but are sufficiently distinct from each other

that they should be addressed separately in the proposed standard, and in our response to Question 18 relating to obtaining sufficient appropriate evidence in respect of information from the wider value chain. We strongly encourage the IAASB to address these concerns within ED-5000 prior to issuance. We also note that there are other important, but less significant, concerns and recommendations highlighted in our responses to other specific questions, which we would also encourage the IAASB to consider addressing prior to issuing the final standard.

Development of additional ISSAs within the ISSA 5000 suite as a priority to address areas of greater challenge and potential inconsistency in application

Whilst we believe that ED-5000 provides an appropriate global baseline, the requirements and application material in this overarching standard are drafted at a relatively “high-level” in certain areas and will likely need to be expanded upon and clarified in the future, to respond to inconsistencies in interpretation and to drive greater consistency in application. We recommend that the IAASB explore the development of additional standards within the ISSA 5000 suite over time, similar to the approach taken to develop the ISAs as practice evolved. We believe that additional standards that address estimates and forward-looking information, “consolidated” or aggregated sustainability information (including from the wider value chain), and materiality in greater detail would be the likeliest initial priorities. We highlight that there are likely to be a number of practical challenges in these areas due to certain characteristics that are unique to sustainability assurance engagements, and therefore we recommend that the IAASB monitor practice as this evolves to inform the development of such additional standards.

Development of additional ISSAs over the medium term to build on the foundational standard

We observe that there is an imbalance in ED-5000 in terms of requirements addressing different aspects of an assurance engagement. For example, more extensive requirements addressing engagement acceptance, determining that the preconditions for an assurance engagement are present, and identifying and assessing risks of material misstatement/identifying disclosures where material misstatements are likely to arise, are included, whereas requirements addressing areas such as fraud, laws and regulations, using the work of practitioner’s experts, and using the work of internal auditors (amongst others), have been included as “high-level” requirements. We consider this approach to be commensurate with the fact that this is a foundational standard, with certain requirements/sub-requirements that are derived from the ISAs included as application material, i.e., as more specific matters to “consider” in applying the overarching requirement. However, we believe there is a potential risk that this may lead to inconsistency in practice, particularly between professional accountants that have experience applying the ISAs and those practitioners that do not, as the latter do not have a background in financial statement audit and therefore do not have the benefit of understanding the context and additional guidance provided by the ISAs. We therefore recommend that the IAASB explore the development of additional ISSAs within the ISSA 5000 suite in the medium-longer term to address these areas in more detail, in order to provide greater specificity, clarity and context to drive greater consistency in application.

We also recommend that the IAASB liaise with other bodies including regulators, national standard setters (NSS), and educational bodies to explore training and guidance for such practitioners in respect of these core assurance concepts.

## **MHA**

In considering the IAASB’s application criteria in paragraph 14 of the Explanatory Memorandum, we agree that the principles-based approach of ED-5000 means it can be applied as an overarching standard and

provides a useful global baseline. However, we have identified the following areas where ED-5000 may not prove as useful in practice as the IAASB intends:

All sustainability topics and aspects of topics: ED-5000 currently provides little in the way of guidance on appropriate assurance techniques over forward-looking or future-oriented information, for example certain scope 3 CO<sub>2</sub> emissions calculated under the Greenhouse Gas Protocol. There remains considerable diversity in practice over the assurance approach to such sustainability metrics. While we note the non-authoritative guidance issued by the IAASB in April 2021 in relation to extended external reporting engagements under ISAE 3000, we believe that the non-authoritative guidance should be incorporated into the body of ISSA 5000 and considered authoritative.

All intended users: the range and diversity of intended users of the sustainability assurance report can be vast, with contrasting and often conflicting views on material topics. Unless the scope of the intended users is clarified by the IAASB, we fear that assurance practitioners will be unable to perform a sustainability assurance engagement under the proposed standard because engagement risk will exceed the practitioner's risk appetite.

Limited and reasonable assurance engagements: the approaches mandated for limited assurance engagements in ED-5000 are inconsistent with market practice under ISAE 3000 and ISAE 3410 engagements, particularly the requirement for limited assurance engagements to include tests of control operating effectiveness.

Use by all assurance practitioners: we applaud the IAASB's ambition to introduce a profession-agnostic standard that can be applied by a variety of skillsets and expertise. However, there are significant challenges in ascertaining whether a non-accountant assurance practitioner both understands and complies with standards "at least as demanding" as the IESBA Code or ISQM 1. We have also noted several instances where concepts have been lifted from International Statements on Auditing and embedded in the proposed standard without further explanations, but where non-accountants would require greater assistance and clarity to comply with ED-5000.

#### **MNP LLP**

We agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of the explanatory memorandum. However, considering whether the standard can be used by all practitioners, we noted some concerns.

We noted potential areas of challenge when different service providers are providing assurance over an entity's financial statements and their sustainability information. For example, different accountants may be performing the financial statement audit and the sustainability information assurance engagement, or an accountant may be performing the financial statement audit and a non-accountant may be performing the sustainability information assurance engagement.

When the suitable criteria are based on IFRS S1, there is a requirement to report sustainability-related financial disclosures at the same time as its related financial statements and that cross-referenced information be available on the same terms and at the same time as the sustainability-related financial disclosures. This may be a challenge particularly if different parties are involved in providing assurance. These requirements in addition to the requirements related to other information and the connectedness of information may result in duplication of work effort which may be unavoidable.

We also noted concerns regarding the scalability of the standard, given that many reporters will be small and medium sized entities. We believe that scalability considerations should be more transparent throughout the standard and additional application guidance should be developed for less complex entities.

In addition, upskilling and training will be needed for small and medium sized entities for them to report sustainability information of sufficient quality that may be subject to assurance.

#### **PKF International Limited**

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

All sustainability topics and aspects of sustainability topics – there is no definition of “sustainability” in ED-5000. The closest ED-5000 gets to a definition is in para 3 which provides a description of matters which may be included in an entity’s disclosures on sustainability information. We acknowledge the inherent difficulties in providing a narrow definition of sustainability. However, the existing explanations of sustainability in ED-5000 are very broad and will increase the risk that the requirements and guidance in ED-5000 do not continue to be fit for purpose in the future if the range and underlying nature of sustainability matters which are subject to reporting and assurance continue to experience significant growth and evolution. To better manage this scenario, and to help ensure it remains clear to users as to the sustainability information to which ED-5000 can be applied, we recommend that a narrower definition is included. The narrower definition should not only provide a more precise explanation of what the standard intends is covered by the term “sustainability” but should also specify which topics are not covered in “sustainability” as it relates to ED-5000.

All mechanisms for reporting – we understand the objective, and need, for ED-5000 to apply to sustainability reporting via a variety of mechanisms and to be appropriately flexible to accommodate evolving practices. However, we are concerned that the application of ED-5000 to “all” or “any” reporting mechanisms is by definition infinite, inclusive of all possible forms of sustainability reporting in the future including, for example, real-time reporting, or reporting in a video or audio format. It eventually become impractical for ED-5000 to accommodate an open-ended group of reporting mechanisms as formats evolve. To guard against the related risks, we recommend that the standard includes a narrower definition of those types of reporting mechanism to which ED-5000 is intended to apply. For example, in our view it would be appropriate to restrict the reporting mechanisms to which the standard can be applied to those which are in a written form and which cover defined reporting periods and time horizons.

#### **PricewaterhouseCoopers International Limited**

##### **Overarching standard**

We agree, in principle, that the draft of ISSA 5000 (ED-5000) can be applied to all sustainability topics and aspects of topics; all mechanisms for reporting; any suitable criteria; both limited and reasonable assurance engagements; and is generally suitable for use by all assurance practitioners and intended users of sustainability information.

We are fully supportive of the IAASB’s goals in developing ED-5000, and broadly support much of the proposed content, which has been helpfully enhanced from ISAE 3000 (Revised) to reflect the challenges identified in relation to performing a sustainability assurance engagement. However, there are characteristics largely unique to sustainability reporting that will have significant implementation

consequences for planning and performing a sustainability assurance engagement. While we have provided specific recommendations for a number of areas of the standard, we believe certain pervasive issues require further holistic consideration by the Board to enable the final standard to be both operable and capable of being consistently interpreted and applied by both professional accounting assurance practitioners and assurance practitioners with other backgrounds/qualifications (hereafter “non-professional accounting assurance practitioners”). These areas, and where these concerns are described in this response document, are:

Obtaining evidence regarding information from outside the entity’s organisational boundary – see below.

Using the work of another practitioner – see response to question 15.

Understanding the entity’s process to identify material reporting topics (“entity’s materiality process”) – see below (“intended users”) and response to questions 9 and 11.

The concept of a meaningful level of assurance and the related nature and extent of work performed for limited assurance engagements – see response to question 7.

Requirements and guidance on aggregated sustainability information – see below and response to question 18.

Forward-looking information – see response to questions 10 and 16.

Other information – see below (“Other information and interrelationship with audited financial statements”) and response to question 25.

Information from outside the entity’s organisational boundary

One overarching fundamental observation, which impacts several of the areas noted above, is the practical implications that result from necessarily having to deal with information within the entity’s reporting boundary that is generated from outside of the entity’s organisational boundary, for example from the entity’s value chain. This is a characteristic largely unique to sustainability reporting that has significant implementation consequences for planning and performing a sustainability assurance engagement. There are inherent challenges associated with access to information from outside the entity’s organisational boundary, which in the first instance may affect management’s ability to report on a complete and accurate basis, and the ability of an assurance practitioner to obtain evidence for such information, including to evaluate its relevance and reliability. Existing audit/assurance concepts associated with obtaining sufficient appropriate evidence over consolidated or aggregated (hereafter “aggregated”) information i.e., group audit principles, are not, in our view, fully transposable to sustainability assurance engagements and will need to be adapted. A key question that we think needs to be addressed is: what is an appropriate work effort over information management has reported, based on different types of information originating from outside the entity’s organisational boundary, to enable an assurance practitioner to express an assurance conclusion on aggregated sustainability information as a whole? For example, it would be useful to specifically address considerations for the relevance and reliability of third-party information (and appropriateness of evidence) when management incorporates third-party information from outside of their organisational boundary where reported information:

is based on assured information (see response to question 15 on using work of another practitioner);

is derived from a counterparty in the entity’s value chain e.g., emissions data that has not been subject to any form of assurance; or

simply involves use of proxy information (with or without accompanying 'quality scoring') i.e., where a third-party may or may not have independently evaluated the perceived 'quality' of the data).

Consequently, we believe this is an area for which the IAASB needs to give further consideration on a holistic basis. In addition to providing additional application material for those requirements where consideration of such matters would be relevant, this is likely also to be an area for which separate non-authoritative guidance would be useful, to summarise the practical challenges associated with addressing information from outside the entity's organisational boundary in complying with various requirements within the standard. For example, this would include implications for whether engagement preconditions can be met, availability of, and sufficiency and appropriateness of, evidence, considerations related to using work of another practitioner, and any limitations on scope that impact the practitioner's conclusion. Such guidance would provide helpful educational material for preparers, assurance practitioners and regulators alike. While it is outside of the remit of the IAASB, there is a potential lack of guidance for preparers addressing how they evaluate the quality of information from outside their organisational boundary and whether they have a sufficient basis for their reporting.

#### Other Information and interrelationship with audited financial statements

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

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

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

This gives rise to several implications regarding the expectations and consistency of work across practitioners, which we further discuss in our response to question 25.

#### Aggregated information

We acknowledge the IAASB's rationale for not seeking to include detailed requirements based on ISA 600 (Revised) for assurance engagements over aggregated sustainability information. Subject to our comments above regarding information from outside the entity's organisational boundary, 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. This would allow the Board to further address issues associated with using the work of other practitioners and may also provide a useful mechanism for addressing some of the challenges associated with information from outside the entity's organisational boundary. See also our response to question 18.

#### Intended users

With respect to the assertion that the standard is suitable for use in relation to "all intended users", the concept is sufficiently clear in purely technical terms. However, the breadth and nature of sustainability information and the core concepts underpinning many reporting frameworks means the identification of all intended users of reported information, often more broadly characterised as "affected stakeholders", is extremely challenging. The further along an entity's value chain, the less clear it becomes as to whether

stakeholders might be considered intended users. This is first and foremost a question that preparers need to address as part of their overall reporting materiality process. However, it has implications for the assurance practitioner.

The notion of “common needs” of intended users may not apply as universally as is the case for users of financial statements. For example, how should a practitioner evaluate whether the scope of the engagement or identified misstatements are likely to mislead intended users, when the population of such users and their varied interests is not clear. These are two examples, but there are many requirements grounded in the concept of the “effect” on intended users. These are challenges the IAASB should consider in determining whether established principles from ISAE 3000 (Revised) that have been incorporated into ISSA 5000 remain practicable. Additional guidance on factors a practitioner may take into account when seeking to identify intended users and their common needs when there are varied affected stakeholders would be beneficial. This may include, for example:

Recognising that current disclosure standards – ESRS and ISSB – explicitly state that the financial materiality perspective is based on the information needs of the primary users of general-purpose financial reporting.

Considering who the entity’s stakeholders are. A stakeholder in the entity may be an individual or group of individuals that has a relationship with, or interest in the entity.

Considering officially recognised or widely acknowledged impacts, for example, established concerns noted by expert communities (e.g., environmental scientists), or that have been identified using established tools such as impact assessment methodologies or life cycle assessments.

Considering impacts that are considered important enough to require active management or engagement by the entity.

The practitioner is not able to assess and respond to all users’ potential needs or even those for which there may be some commonality but that represent a minority. Establishing principles for how to evaluate common needs of a majority of users is therefore important to drive consistency. We comment further on how intended users’ needs are considered in our responses to questions 9, 11 and, in particular, 12 (practitioner’s materiality).

#### Assurance practitioners and fundamental premises

We support the objective of the IAASB in seeking to make the standard suitable for use by both professional accounting assurance practitioners and non-professional accounting assurance practitioners.

We agree with the principle that an assurance practitioner complying with ISSA 5000 should be knowledgeable and competent in core assurance concepts.

We also agree with the fundamental premises on which the standard is based relating to compliance with relevant ethical requirements, including independence requirements, and application of a system of quality management that is sufficiently robust (see further our response to question 4).

We agree with the IAASB’s rationale for basing ED-5000 on the requirements of ISAE 3000 (Revised) and ISAE 3410. This provided an acknowledged and accepted baseline on which to build. In doing so, however, ED-5000 has inherited many, often complex, assurance terms that professional accounting assurance practitioners are likely to be more familiar with than non-professional accounting assurance practitioners. For ED-5000 to be consistently understood, interpreted and applied in a manner that supports high quality engagements by all assurance practitioners, it is critical that there is sufficient application guidance around

these more complex areas. Ensuring the standard is clearly understandable will also serve to encourage adoption among assurance practitioners that are not professional accounting practitioners. In our responses to the remaining questions below, we have highlighted, where relevant, areas where we believe further clarification or additional guidance to achieve these goals is warranted.

### **RSM International**

The items described in the explanatory memorandum to provide a global baseline for sustainability engagements include all sustainability topics and aspects of topics, all mechanisms for reporting, any suitable criteria, all intended users, limited and reasonable assurance engagements and use by all assurance practitioners. We agree that ED-5000 can be applied as an overarching standard for each of these items.

However, without further refinement, we have concerns that the application and interpretation of the standard may significantly vary when engagements are performed by different type of practitioners. Any such variations could lead to significant inconsistencies that may undermine the aim of being responsive to the public interest. Please see further commentary in question #2.

We also have concerns regarding the practical application by all practitioners of ethical and quality management standards, which are 'at least as demanding' as the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code) and International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements (ISQM 1). Our comments in relation to this are set out in our response to question #4.

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

### **SGS**

The standard has the potential to provide a global baseline for sustainability assurance engagement. However, it will be appropriately scalable and adaptable if it could be developed into neutral language, instead of accounting language. Additionally, it needs to consider widening scope to cover existing mainstreaming international reporting frameworks and assurance standards, such as GRI, ESRS, IFRS, AA1000, etc. In a word, it needs to jump out the boundary of accounting to a much wider map.

### **TIC Council**

The standard has the potential to provide a global baseline for sustainability assurance engagement. However, it will be appropriately scalable and adaptable if it could be developed into neutral language, instead of accounting language. Additionally, it needs to consider widening scope to cover existing mainstreaming international reporting frameworks and assurance standards, such as GRI, ESRS, IFRS, AA1000, etc. In a word, it needs to jump out the boundary of accounting to a much wider map.

## **9. Public Sector Organizations**

### **Government Accountability Office - US**

We agree with the general direction of the proposal but are concerned that the extent of detail in the requirements and application material may be insufficient to reasonably assure consistent application of the

standard, particularly for non-accountants who can provide assurance on sustainability engagements. While the basic concepts, such as risk assessment and response, materiality, using the work of others, limited and reasonable assurance, and independence, are described in greater detail in the IAASB's auditing standards used by accountants, these auditing concepts may require additional elaboration to apply to sustainability assurance engagements.

In addition, non-accountants are unlikely to have sufficient understanding of these concepts and their application without more specific guidance. Consequently, we believe that the proposed standard should provide additional specificity and guidance to achieve consistency and address challenges in the conduct of sustainability assurance engagements. Additional details are noted in our responses to selected questions below.

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

Yes, we believe that ISSA 5000 can and should serve as a global baseline for sustainability assurance engagements. To achieve this, the final standard should be framework-neutral, profession-agnostic and stand-alone.

In this regard, development of any future ISSAs on assurance-related aspects (such as evidence, forward-looking information, group engagements, reporting, etc.) should be envisaged only after the ISSA 5000 has been applied in practice for a certain period of time (e.g. 3 years). This would allow IAASB to better assess the adoption and implementation of the standard and to identify focus areas in potential new standard-setting projects. During this period, the IAASB, in cooperation with relevant stakeholders, may develop case studies and real-life examples to support the standard's implementation.

The IAASB, however, could consider working on topical standards within the suite of ISSAs at a later point in time. These may include specific assurance standards for GHG statements (a revised version of ISAE 3410), climate change, selected social and governance matters, and internal control over sustainability reporting.

### ACTEO AFEP MEDEF

All sustainability topics

French companies welcome the development of ED-5000 as a principles-based global baseline for the assurance of sustainability information for the following reasons:

As of FY 2024, EU companies will be progressively subject to mandatory sustainability reporting according to ESRS (European Sustainability Reporting Standards) which cover a large variety of sustainability topics such as climate change, pollution, water resources, biodiversity, circular economy, workforce, workers in the supply chain, affected communities, consumers, business conduct and governance. Considering the large scope of their reporting obligations and the permanent evolution of sustainability topics, French companies consider the wide scope of ED-5000 appropriate.

Sustainability reports will have to be audited by statutory auditors or independent assurance services providers according to assurance standards to be adopted by the EU Commission no later than 1 October 2026 for limited assurance standards, followed no later than 1 October 2028 by reasonable assurance standards if certain conditions are met.

It is in the interest of EU companies that non-EU competitors not only publish equivalent sustainability information, but are also subject to high-quality assurance engagements performed according to high-quality international standards developed by the IAASB. Only an international level-playing field will be able to ensure the necessary trust in assurance engagements on sustainability information performed around the world. This is why French companies are in favour of a convergence between the future EU assurance standards and the international standards developed by the IAASB.

Regarding the scope of ED-5000, French companies have the two following concerns:

- They wonder whether the fact that ISAE 3410 regarding assurance engagements on greenhouse gas statements co-exists next to ISSA 5000 might create some confusion. Indeed, climate related reporting is a central part of sustainability reports and ideally there should be one single standard for assurance engagements on all sustainability topics.
- They also suggest underlining more explicitly that the assurance engagement according to ISSA 5000 will also cover the materiality assessment performed by entities (see our more detailed response to question 4).

#### All mechanisms for reporting

French and EU companies will have to publish their sustainability reports as part of the management report. It is however important that assurance engagements for sustainability information published in other jurisdictions as stand-alone documents or integrated reports are performed with the same rigour and consistency. French companies therefore support the approach of ED 5000 which may apply to all sustainability reports regardless of their integration in the annual report or not.

#### Any suitable criteria

French companies support the framework agnostic nature of ED 5000 as it is likely that several reporting frameworks will continue to co-exist in the near future (ESRS, IFRS S1, S2, SASB, CDSB Framework, GRI, IR, ...). Users should be able to rely on the same rigour performed for assurance engagements performed on information reporting against these different frameworks.

#### All intended users

French and EU companies will have to report on sustainability risks, impacts and opportunities identified through the double materiality lens. It is therefore essential that ISSA 5000 allows for assurance engagements taking into account, as proposed, the intended users' needs according to the double materiality principle which is wider than those of the financial materiality.

#### Limited and reasonable assurance engagements

In the EU, during the first years, only limited assurance engagements will be mandatory. In 2028 the Commission will then have to assess whether reasonable assurance is feasible for auditors and for undertakings and adopt reasonable assurance standards accordingly.

The evolution towards reasonable assurance will require time as both practitioners and preparers have only moderate experience of assurance auditing. Even in France, which was among the first countries in the world to introduce mandatory assurance of sustainability information, only limited assurance engagements have been mandatory and cover a much more limited set of information than the ESRS. A

change in the level of assurance, however gradual, will therefore entail a major upheaval for companies. Given the nature of sustainability data (forward looking, qualitative, intangible, covering a wide variety of indicators collected and consolidated with a different level of maturity of methodologies and IT systems, etc.), a proportionate approach is needed which takes into account the difficulties for practitioners and preparers concerning certain data (see in particular our more detailed comments on reasonable assurance engagement on forward looking information).

Use by all assurance practitioners

The assurance of sustainability information requires very specific expertise, which is why it should not be the same team of financial auditors that carries out the sustainability assurance engagement. The teams must be different and/or, where appropriate, have a specialisation/accreditation justifying their expertise. French companies have the choice between auditors and independent assurance service providers which allows a plurality of players to emerge on the market and avoid oligopolistic market

structures. In practice, companies frequently choose the same firm providing both financial audit and sustainability assurance with different teams which facilitates the understanding of the audited entity's activities, organisation, processes and environment (including reporting processes and internal control environment), determination of the scope and the interconnection between the financial and sustainability areas. In any case, communication between the two audit teams will be key to this process and should be addressed by the ED.

Relevant Ethical Requirements and Quality Management Standards (Question 2)

ED-5000 is based on two fundamental premises:

The members of the engagement team are subject to the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding.

The practitioner who is performing the engagement is a member of a firm that is subject to International Standard on Quality Management (ISQM) 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1.

The concept of "at least as demanding" is not new for assurance practitioners familiar with the IAASB's assurance standards as it currently exists in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

Law, regulation or professional requirements in a jurisdiction may specify relevant ethical requirements or requirements relating to quality management to be applied in the conduct of assurance engagements and may provide guidance about what constitutes "at least as demanding" for the IESBA Code and the ISQMs.

Why is this important?

Sustainability assurance engagements will be performed by assurance practitioners with a wide range of skills and competencies. Quality management within firms that perform these assurance

engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Therefore, when a practitioner performs a sustainability assurance engagement in accordance with ED-5000, it is important to recognize that the requirements in the proposed standard reflect these fundamental premises.

Additional information for reference: Explanatory Memorandum, paragraphs 23-26  
ED-5000, paragraphs 5-6, A4-A9, A44-A48, A53-A56

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

It is in the public interest that all market participants develop high quality, consistent and comparable information on sustainability topics. Therefore, we acknowledge the importance of a general standard that acts as a global baseline for sustainability assurance engagements. Fragmentation of reference standards potentially leads to the non-comparability of, or difficulties in comparing, assurance reports and the underlying assurance work. It can also generate confusion among the users of the sustainability information and its preparers, for example, in the case of a multinational entity whose sustainability information related to its different geographical locations is subjected to assurance engagements performed under different or even contrasting standards.

That being said, and given the IAASB's intention to rapidly publish a global standard that is the first of various topic-specific standards, we refer below to the items set out in paragraph 14 of the Explanatory Memorandum which, in our opinion, require clarification and integration in ED-5000 to ensure it fully achieves its objective to be a global overarching standard for sustainability assurance engagements.

Limited and reasonable assurance engagements: we agree with how the proposed standard addresses both limited and reasonable assurance engagements, especially as regards the requirements and application material applicable in either case. However, while the proposed standard's structure facilitates an understanding of the procedures to be applied in a differential manner, we believe the scope and extent of the procedures to be performed need to be clarified in certain respects, together with the practitioner's related level of responsibility in the case of limited assurance engagements (see our responses/comments to questions 7 and 16 for more information). It is our opinion that certain requirements and the related application material envisaged by ED-5000, mainly for reasonable assurance engagements, should be supplemented to allow proper application by all practitioners. We refer, in particular, to the requirements about forward-looking information (question 16) and fraud, which is of great interest to stakeholders and is not dealt with systematically (question 19).

Use by all assurance practitioners: with respect to the possibility for all practitioners, including non-accountant assurance practitioners, to apply the standard to perform sustainability assurance engagements, we feel that ED-5000 does not ensure consistent application or a uniform approach by different practitioners for certain aspects. While professional accountants have an understanding of assurance engagements that goes beyond the specific standards given their audit background and practical experience, their knowledge of the ISAs and authoritative guidance and other additional sources, non-accountant assurance practitioners may not be familiar with some specific concepts presented in ED-5000 that are not fully explained. We refer, *inter alia*, to materiality and its determination, the procedures to be performed for estimates and forward-looking information, the identification and measurement of risks (including fraud risk), the different scopes of work required and the practitioner's consequent responsibility to provide reasonable or limited assurance

(see also the previous point), assurance engagements on group sustainability information, the use of sampling techniques and the format and content of the assurance report. In addition to our recommendations for supplementing and improving ISSA 5000, as set out in our responses to the consultation, we recommend that the IAASB liaise with other bodies including regulators, national standard setters (NSS) and educational bodies to explore training and guidance for such practitioners in respect of these core assurance concepts.

### Belgian Institute of Registered Auditors

We agree that the draft can be applied for each of the items described in paragraph 14 of this EM, being all sustainability topics and aspects of topics, all mechanisms for reporting, any sustainability criteria, all intended users, limited and reasonable assurance engagements, all assurance practitioners. However, further specific consideration and guidance should be given to the following areas of concern (to ensure consistent application and application of the standard) :

- How to deal with information from outside the entity's organizational boundary ? The ability of an assurance practitioner to assure such information ?
- How to address issues associated with using the work of other practitioners (consolidated / aggregated information / information outside the boundary of the organization) ?
- How to define and ensure completeness of list of intended users ?

The ED 5000 is very technical and additional application guidance might be required (eg. for non-professional accounting assurance practitioners) to ensure consistent application, understanding and interpretation.

### Center for Audit Quality

Overall support for ED-5000

We support an international standard on sustainability assurance and appreciate that ED-5000 is largely based on ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, which we believe is currently fit for purpose.

Importance of a single, global sustainability assurance standard

Overall, we believe the focus of all market participants should be on consistent, comparable, high-quality reporting in the public interest. We strongly encourage the IAASB to continue to collaborate with other market participants with the objective of achieving a single, global sustainability assurance standard that can serve as a basis for national standard setters. Creating more complexity in the sustainability assurance market, as a result of multiple sustainability assurance standards and frameworks, does not serve the public interest or promote investor protection. Further, inconsistency will likely cause confusion for users.

Concerns about the ability of the standard to be applied consistently by all assurance practitioners

Regarding "Use by all assurance practitioners" as described in paragraph 14 of the Explanatory Memorandum, we have concerns about the ability of the standard to be applied consistently by all assurance practitioners. A number of concepts from the International Standards on Auditing (ISAs) have been included in ED-5000, which we believe are helpful. However, a number of those concepts require additional guidance to enable consistent application of ED-5000 by all assurance practitioners (see Questions 2 and 25 for details). For example, as currently written, in the absence of additional guidance, professional accountants may turn to the ISAs for additional insights to help them apply ED-5000 (see

Question 18) whereas non-accountant assurance practitioners may not be sufficiently familiar with the ISAs to be able to use them to support the performance of their engagements. Non-accountant assurance practitioners at the IAASB's New York Sustainability Assurance Roundtable on ED-5000 held on September 20, 2023, expressed concern about generally not having an understanding of or experience with applying the ISAs. Further, they expressed concern about generally not being as familiar with resources beyond the ISAs, like the Extended External Reporting (EER) Assurance guidance. This creates a risk that there may be a difference in quality in the performance of these engagements between professional accountants and non-accountant assurance practitioners. Additionally, any resulting differences in how sustainability assurance engagements will be performed will not be transparent to the user, as largely consistent reports will be issued in each circumstance. This is not in the public interest. To help address this, we suggest that non-authoritative educational material be developed in parallel with the finalization of ED-5000 to assist with effective implementation. We believe that these materials should include a "beginner's roadmap" of where to start, including educational material to help provide a baseline understanding of key ISAs (to which ED-5000 alludes), as well as ISAE 3000 (Revised), ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, the EER guidance, the IESBA Code, and ISQM 1 to enable consistent, comparable, high-quality assurance engagements in the public interest.

To build users' trust in sustainability assurance engagements, it is essential that the engagements are performed consistently and to a high quality, given that engagement failures may lead to distrust and diminish the value of the engagements. Although we understand the intention of the IAASB in drafting an overarching standard, the level of specificity of the requirements seems unbalanced. For example, on risk assessment for reasonable assurance, more extensive concepts from ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, have been brought in, and it seems to strike the right balance between specificity to support consistency, and understandability. However, there are certain other areas of ED-5000 where the requirements seem incomplete, even when taking into consideration the level of granularity appropriate for an overarching standard. Additional specificity is needed in these areas of ED-5000 until such time as future standards can be developed to drive consistency and quality. For example:

#### Other Information

The interrelationship between the audit of financial statements and assurance of sustainability information needs to be further addressed in the standard, specifically with respect to:

Evaluating the consistency of financial information included as part of sustainability disclosures with corresponding information included in the audited financial statements; and

Providing clarification about other information to practically address potential inconsistency in application of the requirements among assurance practitioners.

Given the variability in the type and extent of sustainability information that will be subject to assurance and the evolving nature of this reporting, we do not believe the IAASB's approach as set out in ED-5000 is practicable and should be revisited before finalizing the standard. We suggest starting with the requirements and application guidance in ISAE 3000 (Revised) that require the practitioner to read and consider other information and not requiring explicit statements about the other information in the assurance report at this time (see Question 21). Local jurisdictions could expand on the requirements and further specify what information is considered "other information", the responsibilities of the auditor and practitioner respectively, and how to appropriately communicate regarding other information in the practitioner's report, because jurisdictional circumstances (such as laws and regulations that specify what information must be prepared) may necessitate such specificity.

## Value Chain

Entities seeking to compile sustainability information often need to rely on data generated by various stakeholders in their value chain. For example, various sustainability reporting frameworks require an entity to disclose information about all material sustainability-related risks and opportunities to which it is exposed. This includes the risks and opportunities related to activities, relationships, and the use of resources along its value chain. For example, the entity's employment practices and those of its suppliers, waste related to the packaging of the products that it sells, the entity's Scope 3 greenhouse gas (GHG) emissions or events that could disrupt its supply chain. The scope of an entity's value chain can include hundreds, if not thousands, of other entities. Much of this information is also subject to inherent estimation or measurement uncertainty. There are practical implications that result from necessarily having to deal with information generated from an entity's value chain outside of its reporting boundary. This is a characteristic largely unique to sustainability reporting that has significant implementation consequences for planning and performing an assurance engagement that, in our view, have not been adequately contemplated in the proposed standard.

Information from the value chain may have varying levels of importance and significance to the subject matter information and the assurance engagement, depending on factors such as the criteria and the nature of the entity and its reporting boundary. Reporting frameworks may recognize the limitations of reliable information from the value chain, and it would not be appropriate to expect practitioners to establish that the information is reliable to a degree that is higher than what is contemplated or recognized by such reporting frameworks.

When designing and performing procedures, there may be some information from the value chain that is significant to the engagement and therefore the nature, timing and extent of procedures may be more extensive and may need to involve the use of other practitioners, or reliance on assurance reports on controls at service organizations, if available. On the other hand, some information may be less significant and in evaluating the reliability of the information from the value chain, it may not be necessary to involve other practitioners, or perform extensive procedures to establish reliability.

Existing audit or assurance concepts associated with obtaining sufficient appropriate evidence over "aggregated" information may need to be reconsidered in the context of the varying significance of information that emanates from the value chain, reporting frameworks and how they recognize the limitations of information from the value chain, and different ways that information is obtained and used in preparing the subject matter information.

(Please also see additional Value Chain considerations raised in Question 15).

## Internal Audit

The requirements in ED-5000 are not clear on when assurance practitioners may use the work of internal audit. As a result, there is a risk that practitioners not familiar with ISAs may extensively use the work of internal audit without appropriate consideration of areas of the engagement where it is appropriate to use internal audit, and without providing appropriate direction, supervision, and review. We recommend that the IAASB include additional conditional requirements from ISA 610 (Revised 2013), Using the Work of Internal Auditors, with some differentiation for limited assurance versus reasonable assurance, leveraging ISA 610 (Revised 2013) para 18, 19, 22 and 23.

IAASB to encourage jurisdictions to establish minimum competency and experience requirements for assurance practitioners

Further, it is critical that practitioners (in particular, the engagement leader) performing these engagements have appropriate assurance experience. While the IAASB develops the assurance standards, it's up to the respective jurisdictions to decide who can use the standard and what is necessary to ensure that those performing the assurance engagements are competent and subject to appropriate oversight. To help ensure high-quality assurance, jurisdictional standard setters or regulators should establish minimum requirements regarding the competence and experience of assurance practitioners to be able to perform these engagements. We recommend that the IAASB continue to urge those with the authority to set competency requirements in their jurisdictions, e.g., through relationships with the International Forum of Accounting Standard Setters (IFASS), the International Organization of Securities Commissions (IOSCO), etc.

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

It is very important that the new standard on sustainability assurance offers clarity regarding its objectives and the scope of sustainability assurance engagements.

Based on the content of paragraph 14 in the Explanatory Memorandum, we believe that ED-5000 has been designed with a comprehensive approach to accommodate the diversity and evolving nature of sustainability reporting practices and requirements globally. The standard intends broad applicability across different reporting mechanisms, criteria, users, and assurance engagement types and this is welcomed approach as it might represent an integrated tool for policy makers and regulators who are considering the following steps in order to make assurance over sustainability disclosures become mandatory.

We appreciate the fact that with time, by creating a standardized framework for sustainability assurance, it will become easier to assess sustainability information regardless of the reporting mechanism used by companies. While the standard aims to accommodate various reporting practices, ensuring consistent and effective application across diverse reporting formats could pose challenges.

We also appreciate the clarification that when sustainability information is required within financial statements and subject to audit, the International Standards on Auditing (ISA) would apply, as this ensures coherence between financial reporting and sustainability assurance processes, a positive step for ensuring accuracy and reliability in reporting.

While acknowledging the framework-neutral approach, we express our concerns about the practical application and feasibility of ED-5000 across a wide array of criteria. Ensuring that the standard is adaptable without compromising rigor and consistency in assurance processes could be a significant challenge, therefore we would welcome developments by IAASB in terms of non-authoritative guidance to assist practitioners in navigating the complexities of different reporting criteria. Providing practical guidance on how to apply the standard effectively across diverse frameworks will be crucial for its successful implementation.

Differentiating requirements and application guidance for each type of assurance engagement, limited and reasonable assurance, ensures that the procedures are proportionate to the level of assurance sought. This tailored approach allows for a more efficient use of resources. The potential shift in assurance requirements from limited to reasonable over time, will help financial auditors, as well as the other professionals providing sustainability assurance, prepare for an anticipated increase in demand for reasonable assurance as sustainability reporting matures and becomes more standardized. However, it is important to prepare the transition between the two levels of assurance without compromising quality.

Regarding the fact the ED-5000 is intended to be used by all assurance practitioners, there are opportunities and challenges in this area. Considering the fact that ED-5000 has some similarities with the ISAs, financial auditors and professional accountants will find it easier to apply and therefore they will probably be the leading practitioners who will be required to issue sustainability assurance reports. However, some SMPs as well as professional service organizations that are not accountancy firms may be unfamiliar with some of the fundamental terminology that existing users of ISAs may be more familiar with.

We recommend that IAASB should promote clarity and a unitary terminology in regulatory requirements for practitioners conducting sustainability assurance engagements. While some jurisdictions have established regulations, others might still be evolving in terms of setting requirements for these practitioners, therefore clear and uniform regulatory frameworks could help ensure a standardized level of competence and ethical conduct across all practitioners.

Ensuring that all practitioners, whether financial auditors or other professionals, follow rigorous quality control measures and adhere to ethical standards is also critical to maintain consistency and reliability in the assurance process and therefore should be made clear within the requirements of the standard.

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

We agree that there is a need for an overarching standard that sets the global baseline for sustainability assurance, and we commend the IAASB for accelerating the development of ED-ISSA 5000 and its supporting EM which also aims to meet the EU timeframe in light of the Corporate Sustainability Reporting Directive. We are also supportive that the IAASB's approach in developing ED-5000 recognises that expectations will evolve, and the standard may need to be refined over time as well as supplemented by additional standard(s) when needs are identified going forward as we noted in our general comments.

While we find that ED-5000, as an overarching standard, can be applied to each of the items described in paragraph 14 of this EM, our outreach feedback suggests that there is a need for more specificity in addressing some of the challenging aspects of sustainability reporting such as value-chain information and forward-looking information. We therefore find that these are areas that the IAASB will require further work in the form of additional requirements/standards/guidance. We suggest that the IAASB prioritises these areas when considering its future work on Further Standards for Assurance on Sustainability Reporting in accordance with its Proposed Strategy and Work Plan 2024-2027.

We encourage the board to continue its work on future priorities and workplan for developing additional ISSA standards and guidance and make these public as soon as possible. This will enable local regulators and standard setters to determine where they may need to fill gaps or develop additional local requirements. We also encourage the board to consider where it may be able to facilitate development of guidance in cooperation with national standard setters or professional bodies.

We note that the language used in the standard is still largely rooted in terminology and concepts used in the ISAs. And while this is necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting, we acknowledge some practitioners may not be familiar with certain terminology and concepts used commonly in external assurance and audit engagements on general purpose corporate reporting. This terminology and relevant concepts are necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting, we believe that NPAPs will need additional implementation guidance. See our responses to Q4 and Q27 below for further detail.

The use of assurance terminology and concepts such as professional skepticism and independence which are embedded in the IESBA Code of Ethics and the ISAs, also highlights the importance of there being rigor over the assessment of equivalent ethical, independence and quality management requirements to ensure that the provision of high-quality sustainability assurance is consistent globally. See our responses to Q2, Q4 and Q9 below for further detail.

We also encourage the board to consider changing the name of the standard to General Principles - Sustainability Related Information Assurance. We have heard feedback from stakeholders expressing the concern that users will assume that the assurance practitioner is providing assurance over the sustainability of the entity as a whole, not just over the sustainability information being reported. Clarifying the name of the standard may assist in reducing potential misunderstanding from the outset.

### **Chartered Accountants Ireland**

We are highly supportive of the development of a global overarching standard, in particular, we believe it is in the public interest to have a single international standard (adopted locally) to aid consistency for both assurance providers and the intended users of the reports. We believe that close co-operation going forward, with a wide range of stakeholders including the EU, would further enhance this standard and subsequent standards in the suite.

We have a number of concerns with the proposed standard as outlined in our detailed comments in this response.

#### **Clarity over limited versus reasonable assurance**

Overall, we have concerns that the standard as drafted does not fully deal with the differences between limited assurance ("LA") and reasonable assurance ("RA"), both for the practitioner and the intended user. The lines between the two engagements (and reports) are too blurred and they require further enhancements.

#### **Guidance is needed for the non-accounting assurance practitioner**

While we are supportive of the intention to provide a standard that is profession-agnostic as detailed below (see questions 4 and 13), we do not feel that the current draft provides sufficient guidance for non-accountant assurance practitioners. As accountants we are familiar with the terminology used throughout the draft standard on matters such as materiality, risk identification etc., but we recognise that not all assurance practitioners will be in this position. We would suggest that additional non-authoritative guidance be developed to assist with implementation for these practitioners.

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

We believe that ED-5000 serves well as an overarching standard, however additional details in the standard and more guidance and field testing are needed to assist practitioners. Refer to our comments above.

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

We believe, and have received assurances, that the standard can be used for assurance engagements on sustainability reports prepared in accordance with the SME sustainability reporting standard for voluntary use by non-listed SMEs (VSME) under development by EFRAG (for the European Commission).

We wonder whether the standard is applicable for assurance engagements on sustainability information prepared to satisfy requests for value chain reporting for example, where a large company that is within scope of the CSRD, and as such applying Set 1 ESRS, sends a sustainability questionnaire to non-listed companies in its value chain and requests that the completed questionnaire be accompanied by assurance. We assume that in this scenario an agreed upon procedure engagement might be a suitable alternative.

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 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 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors). However, we suspect that many practitioners, especially those 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. 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.

While we think ED-5000 appropriately addresses the notion of “double materiality”, and the recently issued FAQs Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner (which helps clarify the difference between materiality from the perspective of the entity (report preparer) and assurance practitioner) makes some additional mention of double materiality, we urge the IAASB to consider either including a few high-level requirements or developing separate guidance that might one day be replaced by an ISSA. Any requirements might be conditional, conditional on the reporting framework being based on double materiality. The IAASB might wish to emulate EFRAG which is developing guidance for value chain reporting.

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

We strongly support the idea that ISSA 5000 has the potential to become a worldwide standard for sustainability assurance engagements. In order to accomplish this, it is crucial that the final standard remains neutral towards frameworks, does not favour any particular profession, and can function independently.

However, we must consider the operational implications when the standard is used in a profession-agnostic manner (“use by all assurance practitioners”). Practitioners from accounting backgrounds (“professional accountant”) adhere to specific ethics and quality standards which may not uniformly apply to other professionals (“non-accountant assurance practitioner”) in the ESG assurance field. This discrepancy could pose challenges in maintaining a consistent standard of work across different professional practices. Furthermore, reference to some aspect referred to in some other principle could be carefully evaluated, rather than subsequently issuing further specific ISSAs.

### **CPA Australia**

CPA Australia agrees that ED-5000 will provide a global baseline for sustainability assurance engagements. However, it is important to recognise that ED-5000 is only a starting point as an overarching framework assurance standard that is intended as set out in paragraph 14.

Given the broad coverage proposed, we believe that the standard needs further refinement and detail added to it for it to be a useful and reliable source of requirements and guidance on sustainability assurance.

In the short term, there is a critical need for additional implementation guidance, transitional considerations, and further clarity on aspects of the standard. In the long term, there will be a need to develop further requirements on specific assurance aspects, some of which may need to be developed as separate standards under the sustainability assurance '5000' suite of standards.

First-time implementation guidance that includes transitional considerations will also be very useful. For example, such guidance should cover:

the differences or similarities between the proposed ISSA 5000, and the following assurance standards that have been referred to in the development of this standard:

ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)

ISAE 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE 3410)

how assurance practitioners can make the transition from the '3000' series to the proposed ISSA 5000 if they have not used the 3000 series before if they have previously used the 3000 series.

First-time transition guidance and requirements for 'opening balances and disclosures' in the below scenarios:

practitioners providing assurance engagement in the first year with comparative disclosures

transition from a limited assurance engagement in prior year to a reasonable assurance engagement in current year and the assurance consequences of prior period comparative disclosures.

We also recommend the IAASB to consider how its Non-Authoritative Extended External Reporting Guidance (EER Guidance) would work in conjunction with ISSA 5000. We have provided some suggestions in our response to Question 7 and Question 9 to address this. We found the EER Guidance to be very useful and would recommend the IAASB to update the EER Guidance to include references to ISSA 5000.

All sustainability topics and aspects of topics

To achieve consistency in practice, we recommend the IAASB develop and issue supporting guidance with sufficient specificity to address specific topics or aspects of topics. In addition to the two topics (estimates and forward-looking information, and groups or "consolidated" sustainability information) identified in the IAASB's Explanatory Memorandum (EM) to ED-5000 for potential future topic-specific ISSA, we have also identified other potential topics for future development of guidance in the short term and standalone standards in the long-term including:

materiality

work effort required for the preconditions assessment

the differences between limited and reasonable assurance (guidance only as we do not consider this topic suitable for a future standalone standard)

working with qualitative information

using the work of practitioner's experts or other practitioners.

#### All mechanisms for reporting

Further to our response to Question 21 in relation to 'Other Information' that is not subject to assurance, we recommend the IAASB to provide clarity on how 'Sustainability Information' that is subject to assurance can be clearly identified in the assurance report. The clarity can be provided in the form of guidance material or included in the illustrative assurance report.

#### Any suitable criteria

Suitability criteria are very much dependent on the reporting frameworks the sustainability information is subject to. Acknowledging that ISSA 5000 is developed to be framework-neutral, it may be challenging to apply ISSA 5000 consistently across multiple frameworks in practice. Further to our response to Question 9, we encourage the IAASB to develop reporting framework-specific considerations and supplementary guidance material for more common reporting frameworks such as the ISSB's S1 and S2 Framework.

#### All intended users

The feedback we received indicates that ED-5000 needs to provide more information and examples of 'intended users' in a more contextual way. For example, different reporting frameworks could result in a different pool of 'intended users' and 'intended users' in the public sector could also be different from the private sector. We suggest the IAASB include more contextual examples of identifying intended users of the assurance report.

#### Limited and reasonable assurance

Please refer to our response to Question 7.

#### Use by all assurance practitioners

For the standard to be used by all assurance practitioners in a 'profession agnostic' manner, we believe detailed application guidance will be needed for assurance practitioners and assurance team members from non-accounting backgrounds who may not be familiar with terminologies and concepts such as the use of audit assertions, materiality, professional scepticism, quality management standards, and ethical requirements (including the independence standards). Such guidance will be necessary to ensure that the assurance work is consistently high quality, regardless of the assurance practitioner's professional background.

#### **CPA Ireland**

CPA Ireland agrees that ED-5000 as an overarching standard can be applied for each of the items described in para 14 of the Explanatory Memorandum.

We accept that the development of standards, requirements, and legislation in the ESG space is evolving at a rapid rate and welcome the comments that this standard will be the foundation for a future suite of ISSAs to meet the needs of practitioners and stakeholders.

#### Limited and reasonable assurance engagements

While we accept the urgency with which the need for an assurance standard is to be developed to fit a range of assurance levels, we would welcome in the future separate standards to deal with limited and reasonable assurance engagements, given the substantial differences in the focus and output of such engagements.

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

EFAA for SMEs believes ED-5000 can be applied to each of the items described in paragraph 14 of the Explanatory Memorandum and provides a high-quality global baseline for sustainability assurance engagements. However, some small- and medium- sized accounting practices (SMPs) may be unfamiliar with some of the fundamental terminology that existing users of ISAE 3000 may be more familiar with. EFAA, therefore, recommends the IAASB develops non-authoritative guidance so that this does not become a barrier to adoption and implementation.

We believe, and have received assurances, that the standard can be used for assurance engagements on sustainability reports prepared in accordance with the SME sustainability reporting standard for voluntary use by non-listed SMEs (VSME) under development by EFRAG (for the European Commission).

We wonder whether the standard is applicable for assurance engagements on sustainability information prepared to satisfy requests for value chain reporting for example, where a large company that is within scope of the CSRD, and as such applying Set 1 ESRS, sends a sustainability questionnaire to non-listed companies in its value chain and requests that the completed questionnaire be accompanied by assurance. We assume that in this scenario an agreed upon procedure engagement might be a suitable alternative.

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 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors). However, we suspect that many practitioners, especially those 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. 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.

We note that the standard has the general 'look and feel' of an ISA. This is not surprising given the IAASB has developed it. 'Borrowing' best practice from the ISAs makes sense. Over the years the ISAs have been developed and finessed to create high quality standards that enjoy broad acceptance. Furthermore, there is much in common between sustainability assurance and financial statement audit. Hence, financial statement auditors will feel 'at home' using ISSA 5000. However, as we state above, SMPs that are not auditors but permitted to perform sustainability assurance, may need some non-authoritative guidance .

While we think ED-5000 appropriately addresses the notion of "double materiality", and the recently issued FAQs Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner (which helps clarify the difference between materiality from the perspective of the entity (report preparer) and assurance practitioner) makes some additional mention of double materiality, we urge the IAASB to consider either including a few high-level requirements or developing separate guidance that might one day be replaced by an ISSA. Any requirements might be conditional, conditional on the reporting framework being based on double materiality. The IAASB might wish to emulate EFRAG which is developing guidance for value chain reporting.

## EXPERTsuisse

Support for an overarching Standard on Sustainability Assurance

EXPERTsuisse supports the development of a standard for sustainability assurance engagements for the reasons mentioned above, Swiss companies are exposed to a variety of markets and their respective regulatory framework. In the near future, the Swiss legal framework regarding the reporting on sustainable business conduct is expected to evolve, based on announcements by the federal council on the objective of international harmonisation and the extension of reporting requirements as well as the introduction of an audit requirement. For Switzerland, we expect that the mandatory verification of sustainability information by the statutory auditor or another assurance provider will become reality in the future.

Addressing the baseline requirements covering the end-to-end process of a sustainability assurance engagement, from acceptance and continuance to reporting, with an overarching standard is highly welcomed.

The sustainability information required to be reported under the different regulations and guidelines can vary, depending on the companies' business model. In addition, and especially when Swiss companies, due to non-regulatory requirements, seek voluntary assurance on sustainability information, the information reported can be very narrow or cover a wide range of sustainability subject matters relating to several different topics and aspects of topics. Moreover, the framework-neutral principle of the standard makes it suitable for use for assurance on any sustainability information prepared by the companies, be it either the ESRS under the CSRD requirements, the future Swiss law regulations or (voluntarily) reported sustainability information based on any other framework. We welcome that the standard is framework-neutral and principles-based and therefore applicable to all kinds of sustainability topics and aspects of topics. Further, its development based on existing audit and assurance standards for financial and non-financial information provides existing assurance practitioners, preparers and users of the sustainability information a familiar and proven framework in which to perform sustainability assurance engagements.

The standard deals with both reasonable and limited assurance engagements and clearly differentiates the requirements that apply only to limited or reasonable assurance. The scope addresses the demand for both limited and reasonable level of assurance on sustainability information, depending on requirements of the different jurisdictions. In addition, the clear differentiation of the requirements in the standard applying to limited or reasonable assurance engagements are highly welcomed to distinguish the procedures to be performed and the work effort required following the desired or given level of assurance.

To provide additional clarification, we suggest that more guidance be included in the standard or other explanatory material to clearly differentiate the type and extent of evidence, as well as the level of documentation, for limited versus reasonable assurance engagements.

### **Global Accounting Alliance (GAA)**

#### **Timely Response to the Increasing Demand for Assurance on Sustainability Information**

The GAA would like to commend the IAASB on its timely development of proposed ISSA 5000, and on the speed and agility you have demonstrated in reaction to the growing demand for a global assurance standard to address new and emerging sustainability reporting models.

The GAA's members agree that the proposed ISSA 5000, subject to its finalization, provides an appropriate solution that is both reporting framework and profession agnostic and thus provides a baseline for use in development of jurisdictional standards where required.

### **Institute of Certified Public Accountants of Rwanda (ICPAR)**

The fact that the Standard covers the entire spectrum of sustainability assurance engagements including being able to be applied on all sustainability topics, all reporting mechanisms, with any suitable criteria by all

intended users and can be used by both professional accountants and non-accountant assurance practitioners, it really is an “Overarching Standard” that will provide a global baseline for all sustainability assurance engagements.

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

We broadly agree that, as a principles-based standard, ED 5000 could be applied for each of the items described in paragraph 14 of the Explanatory Memorandum, subject to the proposed solutions within this response.

#### All intended users

We believe that there is a lack of clarity around intended users. ED 5000 identifies a wide range of potential intended users, which goes beyond those identified in some reporting frameworks (such as IFRS S1) but may not capture all those potentially scoped in, for example, as a result of impact assessments, by other frameworks.

We do not believe that it is sufficiently clear in ED 5000 to what extent assurance providers would need to consider intended users identified that are outside the scope of the framework under which an entity reports. Differing sustainability matters will have different interested users. Identifying the common needs of users as a whole for a sustainability report will be highly challenging. We are concerned that the level or volume of users that will reach the threshold of “common needs” is unclear and more guidance is urgently needed. We believe this may be an area particularly prone to inconsistency since many other assurance practitioners may have little experience of external reporting and therefore may not previously have had to consider the issue of intended users.

We encourage the IAASB to consider whether the guidance relating to entity-developed criteria is in fact sufficient, in the light of the fact that ED 5000 highlights that evaluation may be more extensive for entity-developed criteria.

#### Use by all practitioners

We support the IAASB’s decision to issue a standard that is profession-agnostic. To successfully create a standard that can be applied globally, and complied with, in a consistent manner regardless of professional background and experience is clearly in the public interest. It will be critical to overcome threats to performance consistency, which could have far reaching consequences, including, but not limited to:

fragmentation in standards adopted, which would threaten the status of ISSA 5000 as a global baseline; and inconsistent application, which could give rise to quality issues resulting in negative impacts on confidence in sustainability reporting and assurance.

We believe that a key issue which could give rise to consistency threats is that ED 5000 uses terminology that will be well known to auditors (eg, performance materiality) and concepts that are addressed by more detailed individual auditing standards (eg, accounting estimates in ISA 540 Auditing accounting estimates). These concepts may be difficult to apply without prior experience of the more detailed auditing standards and may lead to different interpretations of the standard by some assurance practitioners. We believe that additional guidance will be necessary to bridge this potential gap in understanding.

If ED 5000 is issued in electronic form, this would facilitate the use of hyperlinks to specific explanatory material, available to those who need it but not imposed on those who do not. However, absent this, ensuring that all users of ED 5000 are on a ‘level playing field’ regarding their understanding of specific terminology and the application of specific concepts may be challenging. We are also concerned that if the

final standard is perceived to be contain many specialised or unfamiliar terms and concepts, assurance practitioners who are not professional accountants or auditors may choose to use, or indeed develop, alternative standards, which could also lead to consistency threats and a resulting loss of confidence in sustainability assurance.

We note the phrase “at least as demanding” relating to possible alternative codes of ethics and quality management requirements for other assurance practitioners. We accept that this is not a new concept for IAASB standards, as the IAASB highlights in the Explanatory Memorandum. However, it might be more helpful for other assurance practitioners if the standard set out required provisions and concepts rather than simply drawing comparisons. We appreciate that this would add to the length of an already long standard, and would also necessitate updating in the future were the IESBA Code or ISQM 1 to undergo revisions. However, such an approach could reduce the scope for confusion in this area and could therefore be more usable and understandable for other assurance practitioners. Other possible options include:

the IAASB leaving the determination of ‘red lines’ to regulators (although this could give rise to consistency threats -see above); or

the IAASB and IESBA issuing standalone quality management and ethical provisions reflecting minimum requirements (this would be an effort-intensive option but might be the most usable option)

We are aware of IESBA’s project on the development of new ethics and independence standards for sustainability reporting and assurance. Application of these standards should be required, unless practitioners are required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated by such bodies as “at least as demanding”. Where such bodies do not make that designation, IAASB should provide guidance on how to evaluate whether local codes or requirements meet the “at least as demanding” threshold.

The success of ISSA 5000 is inextricably linked to the success of IESBA’s project. We encourage the IAASB to continue to engage with IESBA as it has a clear interest in the quality of IESBA’s standards and whether they are usable by all practitioners.

All sustainability topics and aspects of topics

We believe that there is a potential inconsistency in the defined procedures to be performed on a standalone assurance engagement in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements (As amended) (ISAE 3410) compared to situations where Greenhouse Gas (GHG) information is provided in sustainability reporting within the scope of ISSA 5000.

In particular, ED 5000 does not require risk assessment at an assertion level in limited assurance engagements, but ISAE 3410 does. This variance in practice would be material in terms of work effort and quality. We would welcome specific consideration of this issue by the IAASB and clear communication to the market on any material differences so that intended users may understand the nature of assurance engagements on GHG information that are performed under the two standards.

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

As we set out in our 2022 paper ‘Sustainability assurance: factors to consider’ we welcome that the IAASB has decided to create a new set of assurance standards specifically to cover sustainability-related subject matter with ISSA-5000 to be the overarching standard. We believe this decision sends an important message to stakeholders as to how important this topic is to the IAASB, and this focus is very much in the public interest.

We believe that ED-5000 can be applied for each of the items described in paragraph 14 of the Explanatory Memorandum to provide a global baseline for sustainability assurance engagements. Although we are generally supportive of the proposed standard, we have set out in our responses to the questions below, areas where we believe it can be improved.

We welcome the pace at which the IAASB is undertaking this project to ensure that this global baseline can be derived within a reasonable time frame. We also believe it is important, as is recognised by the IAASB, for this standard to be framework-neutral, profession-agnostic and stand alone in order to satisfy this global baseline objective.

Whilst we acknowledge that in due course the IAASB will produce further assurance standards on specific related topics as are deemed necessary, we believe that it is essential that further content on key areas such as materiality and groups and consolidated information is incorporated into the finalised overarching standard.

We also have concerns that there could still be fragmentation of sustainability assurance standards (and therefore diversity in the performance of related engagements) which will cause confusion to assurance providers, users of sustainability assurance reports and other stakeholders, as there may be a lack of comparability across similar entities and/or industries. Fragmentation will also create additional complexity for multinational entities subject to reporting requirements in multiple jurisdictions. In addition to potentially having to adopt multiple sustainability reporting frameworks that may require the entity to maintain multiple systems and varied processes, controls, and resources, the required sustainability assurance obtained by the application of multiple sustainability assurance standards will add complexity and cost for both preparers and assurance practitioners, and ultimately, investors.

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

We agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14. We do, however, need further guidance to understand, how to apply this standard to all of the items mention in para 14. As the standard references other frameworks, we assume additional guidance regarding the use of each framework would be made available and the mechanisms to verify defined metrics for the measurement of the sustainability matters, as well as the evaluation basis to be used.

Further, we understand that ED-5000, does not apply to assurance on GHG statements when the practitioner is providing a separate conclusion on a GHG statement. However, the requirements and application material dealing with assurance engagements on GHG statements should be aligned with ED-5000 instead of ISAE 3410. Therefore, it would be appropriate to revise ISAE 3410 as soon as possible after the issuance of final ISSA 5000. Please also note that some aspects of ISAE 3410, such as the encouragement to exclude scope 3 information from the scope of sustainability assurance engagements, appear obsolete and contradictory with ED-5000 requirements and scope.

We understand that ED-5000 should be able to be used by both professional accountants and non-accountant assurance practitioners. Non-accountant assurance practitioners may need additional guidance to apply ED-5000 consistently due its overarching nature.

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

Paragraph 14 is comprehensive on the types of engagements, potential stakeholder needs and the nature of assurance engagements on ESG Matters. All principle-based; truly international.

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

ED-5000 as a foundational standard has been developed as an overarching standard with certain concepts derived from existing ISAs. This may lead to differing interpretation and inconsistency in application depending on whether practitioners refer to existing ISAs when applying similar ISA concepts. Therefore, we recommend that IAASB explore the development of additional standards under the ED-5000 series with more detailed requirements for those concepts derived from ISAs such as fraud, consideration of laws and regulations and materiality.

While we generally agree that ED-5000 can be applied to the items in paragraph 14 of the Explanatory Memorandum, we believe that more needs to be done to accommodate “use by all assurance practitioners”.

Based on our observation and engagement with some non-accountant assurance practitioners, we noted that there is a gap in their understanding and interpretation of ED-5000. This is probably due to fundamental differences between the principles and wording of ED-5000 and other standards which non-accountant assurance practitioners are more familiar with. Also, in connection with point 1, non-accounting assurance practitioners who do not have the benefit of applying ISAs may find it challenging to understand the content and context of ED-5000. This can either deter application of ED-5000 by such practitioners or give rise to inconsistent assurance quality.

It would be helpful for IAASB to develop educational materials targeted to help this group of practitioners better understand core assurance concepts to support consistent application of the standard across the board.

We also observed that there are cases where non-accountant assurance practitioners referred to the use of ISAE 3000 in their assurance reports, without adhering strictly to the standard (for instance, omission of certain statements required by ISAE 3000). To avoid confusion amongst users and prevent the misuse of the IAASB's assurance standards, it should be highlighted in the proposed standard that the requirements must be followed in their entirety without any cherry-picking.

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

Despite of the ED is being proposed to be “professional agnostic”, we would like to raised the following comments to be taken into account:

Accountants are required to comply with ethics requirements as issued by IESBA (International Ethics Standards Board for Accountants);

External auditors are required to have systems of quality management designed and implemented in accordance with ISQM 1 (Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements);

Auditors in many jurisdictions, like in Brazil, are subject to peer review, among other reviews to ensure if the auditor or audit firm to promote and enhance quality in the accounting and auditing services provided by firms (and individuals) subject to the standards;

Auditors in many jurisdictions are subject to professional education program;

All these requirements above are in service of the public interest;

Sustainability information and disclosures as required by IFRS S1 and S2; and also the subsequent themes proposed by ISSB to be included in the upcoming Exposure Drafts (EDs) lead to a close connection and integration between financial information and sustainability disclosures. Accordingly, it appears such interconnection will bring to the accountant's spectrum the ultimate responsibility on both information;

Considering the facts mentioned above, we understand that ED-5000 should consider such standard to be limited to be applicable to accountants only.

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

Concerns that ED-5000 may not enable consistent application in practice as the concepts in the standard may not be as familiar to non-accountant assurance practitioners. Specific example of it includes reasonable vs. limited assurance (and the consequently work effort).

Collaborate with other market participants, including the EU (CSRD) and PCAOB, with the objective of achieving a single, global sustainability assurance standard. Fragmentation may cause confusion to users of the assurance reports and will result in lack of comparability, including within the same company's sustainability reporting if it is multinational and subject to diverged standards.

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

We agree that the proposed standard can be applied to the items mentioned in the EM in a holistic way. In addition, we also considered that some first-time implementation material and maybe an “educational package” may need to be developed and made available to the practitioners, so the consistency of the understanding and applicability of the proposed standard is ensured. On the basis of having the proposed ISSA 5000 as an overarching standard, we also are in favor the IAASB explores the need to approve additional projects to elaborate sustainability specific standards that supplement the overarching one. We also noted that this proposed ISSA 5000, even though specific to sustainability, it is very useful to be considered as a revised/improved ISAE 3000 since it could easily be applied with other underlying subject matters.

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

We consider that other standards currently applied to cover engagements that would be under the scope of ED-5000 should be amended, for example, ISAE 3000 or ISAE 3402, in order to make it clearer when to use one or the other. Likewise, we suggest clarifying whether this ISSA 5000 can be applied by a firm that is also —at the same time— the auditor of an entity's financial statements.

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

To address the need for high-quality assurance of sustainability disclosures and to offer a single, overarching, globally applicable standard, we believe that the IAASB has appropriately developed ED-5000 to apply to all sustainability topics (e.g., environmental, social, governance, economic and cultural) and aspects of topics, all mechanisms of reporting (e.g., stand-alone sustainability reports, annual reports, integrated reports, etc.), all intended users (i.e., investors/capital markets as well as other stakeholders), all suitable standards and frameworks (e.g., ISSB Sustainability Disclosures Standards, European Sustainability Reporting Standards, GRI Standards, etc.), both limited and reasonable assurance conclusions, and all practitioners. This approach is essential—covering the broadest range of possible engagements and, when coupled with ethics and independence requirements being developed by the International Ethics Standards Board for Accountants (IESBA), delivering an integrated tool for policy makers and regulators around the world who are considering how to make the rollout of mandatory assurance over sustainability disclosures successful. This approach is key to ensuring that sustainability reporting is subject to the same rigor as financial reporting.

In our view, ED-5000 can be applied to each of the items described in paragraph 14 of the Explanatory Memorandum and provides a high-quality global baseline for sustainability assurance engagements. However, some small- and medium- sized accounting practices (SMPs) as well as professional service

organizations that are not accountancy firms may be unfamiliar with some of the fundamental terminology that existing users of ISAE 3000 (Revised) may be more familiar with. IFAC therefore recommends the IAASB develops non-authoritative guidance to help these practitioners implement the standard.

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

We applaud the effort of the IAASB for producing ISSA 5000 on a timely basis. In view of ISSA 5000 applicable to both accountants and non-accountant practitioners, it can pose challenges to non-accountant practitioners, such as understanding and implementation of IESBA Code and ISQM 1. Hence, extra effort to address this issue will be needed. We suggest the IAASB to provide guidance including illustrative examples to ensure consistent application of ISSA 5000 by practitioners.

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

Overall, we note that the proposed ISSA 5000 has been drafted in a way that is essentially capturing a generic collation of different International Standards for Auditing (ISAs). We believe this is a very positive step in the right direction for the audit profession, considering that there is already familiarity with the terms, concept and rules established thereunder.

On the other hand, in view of the fact that the proposed ISSA 5000 is meant to be used by all assurance practitioners, be it within the audit profession or otherwise, we feel it should be pointed out that references to ISAs might prove to be more challenging for other independent assurance service providers (IASPs) due to the lack of familiarity with such standards themselves and the contents thereof.

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

Response: Yes. ED-5000 sets a global baseline on sustainability assurance that can be adopted by any entity in any jurisdiction to report on the relevant sustainability standards in that jurisdiction. Since it is a principles-based standard, it has the flexibility to be adopted worldwide by any professional accountant or non-accountant.

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

We agree that ED-5000 can serve as a global baseline for sustainability assurance engagements by being frame-work neutral, covering both limited- and reasonable assurance and being profession-agnostic. Our suggestions to further enhancements are commented in the following sections of this response template.

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

ONECCA-BF agrees that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of the EM to provide a global baseline for sustainability assurance engagements.

However, we would like to highlight some concerns and improvements required in the standard in respect of the following matters:

Use by all assurance practitioners:

Our stakeholders have raised concerns around how the assessment of 'at least as demanding' will be made, monitored and enforced specifically in jurisdictions where the code is not adopted and resources is lacking to undertake regular assessments of relevant jurisdictional regulations against the IESBA code requirements or ISQMs. May IAASB consider issuing a guidance for the assessment to assist PAOs and national regulator in that regards.

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

PAFA agrees that ED-5000, as an overarching standard, may be applied for each of the items described in paragraph 14 of the EM to provide a global baseline for sustainability assurance engagements. However, we would like to highlight some concerns and improvements required in the standard in respect of the following matters:

All sustainability topics and aspects of topics

The interaction between ED-5000 and the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, needs further explaining. For example, the execution of procedures under ISAE 3410 refers to risk assessment for limited and reasonable assurance engagements, whereas ED-5000 uses risk assessment only for reasonable assurance engagements. Further, where GHG is included as another subject for assurance, is the intention to refer to both ED-5000 and ISAE 3410?

Going forward, the role of ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, has to be clarified regarding the subject matters to which it is expected to apply, especially given the broadness of the definitions of “sustainability information” and “sustainability matters”.

In respect of paragraph 9 of ED-5000 and the definition of an attestation engagement, it is not clear how this standard will apply to all sustainability topics and aspects of topics, if direct engagements are scoped out.

Use by all assurance practitioners:

It is not clear whether ED-5000 provides enough guidance to non-auditors, as auditors may draw on their knowledge of other IAASB auditing standards in areas where uncertainty may exist.

Limited and reasonable assurance engagements:

While we acknowledge that ED-5000 has more guidance on limited and reasonable assurance engagements, the extent of work to be performed under limited assurance engagements, compared to reasonable sustainability assurance engagements, is still not clear.

Under ED-5000 (see paragraphs 102L and 102R), limited assurance only refers to certain elements of internal control being assessed, in contrast to all these elements being assessed under reasonable assurance. The reasoning for these differences is not clear. We, however, believe that it is important for the practitioner to understand the internal control activities, irrespective of the level of assurance, to inform the risk assessment and determine the approach for the assurance engagement.

In addition, it is not clear how a practitioner can arrive at “risks of material misstatement in disclosures that have been identified by the entity’s risk assessment process”, in accordance with paragraph A366, as the application material to paragraph 115L of ED-5000 for a limited assurance engagement without performing a risk assessment.

A risk-based approach is followed for a limited assurance engagement level in ISAE 3410 but not in ISSA 5000. It appears that these two standards are therefore not currently aligned in respect of the limited assurance approach, which may create the impression of a differing level of limited assurance under these respective standards.

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

SOCPA understands ED-5000 is an overarching standard that can be applied for each of the items described in paragraph 14 of the EM and is designed to be used by both professional accountant and non-accountant assurance practitioners. While the standard requires practitioners to have the necessary skills

and competencies, a significant challenge would be the absence of a centralized professional body for non-accounting assurance practitioners. Non-accounting assurance practitioners may have varying levels of expertise in sustainability assurance. This can result in inconsistencies in the quality of assurance services provided, potentially undermining the credibility of sustainability reporting. This also presents challenges related to regulatory oversight, consistency, liability, education, and trust. While each jurisdiction can determine who will be allowed to conduct sustainability assurance engagements, SOCPA does not believe the proposed standard should specifically state that non-accountant assurance practitioners can conduct assurance engagements in accordance with the proposed standards as certain aspects of the standard could be contradictory. We believe that this approach (focusing on non-accounting assurance practitioners) has its significant influence on the drafting of ED-5000. For example, the standard seemed:

Unnecessarily detailed and long in order to explain or redefine well-known concepts in the IAASB's auditing and assurance standards,

Contradictory; in terms of claiming to avoid anchoring the proposed standard's requirements on concepts and guidelines derived from the IAASB's other pronouncements while recursive references to concepts and guidelines of the other pronouncements (e.g. ISAE 300, ISAE 3410, ISQM 1 and IESBA Code of Ethics) were kept present. For example, while it has been acknowledged that professionals (including those non-accountants) are currently using the requirements of ISAE 3000 and ISAE 3410 to conduct voluntary assurance engagements on matters related to sustainability information, ED-5000 tried to communicate that the implementation of ISSA does not require awareness of other assurance pronouncements because such proposed standard is separate and different. Paragraph A44-A48 in ED-5000, for instance, details the ethical requirements and independence required from practitioners and refers to the IESBA Code. In the absence of a centralized professional body for non-accounting assurance practitioners, how could this be enforced? This area was challenging in ED-5000 because, if professionals other than accountants were to conduct an assurance engagement in accordance with the IAASB's pronouncements (including proposed ISSA), it should be expected that they possess assurance knowledge and skills (including the international assurance framework and other relevant pronouncements issued by the IAASB).

Complex; different new terms were developed to achieve the purpose of separating such proposed standard from other auditing and assurance standards which are specific to the use of professional accountants. Some of these new terms (e.g. "at least as demanding as" or "equivalent of" IESBA's ethical requirements, ISAEs or the ISQMs) have put additional emphasis on the use of professional judgment which has been an area of criticism for auditors' and assurance professionals' practice.

Accordingly, we agree with the understanding that the proposed standard should serve all those who may conduct assurance engagements on sustainability information, but this should not contradict with encouraging all those interested to comply with the proposed ISSA to be aware of other relevant IAASB's pronouncements (in specific international assurance framework, ISAE 3000, ISAE 3410, ISQMs and relevant ethical requirements). We think that the drafting of ED-5000 should continue satisfying all the items specified in paragraph 14, but the approach should be different. The explanation of limited-assurance and reasonable-assurance should be built on the international assurance framework and limited in ED-5000 to specific circumstances of sustainability information. The drafting of ED-5000 should be aligned with the approach used in drafting other IAASB's pronouncements (e.g. ISAE 3000) in terms of building on the fundamentals of auditing and assurance concepts and practices without unnecessary excessive explanations. A section in ED-5000 or a separate implementation guideline could be developed to provide the needed explanations for those who have limited knowledge of the IAASB's pronouncements. We think this approach would satisfy the goal of developing an overarching standard which can serve as a global

baseline while at the same time securing the quality of the standard in terms of reducing the unnecessary complexity and contradictions.

### Securities Analysts Association of Japan

We welcome that the IAASB has published ED-5000. Sustainability information is becoming increasingly important for analysts/investors in forecasting future cash flows and performance. We have been advocating the urgent need on the part of analysts/investors for high quality, consistent, and comparable global sustainability disclosure standards. We therefore welcomed that the International Sustainability Standards Board (ISSB) issued its inaugural IFRS Sustainability Disclosure Standards (ISSB Standards) in June 2023. We also thank the IAASB for its prompt publication of the exposure draft of the assurance standards, which will provide a global baseline for ensuring the reliability of sustainability information.

We agree in principle with the direction of the proposal in paragraph 14 of the Explanatory Memorandum (EM), but would like to address some general comments and improvements to ED-5000 from the perspective of analysts/investors as users, as described below.

#### Guidance, educational materials, etc. in the principles-based approach

While we agree with the principles-based approach in developing the standards, we believe that guidance, including examples, needs to be enhanced to ensure appropriate assurance engagements. It is important for users that high quality assurance is provided based on appropriate assurance processes, regardless of industry characteristics. The quality of assurance should not vary significantly due to different judgments made by different assurance providers. We encourage the IAASB to provide examples in its guidance on issues that may be difficult for assurance practitioners to judge, such as management bias and the consideration or determination of materiality. Guidance should be developed that is easily understood by assurance practitioners other than professional accountants who do not have financial statement audit experience. Educational materials should also be enhanced to promote understanding among users who are not necessarily familiar with assurance engagements.

On the other hand, while corporate sustainability disclosures are not expected to be stable in the early stages, boilerplate disclosure of sustainability information in response to overly rigorous assurance procedures should be avoided. We encourage the IAASB to develop standards, application materials and guidance that address this issue in assurance practice. As the practice of sustainability disclosure and assurance is expected to evolve rapidly, we believe that standards, application materials and guidance should be reviewed in a timely and appropriate manner in the early stages.

Given that sustainability information prepared in accordance with the ISSB Standards and others will be disclosed in statutory annual reports in each jurisdiction, it would be particularly important to ensure the quality of assurance engagements for statutory sustainability information. We believe that while the principle-based approach is the basis of the assurance standards, the IAASB needs to treat assurance engagements for statutory sustainability information as a separate category, to summarize points to consider about the assurance processes, judgments, and other matters that are consistent with the requirements of the ISSB Standards and others, and to provide guidance on these matters.

#### Connectivity between financial and sustainability information

The connectivity between financial and sustainability information is a very important issue for users. The “Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting”, published by the Board of the International Organization of Securities Supervisors (IOSCO) on March 28, 2023, states that “IOSCO encourages the standard setters to consider the

interconnectivity with audits of financial statements". It is critical to ensure that there are no material inconsistencies or misstatements between the two sets of information. While overly rigorous assurance procedures in the early stages of sustainability disclosure are not desirable, we encourage the IAASB to establish mechanisms in the standards or others to ensure that rigorous assurance engagements are implemented with respect to identifying material inconsistencies or misstatements between financial and sustainability information.

In this regard, ED-5000 requires the assurance practitioner to read the other information (paragraphs 11-12) and consider whether there is a material inconsistency or material misstatement between the other information and the sustainability information (paragraphs 155-159), but we believe this requirement is insufficient. In cases where the auditor of the financial statements and the assurance practitioner of the sustainability information are different, we understand that it is difficult to communicate due to confidentiality issues. However, additional requirements should be included in the standards to ensure the connectivity between the financial statements and the sustainability information, such as confirmation of recognition in communications with management, those charged with governance (TCWG), and others (hereinafter referred to as "TCWG, etc."), and communications between the auditor and the assurance practitioner with the participation of the TCWG, etc. We also believe that the guidance on the above mentioned reading and considering other information, communication with the TCWG, etc., and communication between the auditor and the assurance practitioner should be enhanced to ensure the connectivity between financial and sustainability information.

"Use by all assurance practitioners" in paragraph 14 of the EM states that "ED-5000 is intended to be used by both professional accountants and non-accountant assurance practitioners". This is a profession-agnostic concept. However, given the importance of the connectivity between financial and sustainability information, some proposed to articulate in the standards that consistent financial statement audit and sustainability assurance is desirable as one of the measures to address the challenges accompanying connectivity.

#### EER Guidance

For assurance on non-financial information, there is "Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements" (EER Guidance). We understand that the EER Guidance will continue to be effective under ISAE 3000 (Revised) after ISSA 5000 becomes effective. Some suggested that the EER Guidance should be reviewed based on ISSA 5000. As the EER Guidance is considered to be the basis for the development of the ISSA 5000 guidance, some suggested that the IAASB should provide a roadmap of its plans for reviewing the EER Guidance.

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

SAICA agrees that ED-5000, as an overarching standard, may be applied for each of the items described in paragraph 14 of the EM to provide a global baseline for sustainability assurance engagements. However, we would like to highlight some concerns and improvements required in the standard with respect to the following matters:

#### All intended users:

Interplay with specific reporting frameworks – for example, the International Sustainability Standards Board's (ISSB) IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures, and European Financial Reporting Advisory Group's (EFRAGs)

European Sustainability Reporting Standards (ESRS). Certain references in the proposed standard, such as reference to the term “double materiality”, may create the impression that the standard has been unduly influenced by specific standards. Our understanding is that ED-5000 is developed to be framework-neutral and is not supposed to lean towards a particular framework.

Use by all assurance practitioners:

Consider the issuance of supplementary guidance for non-accountant assurance practitioners to assist in applying the ED-5000 standard considering the language used in the standard which tends to favor professional accountants being written in a language akin to the International Standards on Auditing (ISAs).

Stakeholders engaged in developing our response raised concerns about how the assessment of ‘at least as demanding’ will be made, monitored and enforced. It may be necessary for non-accountants to have transitional periods on first-time adoption to allow this group of practitioners to establish a system of quality management and other necessary policies and processes for managing ethics and independence issues. In line with our previous comment, supplementary guidance may be needed to assist non-accountant assurance practitioners in establishing a system of quality management and manage their ethics and independence issues.

Limited and reasonable assurance engagements:

A risk-based approach is followed for a limited assurance engagement level in ISAE 3410 but not in ED-5000. It appears that these two standards are therefore not currently aligned with respect to the limited assurance approach, which may create the impression of a differing level of limited assurance under these respective standards.

### Virginia Society of CPAs

Yes. However, it would be helpful to differentiate the primary audit procedures that would be expected in an audit on financial statements that include sustainability matters.

ED-5000 explains that when certain information about sustainability matters is required to be included in the entity's financial statements in

accordance with the applicable financial reporting framework and is subject to audit, the International Standards on Auditing apply (see paragraph 11 of ED-5000).

### Wirtschaftsprüferkammer (WPK)

WPK would like to thank the IAASB for the opportunity to comment on ED-5000 and to congratulate the IAASB for the excellent work done so far. In general, the draft standard is clearly structured and easy to understand. The application material is principally suitable for all practitioners to get a sufficient understanding of the requirements. Both provide an appropriate global baseline for sustainability assurance engagements.

It is sufficiently clear that the requirements established in this standard shall be applied equally by all practitioners (PAs and Non-PAs).

### World Federation of Exchanges

Overall, the WFE agrees. However, it is important to note that since the standard is intended to be sector agnostic, there are some terms/ concepts that need further clarification/ guidance to those practitioners who may not have a background in financial audit and assurance. We have pointed out where such clarification may be helpful in the ‘Specific Questions’ section.

## 11. Academics

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

We agree, but there are some limitations. More education of providers will be needed, and there should be more contact with stakeholders to explore what their needs are. We consider that some of the effects of the standard are not clear.

What should be done regarding ISSA and ISA when information is being increasingly integrated into the annual report/financial statements. In particular, what are the auditor vs assessor's responsibility on this integrated information?

Boiral et al. (2020) suggest more input is needed from stakeholders to improve the quality and reliability of the assurance process, and that teaching institutions and training programs should pay more attention to sustainability reporting and assurance. They suggest development of graduate degrees in this area (Boiral et al., 2020).

Reference:

Boiral, O., Heras-Saizarbitoria, I., & Brotherton, M. C. (2020). Professionalizing the assurance of sustainability reports: the auditors' perspective. *Accounting, Auditing and Accountability Journal*, 33(2), 309–334. <https://doi.org/10.1108/AAAJ-03-2019-3918>

### University of Southampton

We commend this timely initiative of International Auditing and Assurance Standards Board (IAASB) to develop an overarching assurance standard that addresses all sustainability topics. We also appreciate that proposed ISSA-5000 provides a unified guidance to accountant and non-accountant practitioners. This is particularly important as the approach to assurance engagements differs between the two groups of assurance providers due to their different expertise, experience, and use of assurance standards (Channuntapipat, Samsonova-Taddei and Turley, 2019). Although we agree mostly with proposed ISSA-5000 that provides a global baseline for sustainability assurance engagements, we have serious concern about the proposed distinction between limited assurance and reasonable assurance and proposed assurance engagements for each level of assurance.

#### Limited and reasonable assurance engagements

According to the International Federation of Accountants' (IFAC) survey of 1400 firms in 22 countries, 83% of sustainability assurance statements are limited assurance (IFAC, 2021). Most of the limited assurance statements are provisioned by accounting firms (specifically Big4 audit firms) (GRI, 2018). The demand for limited assurance is expected to drastically grow after EU's Corporate Social Responsibility Directive (CSRD) has become effective from 2024. It is clear that limited assurance is more commonly preferred and demanded service than reasonable assurance. Despite its popularity and high demand, we are concerned that proposed ISSA-5000 do not provide a clear definition of limited assurance and a clear distinction from reasonable assurance in terms of level of assurance engagement and materiality assessment. Such vague descriptions for different level of assurance may require practitioners' discretion to determine the assurance engagement for each type of assurance. In this case, we are concerned that assurance quality for same type of assurance engagement may potentially vary by assurance provider (Channuntapipat, Samsonova-Taddei and Turley, 2019).

We are also concerned that proposed ISSA-5000 allows combination of limited and reasonable assurance engagements for different sections of same sustainability report or assurance of particular section or

sections (not all) of sustainability report. Such proposed approach complicates the measurement of assurance quality by report users. For example, it is unclear whether assurance quality should be based on limited assurance engagement, reasonable assurance engagement or else. Additionally, selective disclosure (i.e., disclosing strengths while hiding weaknesses) is one of the common greenwashing approaches within sustainability reporting (Marquis et al, 2016). There is also empirical evidence that assurance can be part of greenwashing practice (Ag et al., 2022). We are concerned that proposed approach of combined assurance engagement may potentially become a continuum of this existing greenwashing practice. For example, a greenwashing firm may demand reasonable assurance on sustainability information showing their strengths and limited assurance on information reflecting their weaknesses.

Please note that reference list is at the end of this document.

## 12. Individuals and Others

### Dr. Prachi Ugle Pimpalkhute

Yes, it's an overarching standard, Sector specific baseline and local specific as global baseline may be misleading and may create redundancy and externalities.

### Japan Accreditation Board (JAB)

As to provide an appropriate global baseline for high quality sustainability assurance engagement, JAB recognizes this document needs for improvement.

It is necessary to set suitable criteria for all sustainability topics in related to A32, as to mitigate the variation of assurance and its outcome by various practitioners and accredited assurance bodies.

It is also necessary to define consistent reporting and its related assurance process. Without the proper standard, the assurance duration and the assurance cost will vary depended on the various practitioners and accredited assurance bodies, due to the different data and information sampling.

It is necessary to set the requirements of the ability including competencies of the practitioners and accredited assurance bodies for all sustainability topics. For example, ISO/IEC 17029:2019 can use this document for the practitioners and accredited assurance bodies for sustainable information.

### We Mean Business Coalition

WMBC appreciates the efforts made to make a standard, which is as wide and reporting standard-agnostic as possible.

We would however like the following to be better/more precisely defined: Ex Memo sect 1-A, ED §14 – no 2 and 6: It is not clear which assurance framework (financial or non-financial) should be used for the assurance of truly integrated reporting elements; meaning when financial and non-financial information/KPIs are not just placed in the same report but are truly intertwined elements. For instance, consider GHG intensities (GHG/Revenue) or EU-taxonomy reporting, which divides financial data (Revenue, OpEx and CapEx) based on activities and sustainability related technical screening criteria. The issue is complicated by the fact that in many jurisdictions financial, non-financial and integrated elements are all part of the same reporting act. Therefore it is difficult to determine which of these elements should be considered as “sustainability information” in accordance with ED §17 (uu) and Ex Memo sect 1-E, §28, or as “financial information”, since “financial information” as an information-type is not defined in ED §17.

It is not clear, whether assurance of iXBRL (incl ESEF) reporting of sustainability information is covered by the ISSA 5000, as it is not mentioned at all. Will this continue to be covered under the framework from Committee of European Auditing Oversight Bodies (CEAOB guidelines on the auditors' involvement on financial statements in European Single Electronic Format) or will there be a broader/global assurance standard for this, given that ISSB is also working on developing an iXBRL-taxonomy?

### 1.3 Neither agree or disagree

#### 7. Accounting Firms

##### Grant Thornton International

We appreciate the speed with which the IAASB acted to develop and release ED-5000 for public comment. We agree that timely standard-setting action in response to the public interest need for a global baseline standard for assurance on sustainability reporting is critical to avoid inconsistencies that could result if individual jurisdictions create their own sustainability assurance standards. Please see below for comments on each item described in paragraph 14 in the Explanatory Memorandum to ED-5000.

All sustainability topics and aspects of topics

We agree that ED-5000 can be applied for all sustainability topics and aspects of topics, except as noted in Question 5.

All mechanisms for reporting

We believe further guidance is needed regarding the application of ED-5000, ISAE 3000 (Revised), and ISAE 3410, as noted in Question 3. We also believe additional guidance and illustrative examples are needed to achieve consistent reporting when sustainability information is presented for comparative periods and when assurance is provided under multiple standards, as noted in Questions 3 and 21.

Any suitable criteria

We agree that ED-5000 can be applied for any suitable criteria.

All intended users

We agree that ED-5000 can be applied for all intended users. We agree that ED-5000 appropriately focuses on entities' general purpose sustainability reporting and that topic-specific ISSAs may be needed in the future to meet the needs of practitioners and stakeholders as sustainability assurance continues to evolve.

Limited and reasonable assurance engagements

We support addressing limited and reasonable assurance in a single overarching standard. The paragraph references and tables used in ED-5000 to indicate whether a requirement is applicable only to a limited assurance or reasonable assurance engagement are helpful. In considering the requirements and related application material side-by-side, we identified inconsistencies that may create confusion about how the work effort differs between limited and reasonable assurance. Refer to Questions 7, 13, 17, and 25 for details.

Use by all assurance practitioners

We understand and agree with the need for ED-5000 to be used by both professional accountant and non-accountant practitioners for the reasons described in the ED-5000 Explanatory Memorandum, paragraph 14. We also agree with the inclusion of fundamental premises in the standard regarding relevant ethical and

quality management requirements in addition to a required level of assurance skills and knowledge for practitioners (refer to Question 4 for details). However, we have concerns that ED-5000 may not be usable by non-accountant practitioners in its current state as it is based on audit and assurance concepts and terminology from the ISAs, ISAEs, and ISREs.

We identified several areas in our detailed responses below where we believe professional accountants will rely on their education, training, and past experience performing assurance engagements under the ISAs, ISAEs, and ISREs to apply the standard and bridge certain inconsistencies and incomplete guidance in ED-5000. We do not believe ED-5000 currently provides an appropriate level of guidance related to fundamental concepts such as due professional care, professional skepticism, fraud, and other general assurance concepts. This will likely create challenges for non-accountant practitioners who do not have experience developing assurance methodologies, resulting in the inconsistent application of the standard. Thorough understanding of the meaning and application of these terms by non-accountant practitioners is critical to executing a high-quality sustainability assurance engagement. We believe a substantial amount of first-time implementation and other non-authoritative guidance will be necessary to bridge the education and experience gaps for non-accountant practitioners. Our detailed responses identify specific areas of confusion and incomplete guidance.

### **Nexia International**

We support the concept of a single set of standards, but overall, due to the ever-evolving nature of what is and what is not “sustainability,” we have concerns that the ED may become partially outdated relatively quickly and/or may become less useful due to jurisdictional variants.

Also, given the large number of non-accounting information that may be present in a sustainability report, we encourage the IAASB to consider allowing practitioners to perform very limited procedures or scope out altogether certain information. Given the multiple parties involved in sustainability information, some users may only desire reasonable or limited assurance on certain parts of a sustainability report. This concept is more expansive than other information as used in ISA 720. Such flexibility, along with appropriate reporting transparency, would allow users to decide what levels of assurance, reasonable, limited, or in some cases, none, are necessary on certain parts of a sustainability information that feeds into other sustainability information subject to assurance. In other words, the practitioners would, in some circumstances, be providing assurance subject to the transparent disclosure that certain inputs were not audited by the practitioner (or in some circumstances, by anyone).

As a general comparison, the AICPA Auditing Standards Board promulgated a similar concept regarding investments in ERISA Section 103(a)(3)(c) audits. Practitioners have limited responsibility on such information as indicated in AU-C 703, .29 - .35, .103g, and .103h, and reported on in Illustration 3.

## **9. Public Sector Organizations**

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

We have several observations about ED-5000 that are relevant to the intention for a global baseline standard for sustainability assurance. Our observations are relevant to the following items in paragraph 14 of the EM:

All sustainability topics and aspects of topics;

All mechanisms for reporting; and

Use by all assurance practitioners.

ED-5000 has been prepared on the assumption that the approach to providing assurance on financial information is directly transferrable to providing assurance on non-financial information

Such an approach needs to recognise the possibility that practitioners may need to apply different approaches to meet the objectives of ED-5000. For example:

The “Risk Procedures” and “Responding to Risks of Material Misstatement” components of ED-5000 assume the presence of effective systems of internal control to prevent and/or detect material misstatements in reported sustainability information. Sustainability reporting is new and combined with the possibility that the “reporting boundary” may relate to sustainability information that is outside the control of the reporting entity, the presence of effective systems of internal controls cannot be assumed.

The nature of the risks that could lead to material misstatement of sustainability information are wider and may be different to the risks that apply to financial information; with the likelihood that misleading or fraudulent reporting will feature more prominently in sustainability information as discussed under question 19 below.

Is ED-5000 suitable for application by professional accountant assurance practitioners and by non-accountant assurance practitioners?

ED-5000 has been prepared through a financial assurance lens but will be applied by a wide group of practitioners; many of whom will not have an understanding of the approach for providing assurance over financial information. If we assume that this approach is appropriate, the issue becomes the best way of preparing a standard that will serve the purposes of a diverse range of practitioners.

ED-5000 does not adequately meet the needs of either professional accountant assurance practitioners or non-accountant assurance practitioners, for the following reasons:

Professional accountant assurance practitioners

ED-5000 is excessively lengthy, mainly because it includes the assurance concepts, quality management (entity and engagement level) and ethical requirements, and detailed pre-engagement activities, which are well known/understood, and applied by this category of practitioners.

We recommend that these matters be included in a separate ISSA, so that the requirements in ED-5000 can deal with obtaining a preliminary understanding, planning and performing the assurance engagement. Planning currently only starts at paragraph 88.

Other material that is educational or background in nature, should be presented in a separate non-authoritative guidance document.

We identified repetitive and possibly unnecessary information in the introduction, and application and other explanatory material. We also find the explanation of key concepts in the introduction, definitions, requirements, and application and other explanatory material to be disconnected. Examples are provided below.

The concepts of sustainability information, sustainability matters, disclosures, and their interrelationship are explained and cross-referenced in paragraphs 3, 4, 17(i), 17(uu), 17(vv), A15, A16, A32, and appendix 1. In our view sustainability concepts should be briefly described only in the introduction with reference to the definitions. The main definition should be the definition of Disclosure, because most requirements for planning and performing the engagement refer to disclosures, not sustainability information. Definitions for

sustainability information and sustainability matters should be subsets of the Disclosure definition. The Disclosure definition should refer to paragraph A15 which refers to appendix 1 and all the relevant information should be described clearly and logically in the appendix.

The premise on which ED-5000 is based is explained and cross-referenced in paragraphs 5, 6, A3-A9, A44-A49, and A53-A58. Possibly the most important part for a non-accountant assurance practitioner to understand is what is meant by the term “at least as demanding”. This is set out in paragraphs A48 and A56 and referred from A5 and A8. The following sentence could be inserted in paragraph 5: “For the requirements to be ‘at least as demanding’ they need to deal with the concepts and objectives described in [new] appendix 3 as a minimum.” The new appendix could then describe all the information in one place.

The way in which the auditor should deal with the entity’s materiality considerations and how this affects audit materiality are also concepts that will benefit from being described in one place.

Non-accountant assurance practitioners

We expect that non-accountant assurance practitioners will have similar concerns about the structure of ED-5000.

The key concepts referred to above are derived from existing IAASB definitions, which might be difficult to understand without having background knowledge of the IAASB’s standards.

Therefore, we think the IAASB has a responsibility to ensure there is sufficient consultation with a broad range of non-accountant assurance practitioners to understand their perspectives of ED-5000.

Drafting Principles Used to Prepare ED-5000

In our view, the drafting principles that the IAASB used for the proposed ISA on the audit of less-complex entities are appropriate for ED-5000. We encourage the IAASB to reconsider the drafting principles used for ED-5000 and make appropriate changes.

“The IAASB aims to set high quality international standards that are understandable, clear and capable of consistent application, thereby serving to enhance the quality and uniformity of practice worldwide. This includes presenting any required actions as clear, understandable and stated as simply and concisely as practical. The use of long or multiple layers of bullet lists is avoided as this may be perceived as a checklist rather than a principles-based approach. Material that is lengthy, educational or background in nature has not been included. In addition, the IAASB has focused on:

Simpler numbering.

Limiting the number of “sub-bullets” where appropriate.

One thought per paragraph.

Combining requirements from the ISAs where appropriate and avoiding repetition.

Articulating the requirements in a clearer and simpler way where feasible.”

## 10. Member Bodies and Other Professional Organizations

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

We generally agree that ED-ISSA5000 can be used as an overarching standard and welcome the implementation of a standard as such, so that standardization for assurance reporting with regard to

sustainability information may be achieved. However, we do note certain areas of improvement that may call for adjustments and further development of ED-ISSA5000 (please refer to our response to questions 4, 12, 13, 16, 18 and 19).

## **1.4 Disagree with comments**

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

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

Use by all assurance practitioners

We believe assurance practitioners that are not professional accountants may struggle to comply with the quality management requirements in ED-5000 as currently drafted, due to insufficient conforming amendments to the ISQM standards.

Paragraph 5 states that the “ISSA is premised on the basis that:…The practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1, or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality management, that are at least as demanding as ISQM 1.”

However, ISQM 1 is not being amended to be clearly applicable for practitioners who are not professional accountants. For example, paragraph 16(i) of ISQM 1 defines a firm as “a sole practitioner, partnership or corporation or other entity of professional accountants, or public sector equivalent”. References in the ISQM standards to relevant ethical requirements are also made in the context of application by professional accountants.

Arguably, practitioners who are not professional accountants cannot simply apply a set of requirements that mirror ISQM 1 in all ways except for a broadened definition of a firm, as such a set of requirements would not meet the criteria of the premise in paragraph 5 of ED-5000 that they be “professional requirements, or requirements in law or regulation”, as they would not actually be promulgated by any professional, legal or regulatory authority.

We suggest a conforming amendment to the definition of firm in ISQM 1, to align with the definition of a firm in ED-5000, and a thorough review of terminology in ISQM 1 to ensure the ISQM standards are capable of application by practitioners who are not professional accountants.

Other comments

Our comments on other aspects of the proposed standard are set out in our responses to other questions below.

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

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

Use by all assurance practitioners

While we support the ambition of developing a global baseline standard for assurance over sustainability reporting, we consider that its language, length, density, and the large number of “shall” requirements may create a barrier to adoption, especially by non-accountants. We acknowledge that ED-5000 was drawn from existing material but believe the opportunity still exists for the IAASB to look wider than this. There is

still the opportunity to learn about other approaches, through co-ordinated mapping and ongoing engagement. We encourage the IAASB to stand back and re-evaluate how best to enhance trust and confidence in sustainability reports. We recommend that ISSA-5000 as an umbrella standard be lifted to higher-level principles. This would enable more topic specific standards to be issued in due course as the reporting frameworks are still developing. We believe this would make the standard more widely acceptable.

The market is yet to agree on what sustainability reporting frameworks to apply. Standard setters, regulators and professional bodies acknowledge that capability and capacity is not yet at the required level. A depth and range of knowledge and sustainability competence is vital for quality assurance.

We do not consider that ED-5000 is profession agnostic, particularly with reference to the “at least as demanding” tests for Ethics and Independence and Quality Management. Both the Code of Ethics and ISQM 1 are comprehensive standards that have been built on over time and are always issued with time to transition. We are concerned the approach will create barriers to entry for competent practitioners and we recommend a more proportionate approach is needed to bring together assurance professionals to add depth and capacity to the assurance market. Other professions have existing quality management standards that may be more appropriate for the underlying subject matter. There is currently a great opportunity to learn about other approaches, through co-ordinated mapping and ongoing engagement. Refer to question 4 for further comments.

Appropriate for all Sustainability Topics and Aspects of Topics

We do not consider that the scope of the standard is clear. We have concerns that the standard is trying to be all things to all people. We are concerned that by trying to be broad enough to cover all “sustainability assurance engagements”, the standard suggests that it is appropriate for too broad a range of activity (e.g., assurance of claims or eco-labels or special purpose business-to-business across supply chains assurance). We recommend that the IAASB narrow the scope of ISSA-5000 to be clear that it has been written for assurance over entity level sustainability reporting in accordance with general purpose reporting frameworks.

We recognise that it may be used for special purpose engagements but may need to be tailored accordingly. Refer to question 3 for more detail.

All mechanisms for reporting

The information may be included in an annual report or in other documents or websites. We encourage the IAASB to develop more guidance to assist practitioners to be clear on what information has been assured and what their obligations to other information are, particularly where information may be spread and cross referenced between multiple documents or websites.

Intended users

More guidance or educational material is needed to help practitioners in identifying the intended users of the assurance report. These intended users may differ depending on the locations where the value chain activities occur and their specific environmental, social, economic, and cultural contexts. It will in turn reflect the nature of the entity's dependencies and/or impacts relevant to those contexts.

Reasonable and Limited Assurance

The risk of an ever-growing assurance expectation gap is high. There is existing confusion about the differences between limited and reasonable assurance. Carrying forward this confusion risks increasing the

expectation gap into an evolving area of reporting. There is a real opportunity for the IAASB to re-examine how best to build trust and confidence in sustainability information, through deeper consideration of the different types of assurance. Refer to question 7 for further comments.

### Royal Dutch Institute of Chartered Accountants

As ED-5000 currently stands, it does not yet provide for a global baseline for sustainability assurance engagements. In the NBA's opinion, there are two main concerns underlying this viewpoint:

- Limited assurance is not sufficiently clearly defined
- ED-5000 does not provide a baseline for important elements of assurance engagements, including those on digital sustainability reporting

Furthermore, the NBA has observed a number of other areas where improvements should be made:

#### Limited and reasonable assurance engagements

The NBA does not support ED-5000's proposed approach in which limited assurance is flexible, and defined as somewhere between 'just above assurance' and 'just below reasonable assurance'. In the view of the NBA, this leads to different assessments of the nature and extent of procedures to be performed in order to achieve limited assurance. Rather, in the NBA's view, the widespread adoption of sustainability reporting and assurance calls for a clearly defined limited assurance product, which is also clearly distinguished from the extant reasonable assurance product. In order to avoid an expectation gap and to avoid practitioners to individually assess the expectations/needs for the meaningful assurance level for these groups, the NBA believes it is in the public interest to be very clear on the nature and extent of procedures to be performed in a limited assurance engagement. In the NBA's view, ISRE2400 provide the most meaningful starting point for such definition. This is because sustainability reporting, similar to financial reporting, will typically be based on a defined such of re-reporting requirements (such as ISSB, ESRS or other generally accepted sets or reporting standards). That consistency (within and between jurisdictions) on the reporting requirements and the fact that reporting is aimed at a wide set of stakeholders calls for consistency in the assurance as well. ISRE2400 sets a consistent basis for limited assurance in the context of financial reporting, while ISAE3000 is more focused on providing assurance for a wide array of situations, whereby the set of users is more limited and hence a narrow definition of limited assurance will not be possible. Therefore we propose to limit the procedures to be performed in a limited assurance engagement to primarily inquiry and analytical procedures, which is in line with how ISRE2400 defines limited assurance in context of financial reporting. We note that in addition to inquiry and analytical procedures some (limited) inspection and recalculation may be necessary. The NBA is of the view that consistency should be sought with ISRE2400 instead of with ISAE3000.

Further, whilst appreciating the consistency of terminology between ED-5000 and ISAE3000, the NBA observes that the wording 'areas where misstatements are likely to arise' creates confusion in current engagement reports. In addition, the notion that misstatements could be likely to arise, does not properly reflect management's responsibility and efforts to prepare sustainability reporting that is free from material misstatement.

The NBA proposes that practitioners should focus their work on areas with an elevated risk of material misstatement to replace the terminology in paragraph 94L and related paragraphs.

The NBA strongly urges the Board to seek alignment with ISAE2400, which addresses limited assurance on financial information, which has a similarly wide range of users as sustainability reporting, and also intends to offer similarly consistent information based on an agreed and accepted set of reporting standards.

Therefore, the NBA proposes to clarify that a limited assurance engagement normally requires a practitioner to perform the following audit procedures:

- Inquiry
- Analytics procedures
- (limited) Inspection
- (limited) recalculation

The NBA hence suggests that reperformance, observation, and external confirmation are normally not expected to be performed in a limited assurance engagement on sustainability reporting. Practitioners could always select such a procedure when necessary, for instance to follow up on a suspected misstatement, but these audit procedures should not be part of the requirements for limited assurance.

By clearly defining what is expected in a limited assurance engagement, there is no longer a need to describe in the assurance report for a limited assurance engagement the extent of the procedures performed, and how these differ from a reasonable assurance engagement. The NBA suggests to abandon that requirement which will lead to more consistency in reporting.

#### All reporting mechanisms

In the European Union, assurance on sustainability reporting will be required based on the implementation into national law of the Corporate Sustainability Reporting Directive (CSRD). This Directive sets out that assurance is required on:

- the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the sustainability reporting standards adopted pursuant to Article 29b or Article 29c,
- the process carried out by the undertaking to identify the information reported pursuant to those sustainability reporting standards, and
- the compliance with the requirement to mark up sustainability reporting in accordance with Article 29d, and
- as regards the compliance with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852;

The NBA observes that the ED primarily covers the first and the last bullet, which creates challenges for the European adoption of this assurance standards, and requires further standard setting for the two other elements on which assurance is required.

The NBA suggests that the second bullet can be dealt with through improved requirements on the practitioner's work effort regarding the entity's materiality process. The NBA urges IAASB to also develop a standard regarding auditor's/practitioner's responsibilities on information provided in a digital format. This is also important given the EU's requirement that listed entities prepare their financial reporting in ESEF-format.

#### Other comments

The NBA would like to share a few more important observations and suggestions, as follows:

- From the NBA's perspective as National Standard Setter for auditors in the Netherlands, it is hard to judge whether this standard can be applied by non-auditors when providing assurance on sustainability reporting. At this stage, the NBA does not have any legal powers to impose the use of this (or any other standard) on non-auditors.
- The NBA suggests that the ED-5000 upon finalization should provide for the opportunity of early application.
- In particular for reasonable assurance engagements, the reliability of the data underlying sustainability reporting is essential. Since systems used for sustainability information typically differ from the accounting systems used by companies, and considering that controls like double- bookkeeping do not apply to sustainability data, it is important that the standard guides the practitioner's procedures in this area. We suggest to specifically address data quality and the practitioner's consideration thereof in the requirements applicable to reasonable assurance, whilst noting that for Information Provided by the Entity (IPE) in a limited assurance context normally no procedures would be expected.
- The NBA suggests that ED-5000 should include enhanced requirements and guidance as regards both the entity's (or the company's) materiality process and assurance materiality. Furthermore, the NBA suggests that the use of materiality be reviewed throughout ED-5000 to confirm whether any reference to 'materiality' is sufficiently clear as to whether it relates to the entity's materiality process or assurance materiality.
- The nature of sustainability reporting results in the fact that misstatements cannot mutually compensate each other (where an overstatement in one area of financial reporting sometimes may compensate an understatement of another area in the financial statements). As a result, accumulation of misstatements in sustainability reporting works differently than for financial auditing. It is important that ED-5000 more clearly guides the process on accumulating and evaluating misstatements.
- The NBA expects that most companies that will have an assurance opinion on their sustainability reporting, are also subject to audit of their financial statements. Given that in some cases there may be overlap regarding the underlying assumptions and information used for financial and sustainability reporting, it is important that ED-5000 as well as the auditing standards require appropriate communication and cooperation between the auditor of the financial statements and the practitioner providing assurance on sustainability reporting.
- In the same vein, most assurance engagements on sustainability reporting will be of companies that are considered groups, preparing consolidated sustainability reporting. It is important that ED-5000 provides much more clear guidance on the group assurance approach and expected requirements.
- Additionally, sustainability reporting may also include information from outside the group or its components. This may be the case with scope-3 reporting on emissions, and with respect to value chain reporting. It is important that the role and responsibility of the practitioner in this regard is made more clear in ED-5000.
- The NBA is furthermore hugely worried that ED-5000 does not clearly establish requirements helping the practitioner to determine the sufficiency and appropriateness of evidence to be obtained and the impact that the differing levels of assurance may have on the necessary evidence. The requirement in paragraph 160 and the related application materials are too generic to support consistency in practice.
- Lastly, the NBA observes that the requirements of ED-5000 seem very generic, and that only in the application material further specificity as regards sustainability is provided. Given that this standard intends

to describe generically assurance on sustainability reporting, it is important that also the requirements are tailored to assurance on sustainability reporting. We urge IAASB to review the requirements for the appropriate focus on sustainability assurance.

## 6. Global Standard Setter

### Social Value International

Our comments below are made with reference to the project objectives (paragraph 5 of the Explanatory Memorandum) specifically the intention for ED5000 to be 'Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements'.

"A global baseline"

The ED relates to sustainability reporting and not to sustainability. We recommend it should be renamed Sustainability Reporting Assurance.

"All sustainability topics and aspects of topics"

The fact that ED-5000 can be applied to sustainability information that is limited to only certain aspects of sustainability topics does not serve the public interest.

We recommend that the Exposure Draft (ED) should start with the existing international definition of sustainability and sustainable development (Brundtland, 1987) but also recognise more recent definitions and approaches, especially, for example United Nations Development Program's SDG Impact Standards, which confirm the need for sustainability information to include information on management's stewardship and performance in increasing positive and reducing negative impacts.

Increasingly, assurance is requested over a range of products such as carbon offset arrangements which signal the importance being placed by market participants on the role it can play in providing credibility to claims being made. However, the absence of a clear definition of what topics fall within the scope of sustainability amplifies the risk of a material misstatement particularly by excluding information that may be essential for decision-making and accountability.

In addition, and also relating the question of a global baseline, the focus on sustainability topics means starting with a level of aggregation of underlying phenomena into topics. Approaches which start with the underlying elements, i.e. impacts and specifically those where impacts are a change in wellbeing, are not provided for.

"Any suitable criteria"

Whilst we understand the need for ED-5000 to be applied to the various sustainability reporting criteria that exists (i.e. ISSB, GRI etc), sustainability assurance that meets the public interest must not be agnostic in the scope of the subject matter. Under the current ED it would be possible for an entity to define a scope of sustainability information for assurance that excludes negative impacts for example human rights abuses.

All assurance opinions arising from engagements under ED-5000 should be highlighting to the intended users where there are gaps in sustainability information arising from a scope that is a subset of the definition of sustainability. The current proposal in the ED that the opinion should include a statement that the information should not be used for purposes other than the one in the scope is not adequate to address these issues.

“All intended users”

The explanatory Memorandum (EM) claims that ED-5000 ‘is designed to be suitable for assurance engagements on sustainability information regardless of the intended users’ and ‘with a focus on entities’ general purpose sustainability reporting (i.e., in accordance with criteria designed to meet the common information needs of intended users as a group)’. If this is the case, then ED-5000 should be clearer on the definition of sustainability and sustainable development and where assurance engagements relate to a restricted scope of sustainability information for a specific sub-set of intended users i.e investors or providers of capital who may only be interested in the impacts of sustainability matters on the entity, the opinion should clearly state this restriction.

There are aspects of the IAASB’s Guidance on EER, specifically the recognition that intended users may not include those experiencing impacts related to sustainability, that have not been replicated in the ED. If a holistic definition of sustainability is used for scope, one of the intended users would have to act in the interest of those experiencing impacts who are not users. Without this, assurance against that more holistic basis would not meet the requirements for a three-party relationship.

Although the application material refers to sustainability information in the context of information for users making decisions with a purpose, based on a common interest, this is not clearly stated at the start as part of scope. This increases the risk that assurance could be provided on information that does not meet the requirements for identified users with a specific purpose behind their decision making.

A scope which requires a materiality assessment as part of determining relevant information further raises the risk that information is not complete. The scope should define relevant information and the level of certainty required for that information to be useful. Materiality is then the risk that any of that information has been omitted or other non-relevant information included that could affect decisions of users made for the defined purpose (as with financial accounting and reporting).

There is the possibility that different levels of certainty would be required for different scopes. The need to understand the users’ purpose and the users’ risk tolerance need to be understood in determining the required level of certainty for disclosing relevant sustainability information. We recommend that this issue is raised as an assurance provider will have to based their assessment of the risk of material misstatement and a programme of work for an acceptable level of assurance risk on this understanding.

This would also address intended users where the intended users are acting in the interests of people experiencing sustainability consequences. Where the purpose behind that use is maximising the contribution to sustainability, it would be necessary to report effectiveness of management’s decision making and include, for example, trade-offs made in decisions which requires an approach to valuation. To be useful for all intended users the ED would need to consider these issues and it may also then be useful to bring forward the discussion on the relationship between user, purpose and decisions.

“Use by all assurance practitioners”

The reliance on the engagement leader’s judgement (A67) that the team have the competencies required is a conflict of interest and risks undermining trust in opinions arising from use of the Standard. Whilst the ED focuses on the user of experts, the assurance team leader must also have the competency to decide which experts are required and the firm’s system of quality management must reflect this requirement. The ED could make this link clearer and remove the ability of the team leader to make this judgement.

## 7. Accounting Firms

### Mazars

All sustainability topics and aspects of topics

As a principles-based standard, we believe that the standard will be broadly applicable to all sustainability topics. However, we note that further standards will be required in the future to focus on specific topics building on the initial ISSA 5000 standard, for example around climate including the updating of ISAE 3410 and consolidated group reporting.

All mechanisms for reporting

We believe that the standard is suitable for application to any means of reporting undertaken by the entity, although further clarity could be provided in relation to the definition of “other information” to assist the assurance practitioner in undertaking appropriate work on that information. For example, if an assurance engagement is only on a particular topic or key performance indicator in an annual report, is the “other information” in this context, all of the other information in the annual report or just the information related to the specific topic or indicator?

Any suitable criteria

Although ED-5000 highlights that the evaluation of the criteria may be more extensive for entity-developed criteria, it would be helpful to provide greater clarity over:

The extent of work required when an entity is applying a reporting framework specified in law or regulation which has been subject to robust due process (e.g. the ISSB Sustainability Disclosure Standards or the European Sustainability Reporting Standards) where we believe that the work to determine the suitability of criteria should be minimal, and

The considerations assurance practitioners might apply when assessing the suitability of entity developed criteria, including focus on potential management bias in the choice of criteria. The guidance and Diagram 9 in the EER guidance might be a useful starting point in providing further clarity.

All intended users

There is a lack of clarity around the impact of intended users in ED-5000, which identifies a wide range of potential intended users, similar to the range of intended users which are likely to apply under European CSRD requirements but much broader than those which may apply under ISSB standards which specify primary users of general-purpose financial reports. It is not clear to what extent we need to consider the needs of “other intended users” where the reporting framework specifies a narrow definition of primary users.

Further clarity and guidance would be helpful to assist assurance practitioners in the considerations to apply when a wide range of users are relevant and how the practitioner would assess whether the entity’s materiality assessment process appropriately takes account of the needs of intended users as a group.

Limited and reasonable assurance engagements

Although ED-5000 highlights a differentiation in work effort between Limited and Reasonable Assurance engagements, there are examples where we do not believe that a distinction is appropriate or where Limited Assurance requirements are sufficiently robust to provide meaningful assurance. See our comments in other questions for examples.

It is imperative that users understand the difference between limited and reasonable assurance and we believe that greater clarity is required in reporting to highlight the differences, and in particular to stress that Limited Assurance is considerably less than Reasonable Assurance. See our response to question 21.

Use by all assurance practitioners

We strongly believe that there should be a single standard that can be used by all assurance practitioners and applaud the efforts of the IAASB in developing a profession agnostic standard. However, as currently drafted, we do not believe that the requirements and application guidance can be easily applied by assurance practitioners who are less familiar with IAASB standards, in particular some of the requirements of the International Standards on Auditing (ISAs).

There are many concepts and terms in ED 5000 that will be well known and understood by auditors (e.g. the audit risk model, spectrum of risk, performance materiality), and some of the requirements are based on much more detailed requirements set out in ISAs (e.g. ISA 540 on Estimates). We believe that, without the in depth understanding of those fuller ISA requirements and guidance, it may be difficult for non-audit assurance practitioners to apply the standard and there is an increased risk of different practitioners interpreting the requirements of the standards in very different ways.

We note that there were good examples included in the EER guidance issued by the IAASB and urge the IAASB to issue further guidance to support the consistent application of ED-5000, including providing clarification over language and terminology. We also note that, as a separate exercise, the EER guidance will need to be revisited following release of the final ISSA 5000.

Without sufficiently clear requirements and guidance for all assurance practitioners, there is a risk of fragmentation as jurisdictions may identify a need to develop their own assurance standards to enable application by other assurance providers. Furthermore, there is a risk of inconsistent interpretation and application of the requirements of the standard.

See also our response to Q4 regarding ethical and quality management requirements.

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

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

In relation to 'All sustainability topics and aspects of topics' the title of the ED is misleading for reporters, assurance providers and users. The ED is not designed to provide assurance on the 'sustainability' of an organization, but only assure its disclosures. Assurance under this ED will not demonstrate that an organization is 'sustainable', causing confusion among stakeholders.

To avoid this, I recommend the title of ED 5000 (and Standard) should be changed to 'General Requirements for Assurance on Sustainability Reporting'.

In addition it states the ED covers 'all assurance engagements on sustainability information' which is extremely broad, and may unintentionally give the impression that the ED can be used to assure topics which are already covered by other standards, such as supply chain certification, LCAs, environmental and social impact assessments, GHG management systems, etc.

In relation to 'All mechanisms for reporting' I do not believe the ED includes sufficient information about how to assure online (non-pdf) reporting and ensuring that the assurance report is linked to the assured information.

In relation to 'Limited and Reasonable assurance engagements' I do not agree with the differentiation in Par. 17qq (highlighted below) and do not believe that this will be interpreted consistently by assurance providers. I also believe, based on my experience, that the use of assertions in planning an assurance engagement should be restricted to reasonable assurance.

I recommend that the ED keeps to the basic principle that the difference between limited and reasonable assurance is the extent and depth of evidence-gathering procedures. In addition, I recommend the ED references the IAASB Non-authoritative guidance on assurance on EER, as it provide far more detailed information on reasonable and limited assurance procedures in Appendix 3.

'Risk procedures – The procedures designed and performed to:

(i) In a limited assurance engagement, identify disclosures where material misstatements are likely to arise, whether due to fraud or error; and

(ii) In a reasonable assurance engagement, identify and assess the risks of material misstatement, whether due to fraud or error, of the disclosures at the assertion level.'

My MAIN CONCERN in relation to section 14 of the EM is in relation to 'Use by all assurance practitioners'. I appreciate that the IAASB has engaged with non-accounting sustainability assurance professionals during the development of the ED, and that the ED can be used not only by accounting firms but also other qualified sustainability assurance practitioners (as was ISAE3000). However, I have grave concerns (already expressed in the ISSA 5000 reference Group) regarding the requirements for sustainability competence in the current ED, which I believe is insufficiently strong despite it being absolutely critical to the quality of future assurance on sustainability reporting. It is also a lot weaker that the assurance competencies described in the standard.

For example, Par 32 requires that the engagement leader have (a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application. However, for subject matter competence, they are required only to have 'sufficient competence to accept responsibility for the conclusions reached. Also 'sufficient competence' is a matter of professional judgement (A67).

As sustainability reporting covers a wide range of complex matters, I believe the engagement leader, and the engagement team, should have, in Par 32(c) 'competence and capabilities in sustainability developed through extensive training and practical application' in line with Par 32(a).

Sustainability professionals have subject matter qualifications and often many years' experience in sustainability assurance, but would not attempt to undertake a financial audit with only 'sufficient competence to accept responsibility for the conclusions reached'. Competence in the subject matter is also essential if the engagement leader is to be able to exercise appropriate professional judgement and scepticism during the engagement. Challenging the reporting organization (including if necessary the Board, Audit Committee and senior sustainability staff) regarding the reliability of its disclosures during an assurance engagement can only be undertaken with confidence if the engagement leader knows what he/she is talking about!

As assurance on sustainability reporting and disclosures is moving from voluntary to mandatory (e.g. under the CSRD in Europe) it is essential to ensure that assurance teams have sufficient depth of knowledge and experience in the relevant subject matters, which is also needed to meet the expectations of intended users.

## ERM Certification and Verification Services Limited

In relation to 'Use by all assurance practitioners', ERM CVS have concern around the strength of reference to sustainability competence throughout the Standard. For example, Para. 32 requires that the engagement leader have (a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application, but for subject matter competence, they are required only to have 'sufficient competence to accept responsibility for the conclusions reached AND 'sufficient competence' is a matter of professional judgement (A67). Due to the diverse and complex subject matter the engagement partner (and engagement team members) should have subject matter expertise more aligned with (a) as defined above. As such, Para. 32(c) should require the engagement leader to have 'Competence and capabilities in the subject matter developed through extensive training and practical application.' This level of understanding and competence would allow for professional judgement and skepticism and would protect the integrity of Assurance Reports (limited or reasonable) and would meet the needs of the intended users.

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

Additionally, it is important that engagement team members have subject matter expertise such that they can use professional judgement and professional skepticism. While this is referenced in A82, it only suggests that engagement leaders 'may' take into account the ability of the team to exercise professional judgment and skepticism'. 'May' is not a strong enough reference here. Without this ability throughout the team (Para. 41 references that it is appropriate to have this 'collectively' within the team), it is possible that material misstatements will be missed. For example, for a reasonable assurance engagement, it would not be appropriate to have one person on the team with sustainability competence. To protect the integrity of Assurance Reports (limited or reasonable) and meet the need of intended users, it is critical that the engagement team have sufficient sustainability competence throughout the team to exercise professional judgement and skepticism.

## 9. Public Sector Organizations

### Office of the Auditor General of Alberta

Detailed comments (if any): We disagree with the ED-5000 as an overarching standard because it is not in the public interest by not requiring a focus on relevant sustainability matters. The standard is not an adequate baseline due to the fact it allows sustainability to be defined only in terms of financial materiality, in terms of impact on the entity (or implied "enterprise value" or "investors"), which is not in the public interest. The "information for decision making" is a limited concept because sustainability is most relevant if thought of from an intrinsic focus: for example, in a sustainability context it is intrinsically relevant to reduce greenhouse gas (GHG) emissions, or energy usage, or water usage. ED-5000 complicates this with a focus on "information for decision making," which allows importation of flawed concepts of sustainability, such as the ISSB's sole focus on investors enterprise value decision making.

We have no issue with investors using information regarding sustainability impacts to assess enterprise value. Our concern is that ED-5000 allows sustainability to be limited to only financial impacts (implied to be investors needs). To reiterate, ED-5000 risks allowing the omitting of important sustainability efforts,

especially mitigation (including prevention) of negative external impacts, on the economy, environment and people. Sustainability is foremost a matter of identifying and mitigating negative impacts (or enhancing positive impacts) on things external to the entity, such as the environment, the economy and people, not “information for decision making.” It is not in the public interest to add credibility to sustainability reporting which is solely focused on financial impacts via assurance reporting on the sustainability reporting.

The emphasis on information for decision making in ISAE 3000 is much less, and while decisions of users are mentioned in ISAE 3000, the important part, indeed the objective of the engagement is to “enhance degree of confidence of intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria.” “Confidence the information is correct” is closer to a stewardship concept, rather than a “information for decision-making” concept, and is more appropriate for the sustainability context, so it should be the basis for ISSA 5000, with much less emphasis, if any, on “decision making” and much more emphasis on confidence in whether management has appropriately measured or evaluated the sustainability subject matter against suitable sustainability criteria. This will reduce the need for the practitioner to evaluate relevance (and other attributes) by reference to decisions of users and instead focus relevance on mitigation of negative impacts which are much more observable and objective. Practitioners don't have to make up scenarios or assumptions, based on only “preliminary knowledge of the engagement circumstances” (paragraph 69) about whether some users would even make a decision, nor consider what that decision is (to buy a product, boycott, protest, accept, ignore, tell others, post on social media, write a letter, wait, etc.), whether there is a link between what is reported and decision(s) of some users, what the decision-maker's interests are and whether they are constant or shift over time, the magnitude of that decision (e.g. how much they may or may not buy a product based on ESG reporting), and whether they may be inconsistent or contradictory. These are all unnecessary problems introduced with ED-5000's emphasis on “decision making” as determining relevance and other attributes. If these matters are not fixed, ISAE 3000 or a substandard under ISAE 3000 may be a better approach.

We note the important decision-making is by the entity (not “users”) regarding identifying its impacts, identifying and prioritizing actions to mitigate negative impacts or enhance positive impacts, and making tradeoffs among sustainability matters (e.g. what to do if decreasing energy usage also increases water usage). Sustainability reporting and assurance thereon is therefore more about stewardship, transparency and accountability for such decisions of the entity, and ISSA 5000 should reflect this. ISSA 5000 built on stewardship rather than decision making would be more of a sustainability assurance standard.

We note that the attributes of relevance, completeness, reliability, neutrality and understandability in paragraph 72 may prevent the standard from being used by all assurance practitioners and may also not bring enough focus onto sustainability. While these are in ISAE 3000, there is no intrinsic reason to transport these to sustainability. Other attributes may be equally (or more) valid, such as inclusivity, materiality, responsiveness and impact. Rather than encoding the five attributes from 3000 into ISSA 5000, these five and others could be included as application material to paragraph 72 as part of what the practitioner may consider in evaluating whether the criteria are suitable. Paragraph 72 (c) would read as “evaluate whether the criteria exhibit suitable sustainability characteristics.” The application material in paragraphs A166-A186 could be oriented away from decision making and more onto identifying, ranking, and mitigating negative impacts. Such changes would also make ISSA 5000 more of a sustainability assurance standard in a framework-neutral way.

The fundamental assertion of legislative compliance is not sufficiently included in ED-5000, an important topic or aspect of topics in sustainability. Paragraphs 59, 60, 61 and 101 are not sufficient, given legislative

compliance (including regulatory compliance) is fundamental and foundational to sustainability. It appears paragraphs 61 and 101 would only require inquiry to be performed, even under reasonable assurance, which is not sufficient. Legislative compliance should also be an assertion. The areas where ISSA 5000 must further incorporate legislative compliance include:

Paragraph 100 (b) should state “How the entity is complying with that framework, including the entity’s system of internal control (Ref: Para. 102R (f)).”

Paragraph 102R should include “(f) The entity’s process to identify and comply with relevant legal and regulatory requirements.”

Paragraph 138 should include “(c) Review all instances of legislative non-compliance and determine the impact on the assurance report.”

Paragraph A353R should include “Legislative compliance – the criteria, transactions and disclosures are in compliance with legislation and regulations.”

## 10. Member Bodies and Other Professional Organizations

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

Use by all assurance practitioners – The committee believes that allowing the application of an IAASB standard by professionals who are not licensed public accountants would dilute the value and rigor of the IAASB’s professional standards. The committee notes that performing assurance engagements is not simply a matter of applying a set of standards but includes robust training and licensure requirements. While we understand that subject matter experts are critical to the performance of sustainability assurance engagements, we believe that the licensed audit professionals are in the best position to perform these engagements. We understand that in certain jurisdictions non-accounting professionals are performing these engagements, we do not believe that they should be able to apply the same set of standards that licensed public accountants perform. The standards should be a distinguishing factor between high quality assurance engagements and other practitioners.

The committee also notes that the wording in the explanatory memorandum appears to suggest that licensed public accountants are trained only to provide assurance on financial statements. We disagree. Public accountants training, examination and licensure includes providing assurance on all types of subject matters.

The committee also notes that allowing non licensed professionals to perform assurance standards using IAASB standards further challenges the pipeline of professionals willing to enter into the accounting profession, sit for the CPA exam, and maintain a license. Furthermore, in the U.S. providing assurance using standards recognized by the U.S. assurance standard-setter, the AICPA’s Audit Standards Board is restricted to licensed practitioners. This is embedded into the state statutes. U.S. convergence with the international standard setter would therefore not be in the public interest.

All sustainability topics and any suitability criteria - We find it difficult to conceptualize how to apply the proposed sustainability assurance standard to highly qualitative and subjective content. Challenging areas include qualitatively assessing the influence of the presentation of the material (e.g., font sizes and styles, images, use of subjective terminology, content positioning, etc.). Providing assurance on a report that includes management’s commentary could be crossing the independence line. For example, maybe consider a requirement to keep the commentary separate from the information upon which the sustainability

assurance is provided. We agree with the criteria identified in paragraph 71 for determining whether sustainability matters are appropriate. We believe that more clearly defined parameters would be in the best interest of the public and the profession.

All intended users – The committee understands the broad use for sustainability reporting including the wide variety of interested stakeholders including the general public, customers, legislators, investors and management. The committee notes that the concept of “double materiality” is challenging and requests more practical guidance.

## 11. Academics

### Deakin University

We believe that ED-5000, as an overarching standard:

Cannot be applied for all sustainability topics and aspects of topics for the reasons set out in our covering letter.

To achieve this, descriptions of the components of a business – its purpose, business model (including internal control), governance, innovation and risk management must be explicitly recognised as sustainability matters and therefore sustainability information and sustainability topics in ISSA 5000.

The corollary of ‘framework-neutral’ is framework-inclusive. We believe that the IAASB must provide standards, guidance and examples covering the key aspects of the global baseline of IFRS Sustainability Disclosure Standards as well as other sustainability reporting mechanisms, frameworks and standards which are built on comprehensive or partial descriptions of an organisation’s business. Such descriptions provide context for the reporting of sustainability metrics and associated disclosures.

If this matter is adjusted for, ED-5000 can be applied for:

- all mechanisms for reporting
- any suitable criteria
- all intended users, including investors and other stakeholders
- limited and reasonable assurance engagements
- all assurance practitioners.

## 12. Individuals and Others

### Capitals Coalition

Our comments below are made with reference to the project objectives (paragraph 5 of the Explanatory Memorandum) specifically the intention for ED5000 to be ‘Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements’.

"A global baseline"

The ED relates to sustainability reporting and not to sustainability. We recommend it should be renamed Sustainability Reporting Assurance.

“All sustainability topics and aspects of topics”

The fact that ED-5000 can be applied to sustainability information that is limited to only certain aspects of sustainability topics does not serve the public interest.

We recommend that the Exposure Draft (ED) should start with the existing international definition of sustainability and sustainable development (Brundtland, 1987) but also recognise more recent definitions and approaches, especially, for example United Nations Development Program's SDG Impact Standards, which confirm the need for sustainability information to include information on management's stewardship and performance in increasing positive and reducing negative impacts.

Increasingly, assurance is requested over a range of products such as carbon offset arrangements which signal the importance being placed by market participants on the role it can play in providing credibility to claims being made. However, the absence of a clear definition of what topics fall within the scope of sustainability amplifies the risk of a material misstatement particularly by excluding information that may be essential for decision-making and accountability.

In addition, and also relating the question of a global baseline, the focus on sustainability topics means starting with a level of aggregation of underlying phenomena into topics. Approaches which start with the underlying elements, i.e. impacts and specifically those where impacts are a change in wellbeing, are not provided for.

“Any suitable criteria”

Whilst we understand the need for ED-5000 to be applied to the various sustainability reporting criteria that exists (i.e. ISSB, GRI etc), sustainability assurance that meets the public interest must not be agnostic in the scope of the subject matter. Under the current ED it would be possible for an entity to define a scope of sustainability information for assurance that excludes negative impacts for example human rights abuses.

All assurance opinions arising from engagements under ED-5000 should be highlighting to the intended users where there are gaps in sustainability information arising from a scope that is a subset of the definition of sustainability. The current proposal in the ED that the opinion should include a statement that the information should not be used for purposes other than the one in the scope is not adequate to address these issues.

“All intended users”

The explanatory Memorandum (EM) claims that ED-5000 'is designed to be suitable for assurance engagements on sustainability information regardless of the intended users' and 'with a focus on entities' general purpose sustainability reporting (i.e., in accordance with criteria designed to meet the common information needs of intended users as a group)'. If this is the case, then ED-5000 should be clearer on the definition of sustainability and sustainable development and where assurance engagements relate to a restricted scope of sustainability information for a specific sub-set of intended users i.e investors or providers of capital who may only be interested in the impacts of sustainability matters on the entity, the opinion should clearly state this restriction.

There are aspects of the IAASB's Guidance on EER, specifically the recognition that intended users may not include those experiencing impacts related to sustainability, that have not been replicated in the ED. If a holistic definition of sustainability is used for scope, one of the intended users would have to act in the interest of those experiencing impacts who are not users. Without this, assurance against that more holistic basis would not meet the requirements for a three-party relationship.

Although the application material refers to sustainability information in the context of information for users making decisions with a purpose, based on a common interest, this is not clearly stated at the start as part

of scope. This increases the risk that assurance could be provided on information that does not meet the requirements for identified users with a specific purpose behind their decision making.

A scope which requires a materiality assessment as part of determining relevant information further raises the risk that information is not complete. The scope should define relevant information and the level of certainty required for that information to be useful. Materiality is then the risk that any of that information has been omitted or other non-relevant information included that could affect decisions of users made for the defined purpose (as with financial accounting and reporting).

There is the possibility that different levels of certainty would be required for different scopes. The need to understand the users' purpose and the users' risk tolerance need to be understood in determining the required level of certainty for disclosing relevant sustainability information. We recommend that this issue is raised as an assurance provider will have to base their assessment of the risk of material misstatement and a programme of work for an acceptable level of assurance risk on this understanding.

This would also address intended users where the intended users are acting in the interests of people experiencing sustainability consequences. Where the purpose behind that use is maximising the contribution to sustainability, it would be necessary to report effectiveness of management's decision making and include, for example, trade-offs made in decisions which requires an approach to valuation. To be useful for all intended users the ED would need to consider these issues and it may also then be useful to bring forward the discussion on the relationship between user, purpose and decisions.

"Use by all assurance practitioners"

The reliance on the engagement leader's judgement (A67) that the team have the competencies required is a conflict of interest and risks undermining trust in opinions arising from use of the Standard. Whilst the ED focuses on the user of experts, the assurance team leader must also have the competency to decide which experts are required and the firm's system of quality management must reflect this requirement. The ED could make this link clearer and remove the ability of the team leader to make this judgement.

### International Accreditation Forum (IAF)

The standard has the potential to provide a global baseline for sustainability assurance engagement. However, it will be appropriately scalable and adaptable if it could be developed into neutral language, instead of accounting language. Additionally, it needs to consider widening scope to cover existing mainstreaming international reporting frameworks and assurance standards, such as GRI, ESRS, IFRS, etc. In a word, it needs to jump out the boundary of accounting to a much wider map.

The object of this documents is "sustainability information" therefore the title of ED-5000 should become:

"General requirements for sustainability information assurance engagements"

The document needs for consistent improvement.

Suitable criteria for all sustainability topics should be set forth to mitigate the variation of assurance and its outcome by various practitioners and accredited assurance bodies.

The requirements related to the assurance process do not ensure the standardization of the activities for both "limited" and "reasonable" assurance. Without the proper standard, the assurance duration and the assurance cost will vary depended on the various practitioners and accredited assurance bodies, due to the data and information sampling

The document can be applied for use by all assurance practitioners. This definition does not explicitly include independent assurance services providers (IASPs) as required by the CSRD

The document does not specify the approach to manage competence

The document does not specify the requirements established by ISO/IEC 17029 for programs having the scope of sustainability information assurance

#### Duration

The ISSA 5000 does not specify anything about the appropriate duration of engagement nor does it provide criteria of what is material to be considered during the engagement phase.

This might lead to a high potential for competition based on engagement duration and variation in assurance outcome.

It is suggested to clearly specify the criteria for the engagement time, when it is allowed to apply discount or to extend time.

Duration in audit days can be probably too much but it could be also an option especially if based on number of indicators to be checked and limited / reasonable assurance time.