

## **Sustainability Assurance – Respondents’ Detailed Comments to EM Question 10**

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

### **10.2 Agree with comments**

#### **1. Monitoring Group**

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

The Committee agrees with the proposals in ED-5000. In particular the Committee agrees that the practitioner evaluates the suitability and availability of criteria, with related application guidance (paragraphs A171, A172 and A179 and A185), the proportionate guidance on framework criteria (paragraph A170) and the importance of the availability of criteria (paragraph 72(d)) along with related communication (paragraph 170(c)(vii)).

However, the Committee notes that for practitioners who are not auditors it may be helpful to give some examples of criteria, in relation to both quantitative and qualitative sustainability information, to allow for practical and consistent application.

It may also be useful for the IAASB to give guidance as to how entity-developed criteria interact with the concept of “fair presentation criteria”. For situations where an entity may be using fair presentation criteria and supplementing these with entity-developed criteria, the IAASB might consider adding to paragraphs A168–9 to clarify that any entity-developed criteria need to be consistent with the overall fair presentation requirements embodied in the fair presentation criteria.

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

###### **Rational Purpose**

We understand that the concept of “Rational Purpose” as a precondition for an assurance engagement has been based mainly on the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000). The concept however lacks specificity about what the rational purpose of a sustainability engagement would be. This is particularly problematic in situations where the engagement is not based on a legal or regulatory requirement.

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

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

It is necessary to bear in mind that in the sustainability field a variety of approaches and value systems exist according to individual circumstances. If approaches and value systems differ, therefore, it stands to reason that the criteria adopted may differ among entities with regard to the same sustainability matter.

In cases where laws or regulations do not mandate the use of certain criteria when obtaining assurance, the IAASB should prevent entities from being forced to choose the same uniform criteria by making it clear that they may choose a variety of criteria, provided the criteria in question are appropriate.

#### 4. Regulators and Audit Oversight Authorities

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

The IRBA issued the South African Assurance Engagements Practice Statement 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria, to assist practitioners that perform assurance engagements under ISAE 3000. In doing so, our IRBA authoritative publication recognised the importance of a rational purpose as a precondition for undertaking the assignment, and the significance of the audit risk that arises, if engagements are accepted and conducted, in circumstances where the assurance provided is likely to be misused and misunderstood. This is a significant regulatory risk, more so because the proposed standard is framed to be used by professionals other than auditors also.

We understand that the concept of “Rational Purpose” (paragraph 74 of ED-5000) as a precondition for an assurance engagement has been based mainly on ISAE 3000 (Revised). However, the concept lacks specificity on what the rational purpose of a sustainability engagement would be, and this could also be a source of confusion when the engagement is based on a legal requirement.

Our suggestion is to clarify that this determination is not required or is presumed met where the engagement is only based on a legal requirement for assurance on specific sustainability information.

#### 5. National Auditing Standard Setters

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

Overall, ED-5000 appropriately addresses the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information. However, the following changes should be made:

We recommend that paragraph 72(d) use the word “Determine” rather than “Evaluate” because whether and how the criteria will be made available to the intended users is a matter of fact, not a matter of judgment.

A176-A177, A179(e) & (g)(i), Specific Considerations for Determining the Suitability of Criteria for Processes, Systems and Controls – Consider referencing the COSO Integrated Framework (specifically, internal control over sustainability reporting) as an example of an internal control framework to use as criteria.

A178, A179(e) & (g)(iii), Specific Considerations for Determining the Suitability of Criteria for Forward-Looking Information – An example of a known or generally accepted model available for forward-looking information should be added.

A181 – Add a bullet to the list stating that the practitioner may consider whether the criteria “omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that sustainability information.”

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

We ask for further clarification that in cases where the criteria have been established and made publicly available by regulations or authorities (i.e. framework criteria), the practitioner’s work effort should focus on entity-developed criteria, if applicable. To reinforce this, the application material in paragraph A170 could be elevated to the requirements section of the standard.

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

In addition, as many jurisdictions are adopting mandatory frameworks for sustainability reporting, we believe that the paragraph A170 of ED-5000 is key, especially its first sentence that states “Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary”. This sentence is consistent with ISAE 3000 (Revised), and we believe that it needs to be retained in final ISSA 5000.

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

The HKICPA appreciates the IAASB's effort in developing ED-5000 as an overarching standard that applies to all sustainability assurance engagements. We find the guidance currently provided in the IAASB's EER practical and is widely applied by practitioners in providing assurance on sustainability information, however, certain guidance in the EER is not included in ED-5000. While the IAASB continues to endorse the use of the EER when appropriate, it is recommended that relevant guidance be incorporated into ED-5000 as application material, to supplement the principles already set out in ED-5000, including the examples in para. 333 and 336 in Chapter 10 of the EER.

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

We believe that the draft appropriately addresses the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information because it covers all of the issues regarding the suitability of criteria in line with ISAE 3000 (Revised) but augmented in an appropriate manner. However, we have a number of comments on the application material for matters that we believe the wording is not technically correct or complete or there is an editorial matter: we have provided these comments in the appendix to this template.

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

- We suggest to elevate the language from A170 which limits the work effort on the criteria when a generally accepted framework is being applied. We suggest a consideration of whether the requirements on suitability of criteria could be made conditional to the situation that no generally accepted framework exists and to the situation that a company adds its own further criteria to those in the framework.
- We observe that most of the application material focuses on what is not required. In our view it would be useful if the application material also would better explain to practitioners what is expected, perhaps through some short examples.

## **7. Accounting Firms**

### **BDO International Limited**

While the language of 'criteria' is familiar to experienced assurance practitioners, the definition of criteria as 'benchmarks' may be unclear to less experienced practitioners, especially when contrasted with the notion of 'materiality benchmarks'. By analogy with financial statement audit engagements, where 'applicable criteria' are the requirements of the applicable financial reporting framework, it would be helpful to clarify that criteria are the standards, rules or policies adopted by an entity to measure or evaluate sustainability matters, and determine the disclosures required.

Some examples of criteria would be helpful. Because this definition is foundational to the practitioner's evaluation of the suitability and availability of criteria, and because of the wide range of levels of familiarity with IAASB standards that sustainability assurance practitioners are likely to have, we are concerned that without further 'plain language' clarifications, the requirements of ED-5000 may be inconsistently applied. Application guidance to explain how a practitioner may evaluate the suitability of criteria; or further implementation or illustrative guidance presented in a tabular format (see below) would be helpful for consistency of implementation of ED-5000.

Identify the Sustainability Information

Has the entity determined applicable criteria?

Name the criteria and identify its source

Are the criteria... and designed to achieve information that is...

Relevant

Complete

Reliable

Neutral (un-biased)

Understandable

Criteria available to users?

We note that an overall 'stand back' of the combination of criteria selected is also likely to be required to fully evaluate the suitability of criteria applicable to the sustainability information. For example, it may be inappropriate for a practitioner to decide that Framework X, which contains measurement and disclosure requirements for sustainability topics A and B, will be used to measure and present topic A but not B, unless the requirements of Framework X in relation to topic B do not capture the specific circumstances of the entity, in which case looking to Framework Y may become appropriate.

There is a possible risk when the criteria are not from a widely accepted framework (e.g., they are internally developed by the entity), that the practitioner may be unable to evaluate whether the criteria are suitable (e.g., whether the criteria are complete, neutral or reliable) especially as a precondition to acceptance. This is particularly the case as the 'understanding applicable criteria' paragraph (98) suggests that an evaluation of part of the criteria considerations can happen later, which seems inconsistent with the requirements pre-acceptance.

While we acknowledge the IAASB's project approach to remain framework-neutral, illustrative examples about what 'criteria' might be for each of the attributes of A167 would be a welcome addition to assist firms in implementing the standard.

The specific considerations provided for determining the suitability of criteria for different types of information in A175 to A178 are helpful.

It may also be useful to identify at this stage the relationship between suitability and availability of criteria and the possibility of qualifications: If the criteria are not suitably defined, it may not be possible for the practitioner to identify non-compliance with the criteria. This is particularly relevant, for example, when evaluating processes, systems and controls.

## Deloitte LLP

It is the responsibility of the assurance practitioner to evaluate whether the criteria expected to be applied in the preparation of the sustainability information are suitable and available to intended users (paragraph 72). Paragraph A170 of the application material notes that “framework criteria embodied in law or regulation or issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary.” As drafted, we are concerned that the wording of paragraph A170 may lead assurance practitioners to automatically default to the presumption that certain criteria are always suitable without first making an appropriate evaluation based on the facts and circumstances of the engagement. We believe the practitioner’s responsibility in this regard should be made clear in the requirements rather than the application material, and therefore we suggest the IAASB make the following underlined edits to paragraph 72b of ED-5000 and remove the corresponding language from paragraph A170. Note: paragraph 72a has been omitted from the excerpt below for purposes of this comment:

72. The practitioner shall evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances and will be available to the intended users. In doing so, the practitioner shall:

...

(b) Identify the sources of criteria, including whether they are framework criteria, entity-developed criteria or a combination of both. While framework criteria embodied in law or regulation or issued by authorized or recognized bodies of experts that follow a transparent due process may be evaluated and concluded to be suitable in the absence of indications to the contrary, the practitioner shall make this evaluation based on the specific facts and circumstances of the engagement; (Ref: Para. A167-A171)

## Ernst & Young Global Limited

Generally, we believe that ED-5000 addresses the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information in an appropriate way. We note that the EER guidance includes additional guidance and examples in Chapter 3, and as suggested in our response to Q1, we encourage the IAASB to update the EER guidance to align its content with ED-5000.

In addition, as many jurisdictions are adopting mandatory frameworks for sustainability reporting, we believe that the first sentence of paragraph A170 of ED-5000 that states “Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary” is key. This sentence is consistent with ISAE 3000 (Revised), and we believe that it needs to be retained in final ISSA 5000.

We do have concerns with the clarity of ED-5000 as to the practitioner’s responsibility to evaluate the suitability and availability of the applicable criteria (paragraph 72) versus evaluating the entity’s process to identify or develop, evaluate and apply the applicable criteria (paragraph 98). We suggest clarifications to the requirement in paragraph 98, as well as in the supporting application material to both paragraphs 72 and 98, as described below.

For paragraph 98, we do not believe that “policies or procedures” (which are by definition “controls”) is the appropriate terminology for this requirement. We recommend that “policies and procedures” be replaced by “process”.

98. The practitioner shall evaluate whether the entity’s process policies or procedures to identify or develop, evaluate the suitability of, and apply the applicable criteria are:...

Further, we believe the IAASB should challenge the application material associated with paragraph 98 of ED-5000. Paragraphs A299 – A301 discuss understanding the applicable criteria and considering the suitability, which we believe would be better aligned with the requirement in ED-5000 paragraph 72. Application material to ED-5000 paragraph 98 needs to be added to explain the practitioner's procedures to evaluate the entity's process. The IAASB should consider application material similar to that included in ED-5000 paragraph A171. However, A171 as written implies that the practitioner only "may consider" the process, whereas we believe the intent of paragraph 98 is to require the practitioner to evaluate the process, and therefore A171 would need to be updated to appropriately align to paragraph 98:

A171. The practitioner may consider In considering the process followed by the entity to identify framework criteria or develop entity-developed criteria, including the practitioner may consider whether that process:,,,

### **KPMG International**

We welcome the inclusion of requirements and related application material in the proposed standard that we believe appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information. We consider this to be appropriate in light of the fact that there are several frameworks that are/will be applicable in this area, as well as the fact that the entity may need to supplement recognised criteria and/or in certain circumstances develop their own. However, we do have recommendations for the IAASB to consider, including enhancements to the proposed standard in this area.

Additional guidance regarding the evaluation of the suitability of the criteria

We highlight that for a number of engagements the practitioner's considerations in this area are likely to be complex and involve the exercise of professional skepticism and professional judgement to a significant extent. Accordingly, we recommend that the IAASB explore the possibility of including additional material in the EER Guidance to assist practitioners in this area, such as more detailed examples across different types of sustainability assurance engagements. We suggest that the IAASB consider working with, and drawing on the experience of, NSS and other bodies in this regard.

Additional requirement within the Risk Procedures section to determine whether the criteria are suitable

We are concerned that the placement of the requirement for the practitioner to evaluate the suitability of criteria and whether the criteria will be available to intended users, at paragraph 72, is included in the section addressing Preconditions for an Assurance Engagement, based on the practitioner's preliminary knowledge of the engagement circumstances. We consider that such knowledge would be relatively high level and, whilst appropriate to a practitioner's decision as to whether to accept or continue with an engagement, would likely not be sufficiently detailed for purposes of concluding whether the criteria are suitable. The explanatory memorandum refers to the practitioner building on this preliminary knowledge when planning the engagement (at paragraph 88 of the proposed standard) and in performing risk procedures (at paragraph 95); however, we do not consider that the standard appropriately reflects the IAASB's intention for the practitioner to "build on" their preliminary knowledge, as both paragraphs refer only to the practitioner "considering information from their procedures regarding acceptance/continuance [emphasis added]" (i.e. drawing on this understanding rather than developing it further). Furthermore, paragraph 98 (within the section addressing Risk Procedures) requires the practitioner to evaluate whether the entity's policies or procedures to identify or develop, evaluate the suitability of, and apply the applicable criteria are appropriate for the circumstances of the entity. However, this section is focused on the application of the criteria by the entity and identifying the susceptibility of the disclosures to misstatement, rather than whether the criteria are, themselves, suitable. Accordingly, we recommend that ED-5000 include

an additional requirement within the Risk Procedures section (e.g., as part of paragraph 98) to require the practitioner to determine whether the criteria are suitable for the engagement circumstances. We highlight that an equivalent requirement is included at paragraph 41 of ISAE 3000 (Revised) and we consider it would be necessary in ED-5000 also.

Additional application material relating to evaluating the suitability of criteria

We also highlight that the application material acknowledges that there is a wide variety of suitable criteria that may be applied by an entity. Whilst we agree with this observation, we highlight that one of the aims of the IAASB in developing ED-5000 is to drive consistency and engagement quality in practice, and therefore we recommend that the IAASB provide more guidance in respect of evaluating the suitability of criteria in this area by setting out factors that the practitioner may consider. These factors may include whether or not criteria are recognised criteria developed by an appropriate body and following due process, making comparisons to industry peers, as well as relating their considerations of suitability to the needs of intended users. Such guidance may also address scalability considerations, e.g., if the criteria are recognised criteria, then the determination as to whether these are suitable is likely to be more straightforward.

In connection with this, paragraph A181 discusses matters such as whether the criteria address the basis for significant judgements in preparing the sustainability information, the source of significant inherent uncertainties, and the reporting boundary(ies). We also highlight that it is important that criteria address the provision of transparency to intended users, i.e., that they drive entities to make appropriate “disclosures” in respect of these matters, such that users have an appropriate basis for informed decision-making. Accordingly, we recommend that throughout the application material addressing suitable criteria, such considerations be included, linked to the need for the practitioner to understand the intended users and their information needs, and linked to their exercise of professional skepticism and professional judgement in assessing the suitability of criteria. Please also refer to our response to Question 9 in respect of the entity’s “materiality process”.

#### **Mazars**

ED-5000 is unclear on the work effort required when an entity is applying established international or jurisdictional reporting frameworks that have been subject to due process and are specified by law or regulation (e.g. the ISSB Sustainability Disclosure Standards or the European Sustainability Reporting Standards). In our view, there should be little work required at this stage of the engagement in such circumstances, with the practitioner focusing its effort on any entity-developed criteria.

ED-5000.A165 could be interpreted to suggest that sustainability matters relating to qualitative, judgmental or forward-looking information may not be appropriate and/or that sufficient appropriate evidence may not be available for such matters. We suggest that the IAASB revisits the wording of this paragraph such that it focusses on the practitioner’s consideration of the nature and extent of procedures and consequently the sufficiency and appropriateness of evidence that can be obtained for such matters.

#### **MHA**

We concur that the proposed standard addresses the suitability and availability of the criteria used by the reporting entity in preparing the sustainability information, but are concerned at the phrasing of paragraph A165, which appears to insinuate that sufficient appropriate evidence may not be obtained for forward-looking and other qualitative or subjective information.

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

Detailed comments (if any): These are areas of novelty, complexity, subjective or wrong interpretation and judgment, which if not properly applied can lead to ultimately the wrong opinion being proffered. More guidance with practical simulated examples may help practitioners.

### **PKF International Limited**

To support the practitioner's ability to perform a high-quality sustainability assurance engagement, we agree that the practitioner should obtain an understanding of the criteria used by the entity in preparing the sustainability information. However, we recommend that the IAASB reassesses the manner in which the related requirements are currently presented in ED-5000. In our view, the following points could be considered to help clarify the requirements in a more effective way:

A stronger linkage should be established between the requirements in para 72 (preconditions for an assurance engagement) to paras 94 to 101 (risk procedures). The purpose of such a linkage would be to ensure the information gained from the practitioner's work over the preconditions of the assurance engagement helps to inform the understanding obtained by the practitioner when performing risk procedures. As a suggestion, specific points on this matter could be taken from the application guidance in para A292 and relocated to para 98 to be repurposed there as an ED-5000 requirement.

In our view, there is an opportunity to introduce a scaled approach in para 72 to the extent of the practitioner's understanding relating to the entity's criteria. Specifically, the scale of the practitioner's efforts in this area of the engagement could vary in accordance with the level of assurance being provided over the sustainability information. As such, we recommend that the IAASB reconsiders how the requirements in para 72 relating to the practitioner's evaluation and understanding of the entity's criteria could be scaled between the work effort required for a limited assurance engagement versus the effort required for a reasonable assurance engagement.

### **PricewaterhouseCoopers International Limited**

The requirements are largely consistent with ISAE 3000 (Revised) and the enhanced focus on rational purpose is important given the nature, and potentially varied scope, of sustainability assurance engagements that may be sought by entities, in particular when the scope of such engagements is not specified by applicable law or regulation.

We support the new requirement to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement and the additional emphasis given to the fact that framework criteria may need to be supplemented by additional framework or entity-developed criteria as this will be especially relevant in sustainability assurance engagements in many jurisdictions, including Europe.

#### **Forward-looking disclosures**

We believe that the application material addressing suitable available criteria (paragraph 72) and related application material on availability of evidence needs to provide clear guidance on the topic of whether forward-looking disclosures satisfy the conditions for assurance when determining the scope of the engagement. In respect of certain forward-looking disclosures there may not always be a common basis of measurement, statements made may be hypothetical or aspirational (such as those related to an entity's strategy or resilience) and ultimately they may not be capable of being subject to assurance. Without clear guidance, we believe there is a significant risk that, for engagements to report on sustainability information as a whole, practitioners may overlook these matters when considering the acceptable scope of disclosures that can be encompassed within the assurance engagement.

Furthermore, we believe there is a potential risk of both regulatory and user expectation gaps arising if there is no clear and consistent understanding of the basis on which any assurance work on forward-looking disclosures has been performed. There is a need for education and transparency that an assurance practitioner cannot assure the outcome of such disclosures. At best, the practitioner may be able to express an assurance conclusion on the process to compile the forward-looking disclosures that has been applied by management in accordance with the applicable criteria. Such disclosures would need to be clearly identified and the assurance report fully transparent about the nature of the conclusion being expressed. We believe these are issues that need to be addressed in the standard. Our response to question 16 further addresses the potential nature and extent of work on forward-looking disclosures that have been deemed suitable for some level of assurance.

#### Sustainability information definition

Further to our comments in response to question 5, we highlight paragraph 72 as a further example where reference to sustainability information is confusing. Based on paragraph 4, the lead-in language to paragraph 72 may rightfully be interpreted as referring to only the sustainability information subject to the assurance engagement. Consequently, there may be perceived redundancy in part (a) which states “whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement”. While most practitioners could interpret the intent of this particular requirement, it further emphasises the need to find distinct terminology for referring to applicable criteria and sustainability information that are the subject of the assurance engagement, and the criteria and sustainability information as a whole that is reported by the entity.

See also our comments in response to question 9 related to the entity’s process to identify reporting topics (application of the criteria).

## 9. Public Sector Organizations

### Government Accountability Office - US

We agree that suitable criteria may not be available for measuring or evaluating all the sustainability matters that the entity intends to report. Criteria provides a context for evaluating evidence and understanding the findings, conclusions, and recommendations, if any, in the report. In addition, criteria identify the required or desired state or expectation with respect to the program or operation. We acknowledge that sustainability reporting frameworks and criteria from other sources are evolving.

We agree that criteria embodied in law or regulation or are issued by authorized or recognized bodies that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary but may need to be supplemented by additional entity-developed criteria, if the framework criteria do not provide sufficient detail to measure or evaluate the sustainability matters (Explanatory Memorandum Section 1-F, paras. 58). In the absence of such a framework, we believe that criteria will have to be established. In addition, when engagements use criteria that are designed for a specific purpose, we concur that a statement alerting readers to this fact is required (ED-5000 paragraph 180).

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

We note the acknowledgment that framework criteria embodied in law or regulation or issued by authorised and recognised bodies that follow a transparent due process, are presumed to be suitable.

We recommend that the minimal work effort that would be required in this scenario should be described more clearly. Guidance on what a transparent due process entails would ensure consistent application of the acknowledgement and clarify when more work effort is required on determining the suitability of criteria. A transparent due process is described in IFAC's public interest framework.

Our response to question 1 recommends that the detailed information on pre-engagement activities should be presented in a separate ISSA 5000.1. ED-5000 could then simply refer to the guidance available to assess entity developed criteria that are not presumed to be suitable.

#### **Office of the Auditor General of Canada**

Detailed comments (if any): We are concerned that the current approach would allow for an entity to only report on sustainability matters as it relates to financial performance. The current list included in paragraph A180 is a mutually exclusive list. We expect internal impacts of sustainability matters on the entity (which is the subject of paragraph A180(a)) may not only be financial. We would suggest paragraph A180 be revisited to ensure there are no unintended restrictions on scope or relevance considerations.

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

#### **Accountancy Europe**

Yes, the ED ISSA 5000 appropriately addresses the practitioner's evaluation of the suitability and availability of the criteria.

As noted in our response to Question 8, it should further clarify that in cases where the criteria have been established and made publicly available by regulations or authorities (i.e. framework criteria), the practitioner's work effort should focus on entity-developed criteria, if applicable. To reinforce this, the application material in paragraph A170 could be elevated to the requirements section of the standard.

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

We agree with the approach adopted in ED-5000 for the evaluation of the criteria used by the entity to prepare the sustainability information. However, paragraph 72 could be supplemented by guidelines to assist the practitioners evaluate:

their approach to assessing the suitability of the criteria in the case of a hierarchy of the sources or when an entity has more specific or more general criteria;

their approach if the criteria used to prepare the sustainability information have been modified over time.

In addition, paragraph A166 states that "If suitable criteria are unavailable for all of the sustainability information subject to the assurance engagement, but the practitioner can identify one or more disclosures in the sustainability information for which the criteria are suitable, then an assurance engagement may be performed with respect to those disclosures". While this is clear, it should be completed with examples that can explain how to present this limitation.

More broadly, given that the evaluation of the suitability of criteria by the practitioner requires the exercise of a high level of judgement and that this evaluation is often complex, we recommend that the IAASB should include additional examples in the guidance covering various circumstances (reference can be made to the examples provided in the EER Assurance Guidance) in order to ensure the consistent application of the standard.

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

We appreciate ED-5000's emphasis on practitioners identifying the sources of criteria used for sustainability information. This identification aids in understanding the credibility and transparency of the criteria and their suitability for the assurance engagement. We support the presumption within ED-5000 that framework criteria embodied in law, regulation, or issued by recognized bodies following due process are presumed suitable unless evidence suggests otherwise, as this presumption ensures a level of credibility for commonly accepted criteria.

The acknowledgment in ED-5000 that reporting frameworks are likely to evolve and become more comprehensive over time, potentially becoming more widely accepted due to increased regulatory requirements aligns with the evolving nature of sustainability reporting.

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

This is an area that can be challenging for practitioners when the entity is using criteria outside of common reporting frameworks and is an area where further guidance is likely to be required.

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

In cases where framework criteria have been established and made publicly available by regulations or authorities, the practitioner's primary focus should be on assessing the entity-developed criteria, where applicable, as detailed in our response to Question 8.

### **CPA Australia**

We believe that ED-5000 provides sufficient details to help the practitioner to address the suitability and availability of the criteria used by the entity in preparing the sustainability information. Consistent with our response to earlier questions, stakeholders feel that ED-5000 requires a significant amount of work effort from the assurance practitioner on this matter at the precondition assessment stage. We believe that whilst a high level consideration may be appropriate at the precondition assessment stage, a more detailed assessment would be appropriate after engagement acceptance.

By implication, ED-5000 appears to expect the auditor to identify and assess reporting gaps or a disconnect between the suitability and availability of criteria and to identify better and more appropriate or material criteria that the entity might have missed at the precondition assessment stage. If that is the intent of ED-5000, it may give rise to independence concerns (self-review threats) and as noted previously, shift responsibility from the preparers to the assurance practitioners.

We suggest the IAASB revisit and address the precondition assessment requirements in light of the above concerns.

As detailed in our response to question 9 above, we are of the view that, there is opportunity for the IAASB to streamline the requirements between precondition and risk assessment when addressing the practitioner's evaluation of appropriate sustainability matters, and the suitability and availability of the criteria used by the entity in preparing the sustainability information. We believe the requirements will be much clearer if the IAASB can clearly distinguish the extent of work required at each distinct stage of the assurance engagement.

Choosing the appropriate criteria without a reporting framework can be problematic for assurance practitioners. In the absence of a reporting framework, auditors will need to rely heavily on the entity's "process to identify material reporting topics" that is relevant, meaningful, and appropriate. The risk to the

assurance practitioner is what ultimately gets captured and reported as the outcome of the entity's "process to identify material reporting topics". Therefore, omission might be challenging to identify and assess, especially when the entity and the assurance practitioner may not agree on the materiality and the intended users. ED-5000 is not clear on how the auditor should deal with the discrepancies, especially for qualitative disclosures.

As outlined in our response to question 10 above, we recommend the IAASB to develop more guidance and examples on how to deal with challenging situation such as disagreement/discrepancies between the assurance practitioner and the entity, especially in relation to entity's materiality and its outcome on qualitative disclosures.

#### **CPA Ireland**

Explanatory guidance was provided in paragraph A167 to provide greater context to the sources of criteria which may be considered. However, clarity on the below framework criterion is required; (a)(iii) "Developed collectively by a group that does not follow a transparent due process". It is unclear why if a transparent due process does not occur, such a method would be suitable as a criterion consideration.

Further to this, paragraph A170 contradicts A167 and denotes, "Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary". Paragraph A170 instead noted those that follow a due process rather than those which do not per A167.

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

We welcome the standard being framework neutral. In the EU EFRAG is developing a sustainability reporting standard for voluntary use by non-listed SMEs (VSME). We assume that the VSME would be classified as a recognized framework and so ISSA 5000 can be used for assurance engagements on reports prepared using this standard.

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

An important point is the practitioner's evaluation judgment of the information provided regarding the entity's criteria applied to the sustainability information.

#### **EXPERTsuisse**

Engagement acceptance depending on suitable criteria

There is a possible risk, when the criteria is not one that is a widely accepted framework (e.g., internally developed by the entity), that the practitioner may be unable to evaluate whether the criteria is suitable (e.g., whether the criteria is complete, neutral or reliable) especially as a precondition to acceptance. This is particularly the case as the "understanding applicable criteria" paragraph (98) suggests that an evaluation of part of the criteria considerations can happen later, which seems inconsistent with the requirements pre-acceptance. It may also be useful to identify at this stage the relationship between suitability and availability of criteria and the possibility of qualifications: If the criteria is not suitably defined, it may not be possible for the practitioner to identify non-compliance with criteria. This is particularly relevant in the context of evaluating processes, systems and controls, for example.

### **Institut Akuntan Publik Indonesia**

Yes, the requirements are mostly consistent with ISAE 3000 (Revised) and the enhanced focus on rational purpose is important given the nature and potentially varied scope of assurance engagements sought by entities.

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

While the language of 'criteria' is familiar to experienced assurance practitioners, the definition of criteria as 'benchmarks' may be unclear to less experienced practitioners, especially when contrasted with the notion of 'materiality benchmarks'. By analogy with financial statement audit engagements, where 'applicable criteria' are the requirements of the applicable financial reporting framework, it may be helpful to clarify that criteria set out how an item will be measured and presented in a disclosure; that they are the standards, rules or policies adopted by an entity to measure or evaluate sustainability matters, and determine the disclosures required.

Because this definition is foundational to the practitioner's evaluation of the suitability and availability of criteria, without further 'plain language' clarifications, the standard may not fully meet the needs of users. This could be particularly relevant for public sector entities depending on the scope of reporting set, noting that the International Public Sector Accounting Standards Board (IPSASB) is developing a public sector specific standard. For public sector bodies, the impact of their policy setting role is often much greater than the impact of eg, entity specific emissions. If a broader policy impact measure is considered, and given materiality to users, it will introduce a much broader and more complex assurance scope.

We would welcome some discussion of the likely differentiation in work effort required for established reporting frameworks and entity developed criteria.

We note that the wording in A165 might be taken to suggest that sufficient appropriate evidence may not be available for qualitative, judgmental, or forward-looking information. While that may well be true in some circumstances, there is a risk that this paragraph is interpreted as a generalisation applicable to all such information. Clarification here would be helpful.

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

We welcome that paragraph A170 of ED-5000 states:

"Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary."

However, given the multitude of existing frameworks this could still prove challenging to the assurer to determine.

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

It would be appropriate to recommend the Boards of Directors to align with relevant frameworks covering the reporting of all types of investor-focused information or stakeholder-focused information.

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

Illustrative examples on evaluating the principles-based characteristics under paragraph 72(c) would be helpful.

We appreciate that ED-5000 recognises the current landscape of sustainability reporting where there may be information with no well-established frameworks or criteria for measurement or evaluation and hence, entity-developed criteria may be used. This includes criteria to measure estimates and forward-looking information.

However, to aid practical application amongst practitioners, more practical guidance and illustrative examples would be helpful in determining the suitability and availability of such criteria.

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

Some examples of criteria would be helpful. Because this definition is foundational to the practitioner's evaluation of the suitability of criteria, and because of the range of levels of familiarity with IAASB standards that sustainability assurance practitioners are likely to have, we are concerned that without further clarifications, the requirements may be inconsistently applied.

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

In relation to this, we consider that the criteria should be more consistent with IFRS S1.

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

The proposed ISSA 5000 does not seem to define well, and/or provide any clarifications on, entity developed criteria. We note that more guidance is needed in this regard.

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

Response: We believe it would be a meaningful improvement to add the characteristic of "Measurability" to paragraph 72 (c) of ED-5000, (i.e., 72 (c) vi Measurability), to permit consistent measurements, qualitative or quantitative, of subject matter. Beyond that one suggestion, we are satisfied that ED-5000 appropriately addresses the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information expected to be the subject of the assurance engagement.

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

ED-5000 appropriately addresses the practitioner's evaluation of the suitability and availability of the criteria. To reinforce that the practitioner should consider whether the framework criteria embodied in law or regulation may need to be supplemented by additional entity-developed criteria, the application material in paragraph A170 could be elevated to the requirement section of the standard. As drafted, we are concerned that the wording in A170 may lead the practitioner to conclude per default that certain criteria are always suitable without first making an appropriate evaluation of facts and circumstances of the engagement. We therefore suggest that "...are presumed to be suitable..." is replaced with "... may be presumed to be suitable ..." in the sentence "Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary."

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

SOCPA believes that ED-5000 appropriately addresses the practitioner's evaluation of the suitability and availability of the criteria used by the entity. However, the type of applicable criteria referred to as "entity-developed criteria" needs more clarifications and explanations to avoid misunderstanding while there is global endeavors to establish high quality criteria helping entities to develop their sustainability reporting.

### Virginia Society of CPAs

Yes. However, this section should be reviewed for periodic updating given the nascent nature of this reporting.

### World Federation of Exchanges

It would be helpful to have more specific guidance and examples.

## 11. Academics

### Monash University

Supplemental information may not only consider specific entity-developed criteria but also include industry-related developed criteria. This will allow for some potential homogeneity and consistency in the criteria across industries or sectors. Nonetheless, the reporting frameworks are likely to be widely accepted in the future, so this specific developed criterion might not be too relevant.

## 10.3 Neither agree or disagree

### 2. Preparer and Users of sustainability information

#### MFIs' Internal Audit ESG Working Group

The evaluation criteria defined to assess the effectiveness of framework for assurance practitioners are not sufficient and are subjective, especially for the entity-developed criteria adopted by entities to prepare and present sustainability information. For instance, minimum expected criteria should be defined for entity-developed criteria, and references should be made to Standards such as S1 and S2 issued by the International Sustainability Standards Board (ISSB). [References: Para 14 of Explanatory Memorandum (EM): Sub-heading: Any Suitable Criteria; Para 56-58 of EM : Heading: The Suitability and Availability of the Reporting Criteria]

## 10. Member Bodies and Other Professional Organizations

### Institute of Chartered Accountants of Ghana

Detailed comments (if any): The guidance appears to just require the practitioner to evaluate whether suitable and available criteria exist. It does not seem to provide guidance or suggestions on evaluating suitability or availability.

## 11. Academics

### Deakin University

We believe it is critical that reports containing sustainability information include a comprehensive basis of preparation and presentation in order to constitute suitable criteria for assurance. The basis of preparation and presentation should include a description of the reporting process, including internal controls therein, as this process will always in itself be material.

We recommend that an example be included in ISSA 5000 of how an assurance practitioner should evaluate a description of a basis of preparation and presentation in a report containing a whole or partial description of a business and sustainability-related financial and other metrics, with a focus on internal controls within that process over how the description of the business has been prepared and how the metrics have been determined. The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.

In our view, the Integrated Reporting Framework provides appropriate guidance as to the contents of a basis of preparation and presentation. Without mentioning the Framework, the example could address the recommended contents of a basis of preparation and presentation set out in paragraphs 4.41 and 4.42 of the Framework.

The example should focus on the need for the assurance practitioner to understand, evaluate and conclude upon the basis for and validity of statements made:

Summary of the materiality determination process, including the role of those charged with governance

Description of the reporting boundary and how it has been determined

Summary of the frameworks and standards chosen (for instance, the Integrated Reporting Framework, IFRS Sustainability Disclosure Standards, GRI Standards)

Methods used to quantify or evaluate material matters - for instance, the use of:

IFRS Sustainability Disclosure or GRI Standards, or

the self-determination of metrics such as in relation to customer satisfaction and other intangibles

How the integrity of underlying information has been ensured

## **10.4 Disagree with comments**

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

#### **Link Asset Management Limited**

It may be difficult for the practitioner to comment on the completeness or neutrality of company developed criteria since this is highly subjective and it is also reasonable for a company to narrow its focus/strategy to selected areas.

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

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

The comments of the CEAOB on this ED 5000 are provided with the intention to allow the IAASB to enhance the project and adapt it further to make it compatible or, as far as possible, to meet the expectations set by the Corporate Sustainability Reporting Directive (CSRD). As a reminder, the CSRD provides for a limited assurance engagement on sustainability reporting for entities and groups meeting several criteria, starting from their 2024 reporting periods.

As such, the provisions in the ED on the assessment, by the practitioner, of the suitability of the criteria (par 72, A166 and following of the ED), when it comes to the use of the ESRS will not be required in a CSRD type assurance engagement. However, we understand that those provisions might be relevant in situations

where the “reporting criteria” are not defined by regulatory means and we note that the case of reporting framework imposed by law is foreseen in the ED. To facilitate this reading, the “presumption” mentioned in par A170 that such frameworks imposed by law are suitable should be elevated to requirement (in the requirements section).

The fact that the IAASB developed ED 5000 as a “reporting framework neutral” standard allows for a broad scope of application.

However, without this being a request to any changes, we note that, in the CSRD context, various ED provisions might be simplified since the reporting framework is imposed and the scope of the engagement defined by law (ref e.g. preconditions (par 71, 72, 74), these provisions might be relevant in the absence of legal requirement(s) for the use of a comprehensive framework or criteria (like ESRS). However, evaluation of the criteria will not be relevant in a CSRD context and those provisions would only create confusion and extra burden. The paragraphs should start with “unless the matters/criteria are legally defined, (...)”.)

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

It is unclear from paragraph 72, the extent to which the auditor is required to evaluate the criteria where a framework such as the European Sustainability Reporting Standards (ESRS) is being used. It would seem simpler to specify that if an accepted framework such as ESRS or ISRS is used by the entity then this section of ED5000 is not relevant. For ease of use, it may be preferable to shorten this section and consider including the majority of this material in an annex to the standard for use by practitioners in situations where an accepted framework is not being used as it is our understanding that this should be a minority of engagements.

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

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

These are areas of novelty, complexity, subjective or wrong interpretation and judgment, which if not properly applied can lead to ultimately the wrong opinion being proffered. More guidance with practical simulated examples may help practitioners

## **7. Accounting Firms**

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

10.1 No.

10.2 The primary responsibility of the Practitioner is to comply the rules and regulations and not to put in place personal determination of suitability. The burden is too much for the practitioner to bear.

10.3 ‘Over time reporting frameworks are likely to become more comprehensive, more frequently required by law or regulation and as a result more widely accepted’, the EM mentions. However, why should this be left to the Practitioner?

## 8. Assurance Practitioner or Firm - Other Profession

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

In general ED 5000 addresses the issue of evaluating the suitability and availability of reporting criteria. However Par. 72(b) refers to 'framework criteria, entity-developed criteria or a combination of both'

I believe that the use of 'Framework' in relation to suitable criteria is incorrect. There are many reporting 'frameworks' (for example the Integrated Reporting Framework) which do not have a sufficient level of detail to function as suitable criteria for a report assurance engagement. For example a framework that requires disclosure of a material topic (such as climate) but does not define exactly what information needs to be reported on this topic cannot be termed 'suitable criteria'. I suggest that ED5000 should use 'reporting standard' instead of 'reporting framework' as the currently used standards (GRI, ESRS, GHG protocol, ISO 14064-2, etc.) provide suitable criteria for sustainability reporting assurance engagements.

## 9. Public Sector Organizations

### Office of the Auditor General of Alberta

ED-5000 fails to appropriately address the practitioner's evaluation of suitability and availability of the criteria. Fundamentally ED-5000 incorrectly re-characterizes sustainability as a reporting/assurance "information needs" matter, when sustainability is about identifying and mitigating negative sustainability impacts i.e. a sustainability performance issue. Additional criteria can be found in other assurance frameworks and would evaluate suitability of criteria with respect to their inclusiveness, materiality, responsiveness and impact.

We note relevance to sustainability as commonly understood is very difficult to achieve as ED-5000 is written. Responses to other questions explain why. We note that A179 first and second bullet incorrectly rank "decision making by the intended users" as too important when the most important consideration in relevance of sustainability matters is reduction of negative impacts. This is not an issue of whether the sustainability reporting framework (or entity-defined criteria) has a concept of due diligence or accountability, but instead a matter of what sustainability itself is. It is a fundamental deficiency of ED-5000 that reduction of negative impacts is not even mentioned in any of the application material for "relevance."

In addition, we note that "neutrality" is not as applicable in a sustainability context, because sustainability is inherently biased in favor of reducing or avoiding negative impacts. This should be explained in application material to avoid reporting or assuring matters that are only negative impacts. As well, the first bullet in A183 that neutrality requires a balanced disclosure of both favorable and unfavorable impacts should be removed because it is contrary to sustainability as negative impact reduction, and may incorrectly imply that an entity cannot disclose unfavorable impacts unless it also has positive impacts. ISSA 5000 also needs to be clear that favorable acts in one criteria/topic need to be clearly analyzed and disclosed that they may not "off-set" unfavorable acts in another criteria/topic. For example, specific species may rely on the environment in the area where negative impacts occur. An entity should not off-set these impacts with positive impacts in a separate area or by committing to "restore" the area after 30, 40 or 50 years. The long-term impacts after an extended time period (e.g. 20 or more years) are at best estimates and often include damage that rarely can be "restored" to pre-disruption levels.

We therefore suggest that the five characteristics of suitable criteria (relevance, completeness, reliability, neutrality and understandability) be moved to application material only. We note these characteristics are not intrinsically related to sustainability nor providing assurance, and it is irrelevant because they are already

in 3000. Including these in ED-5000 risks ISSA 5000 of solely becoming a sustainability reporting framework, or inappropriately favoring particular frameworks over others. For example, some frameworks may be more closely aligned with impact mitigation, and have other attributes such as inclusivity, materiality, responsiveness and impact.

ISSA 5000 should take an “acceptability of sustainability framework” approach, like ISA 210. It should not allow entity-defined criteria because this will create inconsistency of criteria in the market. In evaluating the acceptability of the sustainability framework, ISSA 5000 should require that a sustainability framework is only acceptable if it is multi-stakeholder and considers external impacts of the entity, and as noted above application material can include various attributes (relevance, reliability, inclusivity, responsiveness, impact, completeness, neutrality and understandability). ISSA 5000 should specify that an “impact on the entity” sustainability framework, including one that considers “impact on the entity” to be impact on enterprise value or investors, is not an acceptable framework, and if such a framework is prescribed by law or regulation, it is still not an acceptable framework and the practitioner should not accept the engagement.

These changes are necessary to ensure the relevance of sustainability assurance and to prevent ISSA 5000 from favoring sustainability frameworks that are only narrowly focused on financial decision making and not focused on impact mitigation regarding people and the environment. Sustainability assurance should not be provided over sustainability reporting that is not relevant, or is misleading because it ignores impact on external stakeholders and the environment.

Our concerns are not limited to specific types of entities and apply to all sustainability assurance engagements under ISSA 5000. Public sector entities or not-for-profits, for example, do not typically have investors so the concern about sustainability as “decision making for investors” may be less present. However, because sustainability matters are fundamentally interconnected across various types of entities, it is in the public interest for there to be a common understanding of sustainability, and ISSA 5000 should help to achieve that.

## 10. Member Bodies and Other Professional Organizations

### Belgian Institute of Registered Auditors

In order to facilitate a proper conduct by the practitioner to evaluate the criteria it is essential (and in particular in case of entity developed criteria) that 72 (c) is formally assessed and documented by the entity. In respect to d) namely how the criteria will be made available to the intended users, we believe that b) is to be disclosed by the entity in their reporting and that at least in the case of entity developed criteria, assessment of c) being the characteristics is to be disclosed as well.

We believe that more guidance on forward-looking information is needed to give assurance (criteria and methodology to come to forward-looking information).

### Chartered Accountants Ireland

We note the expectation for the practitioner to evaluate the suitability and availability of the criteria (which include framework criteria, entity-developed criteria, or both) in paragraph 72. We also note in paragraph 72 (c) that the practitioner is expected to evaluate whether the criteria exhibit certain characteristics (further detailed in paragraph A169 and paragraph A183). We note under the listed characteristics in paragraph 72(c) ‘neutrality’ should be evaluated for ‘entity-developed criteria’ to determine if there is management bias present. We do not believe that there is sufficient guidance for the practitioner to perform this evaluation and

it would be helpful to include further guidance on how to perform this neutrality assessment for “entity-developed’ criteria.

Where entity-developed criteria are used, the expectation on the practitioner to assess and challenge the criteria appears to be more onerous than in the case of framework criteria.

It is not clear how criteria, which are not available in a published framework, would be evaluated by the practitioner. For example, an evaluation of criteria developed using internationally recognised due process procedures should be subject to significantly less evaluation, however, the standard does not make this clear.

We note that a framework is assumed to be suitable in the absence of indications to the contrary but may need to be supplemented by additional entity developed criteria.

In the case of entity developed supplementary criteria, the practitioner can assess whether it is appropriate in the circumstances and that it is not intended to mislead users. The issue arises where one is dealing with a framework and every entity is supplementing this with their own criteria which are of course going to be different. The outcome will be a multiplicity of interpretations with the result that sustainability reports will not be comparable. On an international level this could escalate very quickly. For example, regarding paragraph A186 in respect of a general-purpose framework we do not believe it would be an appropriate response by an entity to develop criteria to interpret the framework such as the ESRs or the ISSBs and as such we disagree with paragraph A186 as drafted. We believe that it would be more appropriate for an interpretative body to perform this, similar to IFRIC in terms of IFRS interpretation. By way of contrast there is no concept of entity developed criteria in the audit of general-purpose financial statements so why would there be such a concept in respect of a general-purpose sustainability framework?

It appears the intention in A176 is that the practitioner is going to give assurance on the suitability of the design of sustainability controls, we feel this should be removed as it would be more appropriate for a performance standard in itself similar to ISAE 3402. ISSA 5000 only needs to encompass process and controls in the context of providing assurance on the sustainability information.

### **European Commission Platform on Sustainable (PSF)**

The Platform is concerned about the lack of specific guidance for assurance providers on how to assess and assure the criteria, used by the reporter, and when these are fulfilled. In Europe the ESRs specifies criteria for reporters in 3.4 Impact materiality and 3.5 Financial materiality in Annex 1 (csrd-delegated-act-2023-5303-annex-1\_en.pdf (europa.eu)). The 3.4 states “A sustainability matter is material from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term”. The paragraph continues with likelihood and severity including factors such as scale, scope and remedability. In addition, the ISSA 5000 have assurance criteria, for example relevance and completeness criteria. Little guidance is provided in ISSA 5000 on how to assess the criteria and more importantly how the assurance provider shall determine when criteria, such as relevance and completeness, are fulfilled or not.

While guidance on financial materiality is welcome and needed, much more critical is to develop specific and clear guidelines when assessing impact-materiality. The latter ought to be science and evidence based. The Platform reiterates its strong belief that impact materiality ought to be the subject of guidance issued by the European Commission.

The Platform believes that it is the role of the European Commission alongside EFRAG, in the European context, and the ISSB, when referring to the international standards to develop such guidance for double materiality in the case of the former and on financial materiality in the case of the latter.

The Platform recommends ISSB to work together with standard setters from regional and national jurisdictions, notably EFRAG to develop an assurance framework for financial materiality.

Detailed guidance on how to conduct (double) materiality brings multiple benefits. It ensures comparability, consistency and standardisation not only on the assessment but in reporting, allowing to compare apples to apples. Additionally, such guidance helps minimize costs, as obtaining assurance may become expensive if assurance providers have to invest considerable time in assessing the relevance and completeness of criteria without standardised guidance.

## 11. Academics

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

We suggest a requirement in the assurance report, and some guidance on what a practitioner should do if there are no suitable criteria.

The standard includes a requirement in paragraph 72 for the practitioner to evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances and will be available to the intended users. We suggest that this requirement be disclosed in the assurance report. We also suggest providing some guidance to practitioners about what action to take when there are no suitable criteria available.

## 12. Individuals and Others

### International Accreditation Forum (IAF)

The criteria used by the entity in preparing the sustainability information depend on their scope and the reference standard used for preparing such information.

ED-5000 specifies a list of criteria that do not correspond to the list of criteria addressed by different sustainability reporting standards./

IAF recommends IAASB to specify the following issues:

The practitioner shall evaluate the sustainability information in accordance with the criteria established by the reference standard (For example if the sustainability reporting is prepared in accordance with GRI the criteria to be used shall be those specified in the GRI standard, in the sustainability reporting is prepared in accordance with EFRAG-ESRS the criteria shall be those specified by such standard.

The ED-5000 shall provide information regarding the thresholds for determining whether the criteria has been met. (for example how the criteria of “completeness” or “neutrality” or “understandability” can be evaluated according to objective criteria?)

The list of criteria in the ISSA 5000 should also include “timeliness”.

**Japan Accreditation Board (JAB)**

Without Explanatory Memorandum Section 1-F, it is difficult to conduct the practitioner's evaluation of the suitability and availability of the criteria used by entity. JAB recommends to add the requirements of suitability and applicability of the criteria in the assurance process of ED-5000.