

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 21

Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

### 21.2 Agree with comments

#### 1. Monitoring Group

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

The Committee agrees with the IAASB’s proposals. Consistent with our response to Question 22, the Committee considers communication by the assurance provider to be a vital element to ensure that users have the right understanding and trust in the work performed by the provider.

The Committee has three further suggestions for the IAASB’s consideration:

**Wording of opinion** – the Committee agrees that it is necessary for the assurance practitioner to refer to fair presentation, in all material respects, in accordance with the applicable criteria (paragraph 170(c)(vi)). The Committee recommends that the IAASB considers requiring the opinion to also be stated in terms of the objective of the criteria. This is likely to be important for clarity of communication given that frameworks may have different scopes and objectives.

**Scope limitation (material and pervasive)** – ED-5000 permits a practitioner to withdraw from a sustainability assurance engagement, where withdrawal is possible under applicable law or regulation. The Committee considers that in most cases it will be more beneficial for users to see a disclaimer of conclusion rather than the practitioner withdrawing. The Committee recommends the inclusion of additional guidance, which provides circumstances where it could be more appropriate to issue a disclaimer of conclusion and circumstances where it could be more appropriate for the practitioner to withdraw from the engagement.

**Illustrative reports** – the Committee strongly supports the inclusion of illustrative assurance reports for different types of sustainability engagements (Appendix 2). Illustration 3 covers the scenario where limited and/or reasonable assurance is provided over part(s) of the sustainability report, with no assurance over other parts of the report. In relation to assurance engagements covered by Illustration 3, the Committee recommends the addition of an explicit statement that the practitioner provides no assurance over other parts of the sustainability report. As there will be many entities that will have only select parts of the sustainability report assured (at least initially), such an explicit statement in the assurance report could benefit users.

#### Member Bodies and Other Professional Organizations

##### Accountancy Europe

The most important consideration for the assurance report is to specify which part of sustainability information has been subject to assurance. Users should be able to identify the information covered by reasonable assurance, the information that was subject to limited assurance and the information outside the scope of the assurance engagement.

## ASSIREVI – Association of the Italian audit firms

We share the approach taken by the IAASB to the content of the assurance report considering ISA 700, which is the most recent reference standard on reporting. As comparability is important for the users of assurance reports, we do not agree with the option provided by the standard to use a long report structure which, according to paragraphs 169, A488/A499, includes paragraphs on findings related to specific aspects of the engagement, recommendations and additional information included in the assurance report. This information, which is not defined in ED-5000 nor, in our opinion, clarified in the guidance, does not facilitate the comparability of assurance reports.

With respect to the content of an assurance report, as set out in paragraph 170:

paragraph A469 provides guidelines supporting point (c)(iv) and its last bullet point includes examples of circumstances for which the assurance report could better explain the characteristics of the sustainability information subjected to the assurance engagement; this last bullet point could provide sample wording to be included in the assurance report;

point (d)(ii) should include a sub-point c. after sub-points a. and b. with the following wording: “Accordingly, we do not express an assurance opinion on this sustainability information”;

point (h) (i) should absolutely be supplemented with the following wording for reasonable assurance engagements: “Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with ISSAs will always detect a material misstatement when it exists.”;

we agree with the inclusion in point (g) “Inherent Limitations in Preparing the Sustainability Information”: sustainability information is frequently characterised by estimates or forward-looking information far into the future with significant uncertain elements underlying the measurement or evaluation of the sustainability matters. We believe that inclusion of this specific information in the assurance report facilitates a greater understanding of the limitations inherent in certain processes to measure or evaluate the sustainability information in accordance with the applicable criteria. In order to make the use of this requirement even more useful to the practitioner, ED-5000 could include additional examples in its application material (for example, covering forward-looking information). Moreover, while paragraph A499 states that the description of inherent limitations is different from including an emphasis of matter paragraph and that inherent limitations are present irrespective of whether they have been disclosed by management, there may be overlaps between the content of the two paragraphs in cases where management has described these aspects in detail in the sustainability information. We recommend that the application material provide specific guidance on these aspects to avoid duplication.

With respect to the requirements in ED-5000 about the modified conclusion, we have the following comments:

paragraph 184: more clarity should be provided about the cases in which the practitioner decides to express an adverse conclusion after evaluating the pervasiveness of material misstatements. Similarly, more clarity should be provided about the circumstances in which the practitioner decides a disclaimer of conclusion is required after evaluating the pervasiveness of scope limitations with a material effect. The requirements of ISA 705, which clearly establishes the auditor's process to decide what conclusion to express, could be considered in this respect; paragraph 186: it is unclear in what circumstances this requirement would be applicable. We recommend that application material be added to clarify the circumstances and methods of application of paragraph 186.

### Belgian Institute of Registered Auditors

Whether or not the requirements in ED-5000 will drive assurance reporting that meets the information needs of users is a complex question. On the one hand, the proposed standard is a significant step forward from the current patchwork of guidance on sustainability assurance. It provides a comprehensive and rigorous framework for assurance practitioners to follow, and it is aligned with the needs of a wide range of users.

On the other hand, ED-5000 is still under development, and it is possible that some of the requirements may need to be refined to ensure that assurance reports are truly useful to users. We would suggest that the following matters be considered:

Limitations relating to intended users: Given the wide ranging use of sustainability reports, ED-5000 should recognise the fact that in certain circumstances, reports should be written for certain specific users and that more guidance should be given on the circumstances in which this should be limited. This could be strengthened by requiring practitioners to explicitly state the purpose of the assurance engagement and the specific needs of the users that the report is intended to meet. This would help to ensure that users understand the limitations of the report and how it can be used.

Clarity about what information has been assured: Assurance reports should clearly state what information has and has not been assured and what constitute "other information". This could be further enhanced by requiring practitioners to provide a more detailed overview of the scope of the assurance engagement. This would help users to understand what information they can rely on and what information they should use with caution.

More illustrative examples: The illustrative reports in ED-5000 are a helpful resource for practitioners. However, they could be further enhanced by providing more examples of the "summary of work performed." This would help to understand the types of procedures that are typically performed in a sustainability assurance engagement.

### Center for Audit Quality

Overall, we support the structure of the assurance reports being aligned with audit reports, which will help to drive consistency and support understandability of sustainability assurance engagements. As the public facing output of the assurance engagement, the assurance report provides a critical summary of the engagement for users. We have provided suggested modifications to the reporting requirements that we believe would further enhance reporting in the public interest:

If our proposal in Question 4 regarding use of the IESBA code is not accepted, require the assurance report to identify the relevant ethical requirements applied

According to paragraph 170(d)(iv), the assurance report "Includes a statement that the practitioner is independent of the entity in accordance with the relevant ethical requirements related to the assurance engagement, and has fulfilled the practitioner's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code." We recommend that in addition to the "jurisdiction of origin", the assurance report should also identify the relevant independence-related ethical requirements applied by the assurance practitioner. Within jurisdictions there could be multiple relevant ethical requirements, and these could be developed by different professions and have varying rigor (please note our comment in Question 4 regarding applicability of the IESBA Code). Therefore, we believe it would be in the public interest to identify the relevant independence-related ethical requirements applied by the assurance practitioner in the assurance report.

Make the reporting requirements for other information disclosures optional

Requirements for other information disclosures in accordance with paragraph 182 could be challenging to implement in practice. The IAASB's post-implementation review of ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information identified several challenges with practical implementation of that standard in relation to financial reporting which is already very mature. Given the immaturity of sustainability reporting and the vast array of other information that may accompany these reports, we believe it is premature to require explicit identification of the other information and disclosures about the work performed on other information in the assurance report. For example, inconsistencies in how practitioners are likely to satisfy the proposed other information work effort requirements of the standards could arise depending on whether the assurance practitioner appointed as the sustainability assurance practitioner has undertaken other engagements for the entity, for example the financial statement audit or other assurance engagement. We recommend that para. 181-182 be revised to make other information disclosures optional, using existing guidance in the EER guide or ISAE 3000 (Revised) para. 73 and 76.

Require additional information in circumstances when the report includes a combination of reasonable assurance and limited assurance

We understand why the description of the work performed is required for limited assurance, as it is necessary to support users' understanding of the level of assurance obtained. However, in circumstances when the report includes a combination of reasonable assurance and limited assurance, it may be perceived / misunderstood by users that limited assurance is a higher level, since there is more explanation about the work performed. We note that paragraph A482 indicates that when the engagement involves different levels of assurance, the practitioner may delineate the procedures performed for each level of assurance, however paragraph 170(i) only requires a description of the work performed for limited assurance. We recommend adding requirements for circumstances when there is a combination of limited and reasonable assurance that require additional explanation, for example, noting that the description of work performed for limited assurance has been provided as context for the level of assurance obtained.

Strengthen the application material in para. A478

Given the requirement in para. 19, we recommend strengthening the application material in para. A478 to indicate that the assurance reports cannot refer to ED-5000 if the practitioner has not fully applied the standard, including adhering to ethical and quality management standards, to help avoid misleading users that the standard has been applied. (Also see response to Question 4.)

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

We support the IAASB's approach of basing the report requirements in ED-5000 sustainability assurance engagements on the report requirements of ISAE 3000 (Revised). The requirements SHOULD ensure the assurance report meets the needs of users.

While the framework based on ISAE standards and drawing from relevant ISAs is a positive step, there are areas that might benefit from further consideration to better meet user information needs. Specifically, the assurance report could be augmented to provide enhanced clarity on the level of assurance obtained, expanding details on the scope of the engagement, and ensuring consistency for comparability purposes across reports. It would be helpful for the IAASB to provide more examples of modified reports so that best practice can be identified.

While ED-5000 lays a foundation for robust assurance reporting, refining certain aspects to offer clearer information about assurance obtained, the scope, and ensuring alignment with global best practices, particularly regarding engagement leader disclosures, could further enhance its efficacy in meeting user information needs.

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

It would be useful for more examples to be provided. Examples of reports prepared in accordance with common reporting frameworks would be useful along with examples of inherent limitation statements, perhaps as a guidance document rather than in the standard itself.

As stated in our response to Q12, the assessment of misstatements to form the opinion or conclusion will be complicated and there may be a need for more guidance.

As noted in our response to Q19 above, we are concerned that ED-5000 does not currently refer to the primary responsibility that those charged with governance and management have for the prevention and detection of fraud found in ISA 240.4.

### **Chartered Accountants Ireland**

In relation to the information listed that may be included in the assurance report, we have concerns over the following areas which may cause inconsistency and confusion for users of assurance reports:

Paragraph 169 – in the absence of key audit matter reporting it is not clear what the purposes of paragraphs c, d and e are. In this context we believe these paragraphs would not be needed in an assurance report (without clarifying what is meant by recommendations and additional information). Including recommendations could lead to misinterpretation and confusion with the concept of a qualification. It would appear that this is information which should be communicated to the client rather than listing it in an assurance report.

There is no definition included for “finding” in the standard- without this, this could lead to misinterpretation and confusion with the concept of a qualification.

Paragraph 170(i) - we believe that this should be removed as it duplicates the basis for conclusion paragraph (170(d)). Furthermore, don't believe paragraph A486L is appropriate in suggesting that a limited assurance report include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement – this would cause confusion for readers of the assurance report.

Paragraph A469- makes reference to naming other entities in the value chain in the assurance report- this would not be appropriate for the assurance report. Practitioners should not originate information.

### **Colegio de Contadores Públicos de Costa Rica**

In the scope, by indicating that the information on sustainability is found in the audited financial statement, the ISAs apply for this audit. That being the case, there could not be an ISSA 5000 report on that same information.

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

We believe the requirements will ensure the assurance report meets the needs of users.

Given sustainability reporting and assurance are in their infancy relative to financial reporting and assurance we anticipate many preparers and assurance providers will be on a steep learning curve.

To ensure the standard is scalable, we welcome the inclusion of illustrative reports for assurance of entities other than listed entities. As we anticipate many companies to have modified or emphasis of matter reports, we suggest the IAASB to consider developing guidance that includes some examples.

## CPA Australia

Overall, we support the IAASB approach in aligning the structure and flow of the sustainability information assurance report with ISA 700 Forming an Opinion and Reporting on a Financial Report (ISA 700).

Further to our response to Question 7 above, stakeholders have indicated that there is insufficient distinction in the assurance reports to highlight the differences between a limited and reasonable assurance engagement. We have reviewed the illustrations of Assurance Reports on Sustainability Information and believe some improvements could be made to them. The suggested revisions aim at reducing the expectation gap by providing a clearer disclosure of the nature and extent of procedures performed and evidence obtained between the two levels of assurance engagements. Accordingly, we recommend the IAASB consider our suggestions below to revise the illustrative assurance reports:

### Illustration 1: Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria

As outlined in paragraphs 189-190, comparative information is one of the examples for inclusion in the Other Matter paragraph. We believe comparative information will be a common issue, especially for first-time assurance engagements. Therefore, we recommend the IAASB include the Other Matter paragraph in illustration 1.

We also recommend the IAASB include the below-suggested wordings in the Practitioner's Responsibility paragraph to align with the existing wordings in ISA 700:

#### Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain reasonable assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance conducted in accordance with ISSA 5000 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

We recommend the IAASB to provide the option for the practitioner to refer to their website for further description of their responsibilities for the reasonable assurance of the sustainability information report.

### Illustration 2: Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

As outlined in paragraphs 189-190, comparative information is one of the examples for inclusion in the Other Matter paragraph. We believe comparative information will be a common issue especially for first-time assurance engagement. Therefore, we recommend the IAASB to include Other Matter paragraph in Illustration 2.

In respect of the point, we recommend the IAASB includes in the illustration for the limited assurance report, the Other Information paragraph included in the illustration for the reasonable assurance report. Given, that the requirements in ED-5000 in relation to Other Information apply to both limited and reasonable assurance engagements, we believe it is important to include the Other Information paragraph in the limited assurance report as well.

Sustainability information may be prepared in accordance with statutory requirements, frameworks, and/or the entity's developed criteria. Therefore, to cater to this broad spectrum of sources and rationale for preparing sustainability information, we recommend the IAASB include the provision in the Limited



Assurance Conclusion paragraph for “[applicable criteria] applied as explained in Note X to the sustainability report”, consistent with the approach adopted in Illustration 2 of ISAE 3410. If the IAASB agrees with this suggestion, the same consideration should be given to the Responsibilities for the Sustainability Information paragraph to expand the preparation framework beyond “XYZ Law of Jurisdiction X”.

We also recommend the IAASB to include the words “Those charged with governance are responsible for overseeing the Company’s sustainability reporting process.” in the Responsibilities for the Sustainability Information paragraph of the limited assurance report.

We recommend the IAASB include the below-suggested wording in the Basis of Conclusion paragraph to align with the existing wording in ISAE 3410:

#### Basis for Conclusion

We conducted our limited assurance engagement in accordance with International Standard of Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, issued by the International Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on the sustainability information.

Consistent with our suggestion made for changes to illustration 1 above, we recommend the IAASB include the below-suggested wording in the Practitioner’s Responsibility paragraph to align with the existing wording in ISA 700:

#### Practitioner’s Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. A limited assurance engagement is a substantially lower level of assurance than a reasonable assurance engagement. It is not a guarantee that an assurance engagement conducted in accordance with ISSA 5000 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

Consistent with our suggestion made to illustration 1 above we recommend the IAASB to provide the option for the practitioner to refer to their website for further description of their responsibilities for the reasonable assurance of the sustainability information report.

We support the inclusion of Summary of Work Performed in the limited assurance report, to the extent that it is framed at a very high level for the purpose of informing the users of the scope and nature of limited assurance engagements. We do not support detailed disclosures of work performed unless it is absolutely necessary to the users’ understanding of the practitioner’s conclusion and the level of assurance obtained. Therefore, we recommend the IAASB revise this paragraph by adapting existing material from ISAE 3410 as suggested below.

#### Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgment, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Information. The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

In conducting our limited assurance engagement, we:

[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained – only when this is necessary in the practitioner's judgment.]

Illustration 4: Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

We recommend the IAASB replicate the changes made to Illustration 2 above in Illustration 4 as well.

Illustration 3: Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

We have heard mixed views on the illustrative combined report. Some stakeholders found the combined report challenging to follow and are concerned about how well users will understand the report. Therefore, we recommend the IAASB monitor and consider feedback from user groups in deciding whether to endorse the combined reporting format or two separate reporting formats (limited assurance and reasonable assurance) for the assurance report over sustainability information.

If the appropriate approach is to retain the combined report format, we recommend the IAASB revise Illustration 3 as outlined in our suggestion for Illustration 1 and Illustration 2 above.

Recommended changes as suggested above, if appropriate should also be reflected in the Preparing the Assurance Report section of the standard (paragraphs 168 to 170) and its corresponding paragraphs in the Application Material.

Illustrative example 3 addresses combined assurance engagements that include both limited and reasonable assurance, but in a scenario where the whole sustainability report is subject to assurance. As outlined in paragraph 37 of the EM, the scope of an assurance engagement on sustainability information may extend to all of the sustainability information expected to be reported by the entity or only part of that information. Consequently, for the latter scenario (only part of that information), within the entity's sustainability information report, they may include sustainability information not subject to the assurance engagement (defined as "other information" in paragraph 17(ee) of ED-5000). Stakeholders are concerned about the ability of the assurance report to distinguish between sustainability information that has been assured and "other information" that is also part of the sustainability report. To address this, we recommend the IAASB provides clarity and guidance to illustrate how the assurance report is able to identify and pinpoint the assurance opinion over the relevant/discreet sustainability information and not the "other information" included in the same sustainability report prepared by the entity.

In addition to the four illustrative examples provided above, we recommend the IAASB to provide more illustrative examples in the following scenarios:



Modified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

Modified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria

Unmodified and Modified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity

Other than a Listed Entity Prepared in Accordance with Multiple Reporting Frameworks including the Entity's Defined Criteria

Unmodified and Modified assurance reports (limited and reasonable) based on key established and known reporting frameworks such as:

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2)

Global Reporting Initiative (GRI)

Task Force on Climate-related Financial Disclosures (TCFD)

Sustainability Accounting Standards Board (SASB) standards

Corporate Sustainability Reporting Directive (CSRD)

We note that ED-5000 has provided some examples of when it is appropriate to include an Emphasis of Matter (EOM) paragraph in the assurance report (paragraph A500) and when it is appropriate to include an Other Matter (OM) paragraph in the assurance report (paragraph A501). In addition to what's already been included in ED-5000, we encourage the IAASB to include more examples to illustrate when EOM and OM are appropriate.

#### CPA Ireland

The requirements as set out in ED-5000 are appropriate and relatively in line with the auditor's reporting requirements, with which significant portion of the user group would be familiar with (such as investors etc). However, the reporting requirements might need to be reassessed as the user base of the Assurance Reports develop with time.

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

We believe the requirements will ensure the assurance report meets the needs of users.

Given sustainability reporting and assurance are in their infancy relative to financial reporting and assurance we anticipate many preparers and assurance providers will be on a steep learning curve. Accordingly, if quality is to be a static and high target rather than a changing one, we expect any companies, especially first-time reporters, to have modified assurance reports or reports with emphasis of matter. We suggest the IAASB consider how best to communicate this expectation.

As indicated above we are keen to ensure the standard is scalable and so welcome the inclusion of illustrative reports (specifically 2, 3 and 4) for assurance of entities other than listed entities. As we anticipate many companies having modified assurance reports or reports with emphasis of matter we suggest the IAASB consider developing guidance that includes some examples.

Finally, we are keen to ensure that the illustrative assurance reports include one for a non-listed entity has voluntarily produced a sustainability report in accordance with a recognized sustainability reporting framework (such as EFRAG's VSME).

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

We consider the ED to be very complete addressing this issue and covers all aspects of sustainability reporting. For investors, reporting the level of assurance will be very helpful and consistency will contribute to comparability, always welcomed by investors.

We also agreed that the name of the engagement leader is disclosed in the assurance report on sustainability. Additionally, establishing a communication channel with the practitioner of the financial reporting will be very helpful. This communication will contribute to present a more comprehensive view of the reliability of the entity's approach to reporting.

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

The practitioner's report is a critical aspect of the standard given that:

few reports are likely to have 'clean' opinions, so the way in which limitations in the practitioner's conclusion are described will be critical in determining how useful the practitioner's report is to users; and

there is considerable scope for the more diverse range of potential users to misunderstand what the assurance engagement has covered.

We believe that the report should include a limitation relating to the intended users because the assurance report cannot meet the needs of all users. It will be important to restrict use to only those users to whom the report is addressed (along the lines of the "Bannerman Paragraph" used in UK financial statements audit reports). We believe this is even more important in sustainability reporting given the range of potential users.

The following from the Extended External Reporting (EER) examples has been removed from a previous draft. We believe that it is important to be clear what practitioners have and have not provided assurance on (eg, no assurance on other documents published on website etc.):

"Our assurance engagement does not extend to any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos."

In our view it might be helpful if the assurance report illustration includes an example of the summary of work as set out in the EER Guidance (quoted here for convenience):

Evaluated the suitability in the circumstances of ABC's use of the Criteria, as the basis for preparing the Sustainability Information;

Through inquiries, obtained an understanding of ABC's control environment, processes and information systems relevant to the preparation of the Sustainability Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;

Evaluated whether ABC's methods for developing estimates are appropriate and had been consistently applied, but our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate ABC's estimates;

Undertook site visits at four of ABC's twenty manufacturing sites; we selected these sites based on the contribution of the site Sustainability Information to the group Sustainability Information, unexpected fluctuations in the site Sustainability Information since the prior period, and sites not visited in the prior period;

Tested, at each site visited, a limited number of items to or from supporting records, as appropriate;

Performed analytical procedures by comparing the expected GHGs emitted, based on the calorific value of fuel combusted during the period, to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;

Considered the presentation and disclosure of the Sustainability Information.

We believe that the construct of 'other information' in ED 5000 is in some cases too broad to provide clear communication to users as to the scope of information that is or is not subject to the practitioners work under ED 5000.

We are unsure as to whether paragraph 181 intends to give the view that practitioners have no responsibility if something arises in the other information obtained after the report that may have called into question the assurance report or if they become aware or attain knowledge post the report date. If this is indeed the intention then we question this approach. We also would welcome clarity on what happens where the practitioner is the statutory auditor and the other information is in the financial statements and an issue arises.

We note the requirements in paragraphs 189 and 190 to include information on prior year assurance conclusions on comparative information. We cannot see how this requirement can be met if the prior period assurance conclusion was a private report (ie, contained restrictions on use and distribution) and the current year assurance conclusion is to be published on the entity's website. This issue might usefully be addressed in specific first year engagement guidance (see our points relating to this earlier in our response).

In our view, if both the current year and prior year assurance conclusions are published on the entity's website, interested parties can look at both years' assurance reports and gain an understanding of what was done in both years without needing to introduce this specific requirement.

The nature of the subject matter means there is a range of inherent limitations for communication to users. In the public interest, this is an area where further guidance and examples of inherent limitations may help to achieve greater consistency in assurance reporting.

We suggest that among the guidance that the IAASB seeks the wider ecosystem to produce includes guidance on how the practitioner's report should address:

modifications to the assurance conclusion, for example in situations where the preparer has transparently acknowledged limitations in the quality of information or the use of proxies and estimates; and explaining the scope of the engagement in the practitioner's report – for example, in relation to assurance over descriptions of targets and strategies (which some users might assume incorporates an assessment of likely outcome), and in relation to information provided by third parties in the value chain (which neither the reporting entity nor the practitioner are likely to be able to verify against underlying source data).

We suggest that further educational material is developed to help users understand the practitioner's conclusion, and set market expectations of likely limitations (emphasis of matter) in assurance opinions.

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

is essential that an assurance report clearly conveys to users the information that has been subject to assurance and the level(s) thereon. Any information not within scope of the engagement should be clearly identifiable by users. Whilst we accept, and indeed see benefit, in assurance engagements being a mix of limited and reasonable assurance, this does increase the potential risk of misunderstanding by users as to the level of assurance that has been obtained by the sustainability assurance practitioner on specific matters.

We question whether there is a need to include a specific section on inherent limitations in preparing the sustainability-related information. We believe that the preparers of the information should disclose such matters.

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

Because the estimates and forward-looking information included in sustainability information will be based on forecast, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information.

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

The requirements in the ED are well drafted to address the information needs of the users. The alignment with established standards, namely ISA700 and ISA 720 (revised) used as a guide for the elements of the assurance report on sustainability information reflects the latest thinking about the form and content of the auditor's report as highlighted in the Explanatory Memorandum.

Furthermore, consideration of additional reporting responsibilities, and provision of illustrative reports indicate a comprehensive approach to developing assurance reporting that is relevant and adaptable to various circumstances.

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

We agree that the requirements drive assurance reporting that meets the information needs of users, but some areas can be further enhanced / clarified.

It would be critical to communicate inherent uncertainties and limitations of work performed over estimates and forward-looking information, where applicable, to avoid unintended reliance by users of assurance reports. One way could be for reports to disclose significant management judgement and estimates under the section on "Inherent Limitations in Preparing the Sustainability Information".

On other information, it would be helpful for the proposed standard to clarify:

Scope of other information in the context of sustainability reporting. For example, it is not clear whether information cross-referenced to the financial statements as required by IFRS Sustainability Disclosure Standard constitute other information under the proposed standard.

Practitioner's responsibility over other information, especially for situations where the practitioner only provides assurance over a specific area. For example, if a practitioner only provides assurance over GHG, what is the practitioner's responsibility over other information that are not related to the scope of assurance, such as social or governance information? Meeting the requirements can pose challenges as the practitioner may not have sufficient understanding of other components that are not within the scope of assurance.

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

Findings is not a term defined in the standard and could lead to a confusion with qualifications. As per the way the paragraph is drafted it seems findings always to be included ("[...] including any: [...]") but no definition on them. In addition, reference to "recommendations" without requirements on how to report on them could lead to inconsistency in practice. A489 states that "Including the practitioner's recommendations on matters [...] in the assurance report may imply that those matters have not been appropriately dealt with in preparing the sustainability information. Such recommendations may be communicated, for example, in a management letter or in discussion with those charged with governance. Considerations relevant to deciding whether to include recommendations in the assurance report include whether their nature is

relevant to the information needs of intended users, and whether they are worded appropriately to ensure they will not be misunderstood as a qualification of the practitioner's conclusion on the sustainability information" and hence seems to be contradictory and it will become inconsistent in practice.

It is necessary greater detail on the term "pervasiveness" when evaluating the qualifications identified to determine the type of opinion to be issued, considering the variety of matters included in the sustainability information, as well as the coherence of this with the guidance on accumulation of differences. (examples on this aspect would be very useful)

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

We support the proposed elements to be included in the assurance report, as applicable, and the flexibility to present them as adequate in the circumstances and the requirement for the position of the opinion/conclusion. We recognize the alignment with ISAE 3000, ISAE 3410 and EER guidance and the one additional consideration available to practitioners by including a hybrid option, which accommodates the needs of users, stakeholders and others interested. In addition, we consider that the materials related to fair presentation or compliance is quite limited to allow a practitioner to have a better understanding of the differences and the implication for the assurance opinion or conclusion. ISAs contain more details that may be useful to include in the overarching proposed ISSA 5000 standard to facilitate the application and consistencies. Examples may also assist practitioners.

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

We consider that the finding definitions should be more precise as well as their impact on the issuance of the sustainability report, to avoid misunderstandings with the users of such report.

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

We support the IAASB's approach of basing the report requirements in ED-5000 sustainability assurance engagements on the report requirements of ISAE 3000 (Revised). As noted in question 2, 95% of audit firms and 38% of other service providers in our 2021 State of Play research used the ISAE 3000 (Revised) standards to perform sustainability assurance. The high rates of ISAE 3000 (Revised) usage suggests assurance providers and the users of sustainability reports are familiar with this approach to sustainability-related assurance reports.

ED-5000 includes key information required to understand the nature of the engagement, including the applicable criteria used to assure the sustainability information against, the assurance providers conclusion, the responsibility of both the preparer and the practitioner, the work performed by the practitioner, and the independence/ethics code and quality management standards applied by the practitioner, among other information.

This said, it would be helpful for the IAASB to provide more examples of modified reports so that best practice can be identified. A particular challenge we are conscious of is when the need arises to report on differing levels of assurance (i.e., limited and reasonable) for the same entity. This may be problematic to include in a single report and, from a risk management perspective, it may make more sense for the assurance provider to issue separate reports for the information subject to each level of assurance. Further, an auditor performing the financial statements audit and providing sustainability assurance, might decide to report in a single report. However, entities that have a different financial statements auditor and sustainability assurance provider would always have separate reports for each. This type of inconsistency may create confusion for users. Given the goal of providing investors, as well as other stakeholders, the best and most useable information, reducing this potential for inconsistency in reporting may be advisable for ISSA 5000 to address.

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

The most important consideration for the assurance report is to specify which part of sustainability information has been subject to assurance. Users should be able to identify the information covered by reasonable assurance, the information that was subject to limited assurance and the information outside the scope of the assurance engagement. Further we support that the procedures performed should be expressed when the practitioner provides limited assurance.

A489 implies that the practitioner may include recommendations in the assurance report. We think this may confuse the users and imply that some matters have not been fully addressed. In our view such recommendations should rather be communicated to those charged with governance.

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

We request more examples on sustainability assurance reports, including examples of inherent limitation paragraphs or wording for engagements assuring sustainability reporting information against common frameworks.

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

There has been a request for more examples of sustainability assurance reports, including examples of inherent limitation paragraphs or wording for engagements assuring sustainability reporting information against common frameworks.

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

An additional matter that could be included in the assurance report would be a discussion of the practitioner's approach to assessing the risks of fraud. Users should be aware of the steps that the practitioner has taken to identify and assess the risks of fraud, including greenwashing.

### **Securities Analysts Association of Japan**

We agree in principle with the proposal on reporting requirements and the assurance report, which uses a format similar to the audit report for financial statements. However, we would like to suggest some improvements below.

Sustainability assurance is expected to be diverse in terms of the sustainability topics disclosed (climate related, biodiversity, human capital, human rights, etc.), the scope of information disclosed, the disclosure criteria, the assurance level, the assurance procedures and the characteristics of the assurance practitioners and is not expected to be a level engagement such as financial statement auditing. Therefore, we believe it is important to explain in the assurance report with some specificity what procedures have been applied to certain sustainability information in order to enable users to understand the assurance engagement in detail. We encourage the IAASB to consider these points in describing the requirements and to describe them as clearly as possible, keeping in mind the understandability of users.

Since the use of external experts and other assurance practitioners is more important in sustainability assurance than in financial statement audit, a summary of the use of external experts and other assurance practitioners should be provided in the assurance report.

We regret to say that analysts/investors as users do not necessarily understand the audit and assurance engagement in detail. In this regard, we are concerned that users may be confused by various variations of assurance reports, including a combination of sustainability information prepared in accordance with fair presentation/compliance criteria and reasonable/limited assurance as stated in Appendix 2 "Illustrations of Assurance Reports on Sustainability Information" in ED-5000. Therefore, we encourage the IAASB to provide educational materials to help users (and possibly preparers) understand the difference between



sustainability information prepared in accordance with fair presentation criteria and compliance criteria and between reasonable assurance and limited assurance.

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

SAICA agrees that the requirements in ED-5000 will drive assurance reporting that meets users' information needs. However, we would like to suggest the following amendments to the assurance reporting requirements:

In a group engagement – the entities included in the scope of the engagement and any significant judgements applied in this determination.

The general feedback received was that assurance practitioners would appreciate more examples of sustainability assurance reports, including examples of inherent limitation paragraphs or wording for engagements assuring sustainability reporting information against common frameworks.

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

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

First of all, we believe that the assurance report on sustainability disclosure should be easy enough for users of information to understand.

We agree that ED-5000's requirements would make assurance reports informative and well-structured. It is a good idea to place the conclusion in the first section of the assurance report for those who only want to know the conclusion. That said, it would end up comprehensive but too complex for users to fully understand.

We recommend the IAASB publish educational material to explain differences between assurance engagement for sustainability reporting and audit engagement for financial reporting, the differences between limited and reasonable assurance, and the differences between fair presentation and compliance, etc.

Sustainability reporting would cover more diverse topics than financial reporting, including climate change, biodiversity, human capital, human rights, etc. It should include quantitative and qualitative information. Even a single sustainability report may include disclosures based upon several criteria such as the ISSB standards, the ESRS and others. There may also be sustainability information within or out of the scope of assurance engagements.

Sustainability assurance reports would be very complex in nature. We agree that the list of contents in paragraph 170 of ED-5000 are all necessary for users of sustainability information to fully understand the scope and the level of assurance to assess the reliability of the sustainability report accurately. It is ironic that the more comprehensive and informative the assurance report becomes, the more complex and difficult it becomes for users to understand.

We need some educational material to fully understand and utilise the sustainability assurance report.

### **Link Asset Management Limited**

Written Representations from Management and Those Charged with Governance 148. The practitioner shall request from management and, where appropriate, those charged with governance a written representation: (Ref: Para. A431-A432) For companies listed on the Hong Kong Stock Exchange, the Board has oversight of a company's ESG issues, its ESG management approach and strategy. However, detailed items including collection of ESG data and preparation of report would be completed by Management and staff.



Preparers should have the discretion/flexibility to provide a written representation from Management or Board Level (Those Charged with Governance) for specific line items.

### **Norges Bank Investment Management**

We consider the clarity and transparency of the assurance practitioner's report to be key. As a user of sustainability information, it is not always immediately clear to us the quality and level of assurance provided, the scope of the engagement, and the type of provider. The suggestion to put the practitioner's conclusion first, followed by the basis for that conclusion, could be helpful in that respect.

### **The Investment Association**

In addition, we would appreciate if the IAASB could recognise the potential challenges for users to understand, compare, and assess the reliability and completeness of the assured disclosures. We would like to call for more transparency and clarity from assurance providers on what has been assured and how.

While ISSA-5000 offers guidance to assurance practitioners on the procedures for limited and reasonable assurance engagements, users of sustainability reporting may still face challenges. Understanding the difference between limited and reasonable assurance can be difficult for users, leading to potential misinterpretation. They might assume both assurance levels offer the same degree of confidence in the reliability of sustainability disclosures, which could result in decisions based on incomplete or inaccurate information.

Comparability of sustainability disclosures also presents a challenge. The level and quality of assurance can vary depending on the assurance provider, framework, and professional standards applied. This variation can reduce the usefulness and comparability of the sustainability information, impacting users' ability to assess the entity's exposure to sustainability-related risks and opportunities, and its impact on enterprise value.

To address these challenges, we recommend that the IAASB integrate the need for assurance providers to clearly communicate what has been assured, the degree of assurance provided and what the assurance encompasses into their standards. This transparency would allow users to better understand the reliability and completeness of sustainability disclosures, empowering them to make informed decisions. It also enhances the credibility of the sustainability disclosures, fostering trust between the entity and its stakeholders.

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

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

For a report that provides reasonable assurance, we propose to consider communicating the inherent uncertainties and limitations of the work performed, particularly regarding forward-looking information, scenario analysis, projections, and other related matters. Users should be informed about the inherent uncertainties and limitations of the assurance engagement, especially when dealing with forward-looking information to enhance transparency.

### **Botswana Accountancy Oversight Authority**

The requirements in ED-5000 drive assurance reporting and are sufficient to meet the information needs of users. Having a consistent report format and layout for both sustainability and financial statements audits will enable the ease of use and understanding of audited reports.

## Independent Regulatory Board for Auditors (IRBA)

While it is very early to be certain, the requirements in ED-5000 will encourage assurance reporting that will begin to meet the information needs of users. It is possible that ED-5000 will evolve, as reporting changes and assurance experience is gained. However, we highlight the following issues for consideration:

The terms opinion and conclusion should be used explicitly either for reasonable assurance or limited assurance in all instances. Some paragraphs and examples in ED-5000 (for instance, paragraphs A509 and A513R) refer to the “Basis for conclusion/modified conclusion” paragraphs in the context of both reasonable and limited assurance, although this should be the “Basis for opinion/modified opinion” for reasonable assurance. This distinction is important and not always correctly applied throughout, more so considering that non-auditors may be using the standard.

Consider having an additional reporting example in the annexure, with a scenario where a combined reasonable and limited assurance engagement was performed and both had modifications. This scenario is not unlikely. This will be to indicate how the basis for modified opinion and the basis for modified conclusion paragraphs may be reported under the same heading, while ensuring that each is distinguishable or read in relation to and within the context of the related opinion/conclusion.

The application material paragraph A484L states the following: “...It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement”, for a limited assurance engagement. We submit that in some circumstances this may be impractical and not appropriate, as such procedures may be boilerplate and not engagement-specific, meaning they may have no value for the intended users of the assurance report.

Further, A486L states that: “This may be accomplished by including in the assurance report an indication of the differences between limited assurance and reasonable assurance to aid user understanding, especially when both reasonable and limited assurance are in the same assurance report”. In our view, the wording in the example templates should suffice and no further adjustment should be required, as the engagement-specific nature of the procedures may not allow a practitioner to communicate all the differences between reasonable and limited assurance in the report.

The requirement in paragraph 171 of ED-5000 to include the name of the engagement leader in the assurance report needs to allow for exemptions where this is prohibited by laws or regulations. In South Africa, for example, the Public Audit Act (PAA) governs the functions of the Auditor-General (AG) and the public sector audits. If the AG cannot sign the auditor’s reports issued in terms of the PAA, these are then signed on the AG’s behalf and not in the name of the engagement leader/manager.

In order to provide additional transparency about the assurance process, as well as promote and enhance assurance engagement quality, the IRBA recommends that the IAASB should consider the following disclosures in the practitioner’s assurance report:

- a. Where applicable, the final materiality amount determined by the practitioner for each key performance indicator. The practitioner shall also disclose an explanation of significant judgements made in determining this materiality.
- b. In a group engagement, the entities included in the scope of the engagement and any significant judgements applied in this determination.

Finally, the IAASB may want to consider whether it would be in the public interest for the assurance report to state, in addition to providing information regarding the applicable quality management and ethical standards, whether the practitioner is subject to oversight by an independent regulatory body and, if so, to identify that regulatory body.

## Irish Auditing and Accounting Supervisory Authority (IAASA)

Paragraph 170(h) should permit the practitioner to cross refer to the location on the standard setter's website where the practitioner's responsibilities are set out for consistency with the ISAs.

For consistency with ISA 620, paragraph 172 should provide that the assurance report shall not refer to the practitioner's expert in an unmodified report unless required to do so by law or regulation. ISSA5000 should also include requirements based on those in ISA620 for situations where the previous period's assurance report was modified or if the practitioner identified a misstatement in the prior period's sustainability information that was subject to assurance by another practitioner.

Paragraph 189 states "If the comparative information is not referred to in the practitioner's assurance conclusion and was not subject to an assurance engagement in the prior period, the practitioner shall state that fact in an Other Matter paragraph." It should further specify that this statement does not relieve the practitioner of the requirements in paragraphs 187 and 188 regarding appropriate presentation of the comparative information.

For clarity, paragraph 190 should specify that an "other matter" paragraph is not required where the practitioner provided the same level of assurance on the comparative information in the prior period.

The language in paragraph A465 is unclear regarding the use of headings. While it states that a practitioner 'may use headings, in addition to those required by this ISSA' it is unclear if the practitioner is required to use the all the headings in ISSA 5000.

The example provided in paragraph A471R(b)(i) for a conclusion under a compliance framework should not include reference to 'fairly stated'.

This section appears to be based on the assumption that the assurance report will be separate to the audit report, however this may not be the case where both the audit and sustainability assurance are performed by the same practitioner. The standard should contain requirements on what additional information is required to be included in the auditor report under the ISAs in respect of the sustainability information in such instances. In addition, the IAASB should consider a consequential amendment to ISA 720 regarding the consideration of sustainability information where the auditor also provides assurance on the sustainability information.

An additional illustrative report for situations where the auditor performs the sustainability assurance engagement would be helpful given that it is likely that some entities will request their existing auditors to perform this work when assurance for sustainability information becomes mandatory.

## 5. National Auditing Standard Setters

The reporting requirements and application material related to the criteria and other elements of the report are too specific and prescriptive given the evolving nature of both the subject matter and the reporting environment. A more principles-based approach to the required elements of the report would (1) allow the report to be tailored to the subject matter, while retaining the form and content of the current illustrative reports, which are highly likely to be leveraged, and (2) provide guidance on desired specific wording. Examples of this specificity and prescription follow:

Paragraph 170(a) requires "A title that clearly indicates the report is an independent practitioner's limited or reasonable assurance report." ISAE 3000 (Revised) (Rev) par. 69(a) and ISAE 3410 par. 76(a) both require "A title that clearly indicates the report is an independent assurance report" and do not include the words limited or reasonable. This did not preclude the illustrative reports in Appendix 2 of ISAE 3410 from indicating the level of assurance in the title. Because a single report could have both a limited and

reasonable assurance conclusion, and because the first paragraph of the report, in accordance with paragraph 170(c), includes a heading reflecting the type of conclusion provided—whether that be limited assurance, reasonable assurance, or both—the words “limited or reasonable” should be deleted from paragraph 170(a).

In addition, paragraph 170(a) specifies that the title use the word “practitioner”. This seems to preclude the use of descriptors such as accountant or assurance provider. The wording in the corresponding requirement in paragraphs 69(a) of ISAE 3000 (Revised) is more flexible and should be incorporated.

Examples of acceptable titles in paragraphs A468 of ED-5000 would be helpful.

Paragraphs 170(f) and (g) specify that the section heading must include the words “Sustainability Information”. This seems to preclude the use of more specific descriptors, for example, if the sustainability information is only GHG emissions, is only human capital related information, or is generally referred to by the entity as ESG information. The language should be changed to require an “appropriate heading, such as...”.

As noted in our response to question 2, we have serious concerns about both the performance and reporting requirements relating to other information. The requirements for reporting on other information in accordance with paragraph 182 could be challenging to implement in practice. Given the immaturity of sustainability reporting and the vast array of other information that may accompany these reports, we believe it is premature to require explicit disclosures in the assurance report about work performed on other information. Additionally, the report language is likely to be misunderstood because it places too great an emphasis on the procedures performed, which are limited in nature. Furthermore, the disclosures required by paragraphs 182(c) about the practitioner's conclusion and paragraph 182(d) about the procedures performed will appear odd when other information includes financial statements that the practitioner's firm audited, and are likely to confuse users. We recommend that the language in paragraphs 181-182 of ED-5000 be revised to make reporting on other information optional as an other-matter paragraph, based on the practitioner's professional judgement, for example as required by paragraph 76 of ISAE 3000 (Revised).

Paragraph 170(c)(ix) is a requirement that, at best, only experienced assurance providers will know how to apply. Paragraph A477 does not describe what “particular characteristics of the sustainability matter of which the intended users should be aware.” We suggest that paragraph 170(c)(ix) be deleted. If paragraph 170(c)(ix) is not deleted, add specific examples to paragraph A477 of particular characteristics of the sustainability matter of which intended users might need to be aware.

We suggest that paragraph 170(c)(vii) refer to where the criteria can be accessed, or to where the criteria are available, rather than where the criteria are located (because, as noted in paragraph A473, the criteria need to be available to users, and not all locations might be accessible).

We suggest the following edit to paragraph 170(d) for flexibility and consistency with other standards:

The basis for the practitioner's conclusion, directly following the first section of the assurance report with the practitioner's conclusion, with the heading...

We suggest that the second sentence of paragraph 170 (d) (v) be replaced with the following:

If other professional requirements or requirements in law or regulation that are at least as demanding as ISQM 1 are applied, the statement shall identify the professional requirements or requirements in law or regulation applied.

To be consistent with the headings required by paragraphs 170(c)(i)(a) and 170 (d), references throughout paragraph 170 to “conclusion” should say “opinion or conclusion.”

170(c)(iv) requires a statement in the report that “identifies and describes the sustainability information, including, if appropriate, the sustainability matters and how that information is reported.” Clarification is needed on what is meant by “how that information is reported” because it could be interpreted to mean where the information will be reported or in some other way. Clarification and an example in the application material would be helpful.

We do not believe that reference should be made to a practitioner’s external expert in an assurance report. Accordingly, we recommend that paragraph 172 be deleted. We understand that this paragraph is consistent with paragraph 70 of ISAE 3000, and we believe that a conforming amendment to delete paragraph 70 of ISAE 3000 would be an appropriate means of maintaining consistency between the standards.

We acknowledge that certain sustainability reporting frameworks may be considered fair presentation criteria due to an explicit acknowledgment that, to achieve fair presentation of the sustainability information, it may be necessary for management to provide information beyond that specifically required by the framework (for example, IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information—June 2023). Nonetheless, we believe that the new option to present a conclusion on “fair” presentation” seems unnecessary and could be confusing to users of the report. The concept of fair presentation is only briefly mentioned in ISAE 3000 (Revised) (in paragraph A182), and not included in an ISAE 3000 (Revised) report. The criterion for fair presentation is one among many; it is confusing to single this one out in ED-5000. Therefore, the practitioner’s conclusion should only refer to whether the information is prepared, in all material respects, in accordance with the applicable criteria. Reference to “fairly presented” should be deleted from paragraphs 170(c)(vi)a, 170(c)(vi)b, 178L(b), 178R(b), A470R, A470L, A471R, A512L and A513R.

If this suggestion is not taken, then we ask that the following concern be addressed. Paragraph 170c(vi) requires that the report express a conclusion that states, in part, that the sustainability information is either prepared or fairly presented. As indicated in paragraphs A470R and A470L, the use of “prepared” or “fairly presented” is dependent on the type of framework used to prepare the sustainability information (compliance or fair presentation). To clarify this dependency and that the wording is not at the option of the practitioner, we suggest the following edit to paragraph 170c(vi)a:

(vi) Expresses a conclusion, which: (Ref: Para. A470L-A472)

In a reasonable assurance engagement, shall be expressed in a positive form, that the sustainability information is prepared (if prepared in accordance with a compliance framework) or fairly presented (if prepared in accordance with a fair presentation framework), in all material respects, in accordance with the applicable criteria; or

In a limited assurance engagement, shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe that the sustainability information is not prepared (if prepared in accordance with a compliance framework) or not fairly presented (if prepared in accordance with a fair presentation framework), in all material respects, in accordance with the applicable criteria.

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

While the AUASB is largely supportive of the requirements in relation to reporting, further to our response to Question 7, the AUASB considers that more needs to be done to highlight the difference between the content of a limited assurance report and that of a reasonable assurance report. Feedback from Australian stakeholders indicates that users of reports do not sufficiently understand the nature of a limited assurance engagement and may not distinguish between limited assurance and reasonable assurance engagements.

To reduce the expectation gap, the assurance report needs to be clearer in relation to the nature and extent of procedures performed and evidence obtained (recognising that procedures can vary widely).

Additionally, the AUASB considers the IAASB should produce multiple example reports to aid with consistency and comparability. These could include example reports that cover:

Different reporting frameworks;

Modifications of reports e.g., scope limitation / inherent limitations;

Other Assurance engagement types (e.g., compliance and controls engagements); and

Other Matter paragraphs required for the situations described in paragraphs 189-191 of ED-5000.

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

In general, we agree with the new structures and reporting models presented for reasonable and limited assurance, following the current ISA 700 standard, including for the limited assurance model, which has not yet been adopted by ISRE standards. However, some aspects could be improved, namely:

Regarding the new structure and reasonable assurance report model:

-Other information: - according to the ED-5000 definition: "Information not subject to the assurance engagement included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon." And elsewhere in the document, it explains that any sustainability information not covered by assurance is covered by this definition of other information. It turns out that the entity's financial statements and corresponding explanatory notes can also be considered as other information in the sustainability information assurance report, as explained in the footnote of report model 1 of appendix 2. Considering that financial statements are usually audited by an independent auditor, it is not clear to the ED why it was considered like other information, as if it had not had any level of assurance. Furthermore, we understand that, in a similar way to what exists in ISA 720, the ED-5000 should provide greater guidance and provide illustrative examples on (i) the definition of relevant

inconsistency in relation to sustainability information, and (ii) situations in that the practitioner concludes that there is a material distortion in this other information, in relation to the sustainability information that is being assured.

Regarding the new structure and limited assurance report model:

(i) The procedures listed in the Practitioner's Responsibilities section have small wording differences when compared to those in the same section in the reasonable assurance report, which may not be adequately perceived by report users. For this reason, we suggest that greater prominence also be given in this session to the fact that "A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks", for example, repeating this text also at the beginning of this Practitioner's Responsibilities session. Even though the IAASB, in its final revision of the ED-

5000, equalizes the risk assessment procedures for both types of assurance, we still believe that the phrase should also be included in the Practitioner's Responsibilities section, with alternative wording for: A limited assurance engagement is substantially less in scope than a reasonable assurance engagement.

(ii) Considering the harmonization suggested in ED-5000, which considers the new reporting structure for both reasonable assurance and limited assurance, we suggest that, in the illustrative model, be



considered a situation in which there is other information disclosed together, to inclusion of the Other information paragraph customized for conclusion, instead of opinion.

Regarding the hybrid model:

We suggest that, in this illustrative model, a situation in which there is other information disclosed together be also considered, for inclusion in the other information paragraph. It is not clear in the ED-

5000 in which assurance part (limited or reasonable) the other information section, or even E/OM paragraphs, should be included.

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

As sustainability reporting evolves and matures, the IAASB may need to revisit their illustrative reports and consider supplementing ISSA 5000 with additional application material, including examples, of inherent limitations to drive greater consistency in assurance reporting.

We have concerns with how the “other information” section of the report could be drafted and understood by the reader of the assurance report when the practitioner is also the auditor of the financial statements of the entity and both financial statements and sustainability report are included in the entity’s annual report. We encourage the IAASB to address that situation in the application material to ED-5000 or in accompanying guidance.

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

The absence of any mandatory requirement for assurance over sustainability information in Hong Kong poses practical constraints in providing assurance on the entirety of information included in an entity’s sustainability report. As a result, it is common for Hong Kong entities to choose specific key information within their sustainability reports for assurance purposes. Taking into consideration the prevalence of this practice among Hong Kong entities, and recognizing that the existing assurance reports in Appendix 2 of ED-5000 demonstrate scenarios where all information in the entity’s sustainability report is subject to assurance, it would be helpful to develop an illustrative assurance report in ED-5000 that explicitly indicates when only partial information in the entity’s sustainability report is subjected to assurance. Alternatively, we suggest that the IAASB revise the illustrative examples in Appendix 2 of ED-5000 to indicate which information has been assured (e.g. information marked with \* represents sustainability information that has been assured).

Furthermore, as mentioned in our response to Question 4, we recommend that the IAASB include examples of unclear terms in the application materials to enhance clarity in the assurance reports and prevent the use of vague phrases like “with reference to” in the assurance reports.

We also recommend that the IAASB include an additional illustrative assurance report in Appendix 2 of ED-5000 for non-professional accountant practitioners, in particular, the “Basis for Opinion” section to cater for typical scenarios e.g. where they have followed professional standards that are at least as demanding as the IESBA Code and ISQM 1 as opposed to following those two pronouncements directly.

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

We are supportive of the proposed requirements for the assurance reports in ED-5000 and have one suggestion for illustrations of assurance reports in Appendix 2 of ED-5000 as follows:

We believe it would be useful to provide examples of how “summary of work performed” is articulated in the limited assurance reports as non-authoritative guidance or educational materials. Since the extent of



procedures could vary among limited assurance engagements and it may impact on the level of assurance within limited assurance engagements, by adding these examples, practitioners could better understand the level of procedures expected to be performed for a limited assurance engagement. It also helps consistent description of procedures performed in the limited assurance report under similar engagement circumstances, leading to reduced diversity in practice and avoid potential confusions among users of the assurance reports.

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

We agree that the requirements in ED-5000 drive assurance reporting that meets the information needs of users. We have a concern users of assurance reports may have difficulty in differentiating between reasonable and limited assurance opinions. We suggest that in the public interest, the IAASB conducts public outreach with the aim of spreading awareness on the different types of assurance opinion.

In addition, due to the expected widespread use of ISSA 5000 for sustainability reporting in the future by practitioners, certain existing statements regarding the limitation of assurance (i.e., it cannot detect all misstatements) for auditors' reports (under ISAs) should also be considered for the assurance reports under ISSA 5000. It is important to reiterate to users of sustainability information that any assurance provided does not guarantee that no misstatement exists.

Therefore, we recommend the Board to consider amending the illustrative assurance reports of ISSA 5000 to include the above limitation, and further consider the consequential amendments to other related assurance standards (e.g. ISAE 3000, ISAE 3410 and etc), where applicable.

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

The NBA supports the proposed approach regarding reporting. However, the NBA also observes that in a number of areas, adaptations and clarifications are necessary. The NBA's suggestions are as follows:

- ED-5000 recognizes that the standard can be used for both 'fair presentation' and 'compliance' frameworks. However, the distinction between these two frameworks isn't very clear, neither is the impact on the practitioner's procedures. We ask the Board to make clarifications accordingly.

- Earlier in this letter, we have explained that we do not support the proposed wide range of 'limited' assurance in the area of sustainability reporting, and that we instead propose a more clear and narrow definition of what constitutes limited assurance for sustainability reporting. This is because companies are increasingly required to prepare such reporting on the basis of a set framework. This is also done as to contribute to better comparability, and therefore it is essential that also the assurance work-effort is more comparable than now proposed. Accordingly, we suggest that the paragraph on what constitutes the work effort for limited assurance should be omitted, and modified by a simple and clear description of the definition of limited assurance.

- We are of the opinion that stakeholders of a reasonable assurance report for a listed entity have a justified expectation that Key Assurance Matters, similar to Key Audit Matters in an audit, will be provided in the assurance report. We agree with the Board developing a further standard thereon in the coming years, since we expect that initially the vast majority of engagements will be based on limited assurance, which limits the need for immediate development of requirements on Key Assurance Matters. We do not agree, however, with the notion in the Explanatory Memorandum that KAM for limited assurance engagements may not be appropriate or even misleading. We think that the practitioner should be allowed to include KAM in the report, whereby such KAMs should be drafted so that they are not misleading. We suggest that the Board

allows the use of KAMs also for limited assurance engagements, as they can provide meaningful information.

- ED-5000 allows for an engagement to be performed on the basis that some elements will be on a limited assurance level while others will be on a reasonable assurance level. While we do not disagree with this, we ask the Board to provide more examples, and also to provide guidance on ensuring that the report and the level(s) of assurance are sufficiently understandable for users of the practitioners report.

- We seek clarification about inherent uncertainties that may exist with respect to sustainability matters. It is important in the NBA's view that the standard explains whether inherent uncertainties that are appropriately disclosed in sustainability reporting and that are indeed unavoidable, can lead the practitioner to issue an unmodified conclusion, and if so, what procedures the practitioner must perform to support that conclusion.

- We suggest to delete paragraph 170(g) since a section on inherent limitations creates confusion.

In the rare circumstance that a very specific inherent limitation regarding a specific sustainability matter would exist, this could be dealt with by an Emphasis of Matter paragraph provided that the inherent limitation is also appropriately addressed in the sustainability reporting.

- We disagree with the statement in paragraph 170(h)(vi) that the risk of not detecting material misstatement due to fraud is higher. This is not consistent with the assurance framework and the notion that the practitioner issues a report that the sustainability reporting is free from material misstatement.

- We disagree with paragraph 172 on referring to a practitioner's expert. In our view, the practitioner should take full responsibility for the opinion/conclusion and therefore not refer to any other practitioners or experts who performed work on the engagement, unless it is necessary to make such reference in order to provide the basis for a modified report. If the IAASB decides to retain the concept of referencing an expert, this should be limited to situation where law and regulation explicitly allow for such reference in the opinion/conclusion.

- We suggest to review the application material relating to the assurance report:

- o Paragraph A469 seems to suggest that the auditor's report could include the names of the entities (including those

in the value chain) whose information is included in the sustainability information. We disagree with this notion, since this should form part of the sustainability reporting itself. Including it in the practitioner's report/conclusion blurs the responsibilities between the entity and the practitioner.

- oWe disagree to the notion (paragraph A488(c)) that the long form reporting may elaborate on the details of the qualifications and experiences of the practitioner and others involved with the engagement. This may constitute personal data for which we wonder whether this is necessary to share.

- oWe disagree that the practitioner's recommendations could be part of the long form report (paragraph A489). We do not agree that a (long form) assurance report should be the vehicle to share recommendations or advice, as these may create doubts about the value of the opinion themselves. Also, we note it is good practice that the entity can respond to the recommendations and advice, whilst the final assurance report would normally not be subject to feedback from the entity, and hence would suggest that recommendation and advice are part of other forms of communication.

- We doubt whether an 'Other matter' paragraph would be acceptable under EU-law. We are also

of the opinion that a material error in the prior year will likely impact the view (from a comparability perspective) in the current year and that the practitioner should therefore consider the impact on his opinion and on the report.

## 7. Accounting Firms

### BDO International Limited

The use of the general reporting model of ISA 700 and its related companion standards will be familiar to many users that desire assurance on management reporting, and as noted in the Explanatory Memorandum, reflects the most recent amendments in assurance reporting. For this reason, the general reporting requirements of ED-5000 should meet the assurance needs of users in general.

However, additional guidance on the following items would serve to further enhance the usefulness of reporting under ED-5000:

Reporting on Other Information: while requiring specific reference to the practitioner's responsibility related to 'other information' in the assurance report is welcome, the construct of 'other information' in ED-5000 is in some cases too broad to provide clear communication to users as to the scope of information that is or is not subject to the practitioners work under ED-5000 or to practically operationalize by practitioners. ISA 720 contains requirements and guidance that clarifies the scope of 'other information' to include only information in an entity's 'annual report', which itself is defined with clarifying terms as to what would constitute (and not constitute) an 'annual report'. These scope clarifications and definitions serve to define the scope more clearly for the practitioner, and therefore also provide users with a clearer view as to what information was subject to assurance (and by definition the information that was not). Without such clarity, the 'expectation gap' will create user uncertainty and ultimately some undue reliance on entity information. A narrower definition of 'other information' and/or which 'document or documents' are within the scope of ED-5000 is needed.

ED-5000 Appendix 2 provides four illustrative reporting examples, which we welcome. Consistency in reporting serves the public interest and users of these reports by ensuring comparability and clarity for practitioners in reporting across entities. In addition, including as many examples as possible will enhance the 'professional agnostic' application of the standard, particularly to practitioners who may not be as familiar with the construct of the ISAs. Similar to the inclusions in para A512L-A514 which provide illustrative examples of modified conclusions, we suggest that additional illustrative examples and/or wording be included for the following:

Inherent Limitations section (para 170(g))

Summary of Work Performed in a limited assurance engagement (para 170(ii))

Emphasis of Matter Paragraphs (para 179(a))

Other Matter Paragraphs (para 179(b))

We recommend adding application guidance to illustrate what a limitation of scope may look like (paragraph 26), especially in a rapidly evolving landscape. For example, when the limitation of scope refers to matters such as preventing access, inability for management to generate all information required under a prescribed framework, etc. The second example is expected to be very common in initial periods of sustainability reporting.

We believe it would be beneficial to clarify in the standard itself that, as meaningful assurance in a limited assurance engagement can vary as described in A194L, this needs to be communicated to the intended

users through the assurance report. We believe this understanding is key to establish an audit response that reflects the assumed information needs of intended users.

#### Deloitte LLP

With respect to the Inherent Limitations section of the report, there is likely to be variability in practice as inherent limitations will differ depending on the subject matter and/or the applicable criteria (e.g., forward-looking information). As sustainability reporting evolves and matures, the IAASB may need to revisit their illustrative reports and consider supplementing ISSA 5000 with additional application material, including examples, of inherent limitations to drive greater consistency in assurance reporting.

In addition, we recommend the following four modifications to the reporting requirements and application material:

Require the identification of the relevant ethical requirements applied (para 170(d)(iv))

We recommend that the assurance report identify the relevant ethical requirements applied by the assurance practitioner in addition to the identification of “the jurisdiction of origin of the relevant ethical requirements”. Jurisdictions could have multiple relevant ethical requirements with varying degrees of rigor, and therefore the public interest would benefit from this transparency.

Convert the requirement for an “Other Information” section to be optional (para 181-182)

We recommend that the “Other Information” section be considered optional rather than required in the assurance report. Given the evolving nature of sustainability information and reporting, and the vast array of other information that accompany these reports – which may include financial statements – the requirements for reporting on other information disclosures could be challenging to implement consistently.

Revisit the options for ways in which findings and recommendations can be communicated (para A488(b) and A489)

We encourage the IAASB to consider alternative approaches to communicating findings and recommendations that may be more appropriate than placing within the sustainability assurance report for the following reasons:

Users of the report may be confused whether a finding or recommendation is a mislabeled (intentionally or not) qualification of the practitioner’s conclusion – as noted in paragraph A489.

Lack of a definition of “finding” may lead to confusion and inconsistency across sustainability assurance reports.

There is a heightened risk that the description of findings or recommendations may inadvertently lead to the assurance practitioner disclosing “original information” about the entity, which may “muddy the water” as to management’s responsibility for the sustainability information subject to assurance vs. the assurance practitioner’s responsibility to report on such information.

As noted in paragraph 120 of the Explanatory Memorandum: “Given that ISA 700 (Revised) reflects the latest thinking about the form and content of the auditor’s report, including the ordering of the report elements, the IAASB decided that it should be used as a guide for the elements of the assurance report on sustainability information (see paragraph 170 of ED-5000 for the basic elements of an assurance report).”

Provide flexibility in the placement of the independence statement (para 170(d)(iv))

We understand certain regulators may prescribe that independence be included in a different section of the assurance report than the Basis for Conclusion section as required in ED-5000 paragraph 170(d)(iv). We suggest revising paragraph 170(d)(iv) to read as follows with the underlined language added:

“Includes a statement that the practitioner is independent of the entity in accordance with the relevant ethical requirements related to the assurance engagement and has fulfilled the practitioner’s other ethical responsibilities in accordance with these requirements, unless

local regulation requires such a statement on independence to be included elsewhere in the assurance report. The statement shall identify the jurisdiction or origin of the relevant ethical requirements or refer to the IESBA Code;”

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

We believe that ED-5000 provides the necessary requirements for the content of the assurance report, building upon ISAE 3000 (Revised), ISAE 3410, the EER guidance and the recent developments in ISA 700 (Revised), ISA 701 and ISA 720 (Revised).

#### **Estimates and forward-looking information**

As stated in our response to Q16, because the estimates and forward-looking information included in sustainability information will be based on forecast, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information. This could be done by adding, when relevant, an additional paragraph in the “practitioner’s responsibility” section of the report. ED-5000 could also encourage the practitioner to include “additional information” in the assurance report on forward-looking information (as suggested in Paragraph A490(a)) or an emphasis of matter paragraph (reference to forward-looking information may be added to Paragraph A499).

#### **Other information**

We have concerns with how the “other information” section of the report could be drafted and understood by the reader of the assurance report when the practitioner is also the auditor of the financial statements of the entity and both financial statements and sustainability report are included in the entity’s annual report. We encourage the IAASB to address that situation in the application material to ED-5000 or in accompanying guidance.

#### **Description of work performed in reasonable assurance reports**

The required basic elements for a reasonable assurance report in ED-5000 does not include a mandatory section containing an informative summary of work performed as the basis for the practitioner’s conclusion, while such a section is required in limited assurance reports (paragraph 170(i)). We believe that additional description is needed in reasonable assurance reports about the work that has been performed by the practitioner. As also explained in our response to Q22, this may help avoid the misperception that a limited assurance engagement involves more work or a higher level of assurance than a reasonable assurance engagement. We therefore suggest that the “Practitioner’s responsibility” section be further developed with additional descriptions about the work performed in a reasonable assurance engagement considering applicable language from Illustration I: Unmodified Reasonable Assurance Report of the EER guidance and requirements in ISA 700 (Revised).

### **ETY sas**

There has been a request for more examples of sustainability assurance reports, including examples of inherent limitation paragraphs or wording for engagements assuring sustainability reporting information against common frameworks.

## KPMG International

We are supportive of the proposed reporting requirements in ED-5000 and in general we believe these will drive assurance reporting that meets the information needs of intended users. We welcome the changes proposed to the structure and flow of the assurance report to align these with the revisions made to the ISA 700 suite of reporting standards. We also welcome the inclusion of illustrative reports for both reasonable and limited assurance engagements, including reports with modified assurance conclusions, and believe these will be very helpful to practitioners and other stakeholders. We make the following recommendations for the IAASB to consider.

### Greater clarity with respect to Inherent Limitations and Emphasis of Matter paragraphs

We are supportive of the conditional requirement at paragraph 170(g) to include a section within the assurance report titled “Inherent Limitations in Preparing the Sustainability Information” to describe any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria, as we consider that such inherent limitations will be a key feature of many/most sustainability assurance engagements.

We are also supportive of the application material that states that it may be useful for management to disclose such inherent limitations in the sustainability information itself in greater detail, and that, in certain cases, the inherent measurement or evaluation uncertainties may be fundamental to the users' understanding of the sustainability information and therefore may be described within the sustainability information. We recommend giving more prominence to this guidance as we believe it is likely to be much clearer for intended users to be able to understand these limitations when they are presented in situ within the sustainability information itself. Accordingly, we suggest including cross-references within this application material to other requirements/application material that discuss determining whether there are sufficient and appropriate disclosures within the sustainability information, and material discussing estimates and forward-looking information (including targets and goals) as such limitations are likely to be a key feature in respect of these areas.

In connection with this, we also note that paragraph A420 refers to requirements of the criteria regarding the disclosure of the inherent limitations, including considering whether the sustainability information is as precise as required by the applicable criteria and whether the disclosures regarding the inherent uncertainties are appropriate. Whilst we support the inclusion of these considerations, we recommend that they are placed earlier in the standard or cross-referenced to material addressing the suitability of the criteria, as we believe that the adequacy and appropriateness of disclosures should be considered when performing the engagement, and not only at the reporting stage.

Additionally, although paragraph A499 explains that describing inherent limitations is different to including an Emphasis of Matter in the assurance report, as inherent limitations are present irrespective of whether they have been disclosed by management, we consider that there is likely to be significant overlap for a number of engagements, in the circumstances where these matters are described by management in more detail in the sustainability information. We recommend that the application material further explore this as to whether an Emphasis of Matter paragraph that draws attention to these matters would be sufficient, or whether they also need to be described within the Inherent Limitations section of the report, which may seem duplicative, or at least cross-referenced from there. Additionally, assuming that it would be the inherent limitations that are the most significant to users' understanding that would be highlighted by management in the sustainability information itself and would be referenced by the Emphasis of Matter paragraph, if these are not also included in the Inherent Limitations section of the assurance report to avoid duplication, this may mean that it is the remaining, less significant inherent limitations that would be described as such in the Inherent Limitations section, which may be misleading to intended users.

Guidance for practitioners to consider explaining certain matters in the practitioner's report to help avoid misunderstandings by users regarding the nature of assurance provided

We consider it may be helpful for the assurance report to clearly explain the nature of the assurance provided, i.e. what assurance "means" in respect of different aspects of the sustainability information, for both reasonable and limited assurance engagements.

Whilst the standard requires the assurance report to include a clear description of inherent limitations in the form of significant measurement or evaluation uncertainty, in some instances, due to the nature of the sustainability information, users may be unclear as to what the assurance relates to. Whilst our conclusion may state that the sustainability information is prepared/fairly presented in accordance with the applicable criteria, it may be important in some cases to further clarify in the assurance report the nature of the assurance in the context of how the criteria are applied. We recommend that the application material to the standard set out guidance for practitioners to consider explaining the following matters, when relevant, to avoid users misunderstanding the nature of "assurance" provided and inferring that assurance is provided over aspects of the sustainability information that the practitioner does not intend:

When the criteria relate to a description of a process as the sustainability information, the practitioner is required to determine whether the description is fairly stated, but is not providing assurance as to the effectiveness of the process or the outcome of the process, e.g., that "net zero" will be achieved by a particular date;

The criteria may include elements of flexibility, such as transition provisions that allow for less robust information to be provided, e.g., the use of industry averages or "proxies", as well as the ability to scope out certain information. Criteria may also include provisions not to prepare information as a result of matters such as undue cost or effort in preparation, or the impracticability of obtaining the information in the early stages of the assurance journey. In such cases the practitioner evaluates whether the entity has appropriately complied with the criteria, including disclosing that they have used "proxy" information, or not prepared information, but users should not interpret assurance as giving increased credibility to such information;

In respect of estimates and forward-looking information, the practitioner evaluates the reasonableness of management's assumptions and judgements, but does not provide assurance as to whether certain events or conditions will occur in the future. This is likely to be particularly important in respect of targets and goals, which may be ambitious and include an element of "stretch"; and

If the engagement addresses an entity's goals and targets, the practitioner evaluates whether information about these is prepared/presented in accordance with the criteria, including any description of plans to achieve these and/or progress towards these, but does not provide assurance as to whether these will be met. It is particularly important to clarify this to users when such matters extend over a longer timeframe, and involve critical dependencies, which may be outside the entity's control. Over time, targets and goals may also be updated/revised and uncertainty as to whether they will be met may actually increase, as there are likely to be diminishing returns in respect of costs/benefits of actions.

We note that the risks of users inferring that assurance is provided over an aspect of the sustainability information when this is not the case is likely to be greater when assurance is expressed as a single conclusion in respect of the sustainability information as a whole.

Explore the concept of pervasiveness and how it applies sustainability assurance engagements further in the application material



We are supportive of the requirements and related application material addressing modification of the assurance conclusion, with material based on ISAE 3000 (Revised) and ISAE 3410, and the inclusion of concepts from the ISAs, adapted for sustainability assurance engagements.

We note that the standard addresses modified conclusions that may be qualified or adverse conclusions, depending on whether or not a material misstatement is considered to be pervasive, as well as qualified conclusions or disclaimers of conclusion in the event of scope limitations. We acknowledge that the application material describes the concept of “pervasiveness” at paragraph A10. However, we recommend that the IAASB explore the applicability of this concept to sustainability assurance engagements more specifically, recognising the unique characteristics of these, including when sustainability information:

Comprises different information sub-types, which may also use different units of measure;

Is designed for different groups of intended users with different information needs;

Is narrative in nature or includes both qualitative and quantitative aspects.

We recommend that the application material set out more detail regarding sustainability-specific considerations in determining “pervasiveness” and also cross-refer to application material addressing accumulation of misstatements, consideration of management bias, and also emphasise the need to exercise professional skepticism and professional judgement when considering whether a material misstatement(s) is pervasive. We also recommend that such material provide examples of matters which may be pervasive, such as:

Deficiencies in an entity's system of internal control;

Scope-outs of sustainability matters, which may be more likely to be a pervasive issue the greater the interconnectivity of different aspects of the sustainability information as a whole; and

Management bias, if this is identified throughout the sustainability information, even when the different aspects of this are less interconnected.

We also recommend that the IAASB give greater consideration to the concept of “fair presentation” of the sustainability information in circumstances where there are permitted scope outs, transition arrangements or other reliefs, such as the use of “proxies”, or consideration of matters such as undue cost or effort. Whilst these may be permitted by the criteria, we believe these are factors that the practitioner should consider in terms of whether, as a result of such flexibility, the criteria may be considered to represent a compliance framework as opposed to a fair presentation framework. Practitioners may need to make this determination in respect of each assurance engagement, and their conclusion may change over time, as such flexibility is removed/reduced. We recommend, therefore, that this be addressed in the application material, with guidance included as to the factors that the practitioner should consider. We also suggest that such material be linked to the guidance addressing the preconditions for an assurance engagement, including whether the scope of the engagement and the underlying subject matter would be considered to be appropriate and whether the level of assurance is meaningful etc.

Requirement with respect to the implications of disclaimers of conclusion

We recommend that ED-5000 include a requirement regarding the implications for the assurance report when there is a disclaimer of conclusion, similar to paragraph 19 of ISA 705 (Revised).

Include reporting considerations for Other Information when the Other Information includes the audited financial statements, and the practitioner is also the auditor

When the assurance report is required to include an Other Information section, paragraph 182(c) requires the practitioner to state in the assurance report that the practitioner's conclusion does not cover the other

information and, accordingly, that the practitioner does not provide a conclusion thereon. Whilst we recognise that this requirement relates specifically to the description of the responsibilities of the practitioner in respect of the sustainability assurance engagement and the Other Information in relation to that engagement, we believe that this statement may cause confusion for users of the assurance report when the practitioner is also the auditor of the entity's financial statements, and such financial statements form part of the Other Information for the sustainability assurance engagement (as the practitioner, in their capacity as the auditor of the financial statements, will express an opinion on those financial statements). Accordingly, we recommend that this requirement be modified to make it conditional on the practitioner not also being the auditor of the entity's financial statements when these are included in the Other Information. Furthermore, we recommend that an alternative statement be required when the practitioner is also the auditor of the entity's financial statements when these are included in the Other Information. In this scenario the practitioner would state that their assurance conclusion does not cover the Other Information, would identify that the practitioner is the auditor of the entity's financial statements and expresses an opinion on those financial statements, and cross reference to where this may be found.

Findings, recommendations, and additional information are kept separate from the assurance report as a whole

We note that paragraph 169 requires the practitioner's conclusion to be clearly separated from information or explanations that are not intended to affect the practitioner's conclusion, including Emphasis of Matter and Other Matter paragraphs, findings and recommendations, and additional information. We support the inclusion of this requirement; however, we note that the characteristics of the matters described are somewhat different, as Emphasis of Matter and Other Matter paragraphs are widely understood to be included within an assurance report, including an auditor's report on financial statements, with reasonable frequency, whereas the other matters would not generally be expected to be part of the assurance report. As a result, we consider that inclusion of these within the main body of an assurance report, even if separated from the conclusion, may undermine the assurance conclusion, and/or lead to misinterpretation of this by users. Accordingly, we recommend that this requirement focus on findings, recommendations and additional information (e.g., when this is required by laws and regulations) and that such matters are required to be clearly separated from the assurance report as a whole, and not only the assurance conclusion. For example, these could be included within a broader Report of the Independent Practitioner, with a sub-heading for the Assurance Report on the Sustainability Information, and a sub-heading for each of these additional matters, as applicable, or included in an Appendix to the Report.

Other reporting matters to consider

In addition to the above, we also suggest that the IAASB explore the following in more detail:

Whether and when it may be helpful for a practitioner to include explanations about the concept of materiality in the assurance report, given that materiality is expressed in relation to the information needs of intended users and the effects of matters on their decision-making;

Changes in comparatives over time, which may occur more frequently for sustainability assurance engagements than for audits of financial statements, including due to changes in criteria as elements of flexibility are reduced/removed, and the implications of this in terms of restatements and/or additional scope-ins;

Changes in baseline information, including in respect of estimates and forward-looking information, which may be more likely given the relatively extended timeframes in this area, and the implications in respect of re-estimations and providing transparency to users regarding such changes; and

Whether to require the assurance report to identify not only the “jurisdiction of origin” of the relevant ethical requirements (or refer to the IESBA Code), but also to specifically identify the applicable ethical requirements, including independence requirements.

Consider updating the EER guidance to expand content in relation to the identification of intended users and to conform reports to align with ISSA 5000 reporting requirements

ED-5000 contemplates a potentially broad intended user base, with a wide range of interests in sustainability information, including both the impact of the environment on the entity, as well as the impact of the entity on the environment, and with different areas of focus/granularity for different users. We recommend that the EER Guidance include more guidance regarding the identification of intended users when this may be a broad group, as we consider this important, in particular, as legal precedents are developed across jurisdictions regarding the duty of care owed to such users and the reliance that they may place on the assurance report. Please refer also to our comments in response to Questions 9 and 12 in respect of materiality considerations, and our suggestion above regarding the description of the concept of materiality in the assurance report.

We note that there are further examples set out in the EER Guidance, including in respect of integrated reporting. We recommend that the IAASB make conforming amendments to update these to align with the ISSA 5000 reporting requirements, in the medium term.

#### Educational materials for the marketplace

We understand that there may be market expectations that qualified (or modified) conclusions will be more frequent for sustainability assurance engagements than for other assurance engagements, including audits of financial statements, and that in the earlier stages of the assurance “journey” these may even be considered to be the “norm”. We suggest that the IAASB explore this further and, if this is considered to be the case, that this messaging is shared clearly with other stakeholders across the assurance ecosystem as a key educational issue.

In connection with this, we note that a number of sustainability reporting frameworks include flexibility to address matters that may potentially give rise to qualifications, e.g., in relation to measurement and estimation uncertainty, such as to use “proxies” within the sustainability information, as well as transition provisions and other reliefs, as described earlier. Accordingly, when entities make appropriate use of these provisions within frameworks that are considered to represent suitable criteria, rather than qualification of conclusions, we consider it more likely, and appropriate, that sustainability information would include more extensive disclosure of such matters. As a result, related descriptions of these provisions in Inherent Limitations and Emphasis of Matter paragraphs would be a key feature of assurance engagements in terms of providing clarity and transparency to intended users. We recommend that the IAASB explore this further as a key educational issue, to ensure there is consistent understanding and approach in practice, across the ecosystem.

#### MHA

The potential intended users of a sustainability assurance report are diverse, and such a report cannot be reasonably be expected to meet the needs of all intended users. It is critical that the addressee(s) identified under paragraphs 170(b) and A467 of ED-5000 are updated to identify whether the addressee(s) are the primary intended user(s) of the sustainability report. In the UK, the inclusion of a ‘Bannerman paragraph’ will be paramount to limit the assurance practitioner’s liability.

Given the heightened scrutiny of sustainability assurance reports, we are concerned to note that the proposed standard does not incorporate the IAASB's EER guidance, in particular the clarity over which data have been assured, for example the following extract from Illustration I in the EER guidance:

...Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos...

We also recommend that the assurance report examples in the proposed standard are expanded to include a summary of the work performed by the practitioner, consistent with the EER guidance.

#### **MNP LLP**

We agree that the requirements in ED-5000 will drive assurance reporting that meets the information needs of users. However, this will be one of the first standards that introduces potentially two levels of assurance in a single assurance report. Investors and report users will require education as to what limited assurance and reasonable assurance are, and the differences between the two, in order for the underlying sustainability information to be decision useful.

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

In so far as the standards on sustainability are tailored to speak to the needs of users of such information will the information needs of the users be met. This will be a continuous cycle of improvements, modifications, alterations and amendments to ensure it is fit for the purposes of user requirements.

#### **PKF International Limited**

In our view, the requirements in the final version of ED-5000 will provide significant value to help meet the information needs of users.

#### **PricewaterhouseCoopers International Limited**

##### **General reporting requirements**

We broadly support the proposed reporting requirements. However, we believe that further differentiation is needed between the content of a limited assurance report and that of a reasonable assurance report. In our view, and as stated above, many users do not sufficiently understand the nature of a limited assurance engagement and therefore such reports need to do more to make the nature and extent of procedures performed and evidence obtained more distinct. See also our response to question 23.

##### **Limitations of scope**

Due to the fact that many reporting frameworks, as well as entities' reporting and internal control systems regarding sustainability information, are still maturing, a consistent understanding of what management is expected to report and what evidence may be available with respect to such information is also evolving.

We have noted in practice a potential trend of "qualifying language" in assurance conclusions, that are not qualifications of the conclusion due to disagreement or management-imposed limitation on scope. For example, statements that information has been reported based on current interpretations of applicable requirements. These might be generally interpreted as "caveats" to the assurance conclusion, or other perceived limitations on scope. While such statements share characteristics of "inherent limitations in preparing the sustainability information", we recommend the IAASB considers developing application material to explain that qualifying language within the body of the assurance conclusion that detracts from or undermines that conclusion is inappropriate. In that regard, although drawn from ISAE 3000 (Revised), we note there may be confusion about the intent of paragraph A477 regarding the "context" in which the

practitioner's conclusion is to be read. As this concept has been elevated into a new conditional requirement, we recommend the IAASB clarifies its expectations for what appropriate context means, in particular in light of our comments above regarding qualifying language.

#### Drafting recommendations

We have identified a number of drafting recommendations with respect to the reporting requirements and the related illustrative reports contained in ED-5000.

Paragraph 170 (c)(iii) refers to “identify or describe” whereas (iv) refers to “identify and describe”. We recommend aligning those requirements (using “or”).

Paragraph 170 (d)(v) can be clarified in respect of what “at least as demanding” applies to, i.e., both “other professional requirements” and “requirements in law or regulation”. To achieve this, we suggest the following amendment:

170. (d)(v) “States that the firm of which the practitioner is a member applies ISQM 1, or other professional requirements, or requirements in law or regulation. If other professional requirements are applied, the statement shall identify those professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQM 1.”

We consider the heading “Responsibilities for the Sustainability Information” in paragraph 170 (f) to be unduly restrictive in light of different reporting frameworks that may require different terminology. We recommend the standard provides flexibility to allow “Sustainability Information” to be replaced with other suitable terminology (in line with the similar requirement in ISA 700 (Revised) paragraph 32) depending on the engagement circumstances. Application material could be used to provide examples, such as “the Sustainability Report”.

The above comment also applies to paragraph 170 (g) which refers to using a heading of “Inherent Limitations in Preparing the Sustainability Information”.

Similarly, we also consider the heading “Practitioner’s Responsibilities” in paragraph 170 (h) to be unduly restrictive as there may be preferred terminology in a jurisdiction for how to describe the practitioner e.g., independent professional accountant.

We note a difference within paragraph 170 (f)(i) where a. refers to the “preparation and, if applicable, fair presentation” whereas b. only refers to the “preparation”. We suggest aligning b. with a.

Furthermore, we note that the description in the illustrative reports of management’s responsibility to design, implement and maintain internal controls that they determine is necessary to enable the preparation of sustainability information in accordance with the applicable criteria does not appear consistent or fully compliant with the requirement in paragraph 170 (f)(i)b. For example, none of the reports include reference to “...determines is necessary” and the combined report makes no reference to “in accordance with [the applicable criteria]”.

To enhance the flow of the requirements in paragraph 170, we recommend splitting part (h) into two parts, which would better align with the illustrative examples, and with the equivalent requirements in paragraphs 38 and 39 of ISA 700 (Revised). We suggest part (h) comprises sub-paragraphs (i) and (ii) as shown in the ED, and then inserting a new part (letter i) to precede what is currently sub-paragraphs (iii)-(vi), as each of what is shown as (i)-(iv) below are part of an engagement conducted in accordance with ISSA 5000:

170. (i) “The Practitioner’s Responsibilities section shall further state that as part of a reasonable or limited assurance engagement in accordance ISSA 5000:

- i) The practitioner exercises professional judgment and maintains professional skepticism throughout the engagement.
- (ii) The practitioner performs risk procedures .....
- (iii) The practitioner designs and performs .....
- (iv) The risk of not detecting ....."

In the illustrations for a reasonable assurance report and a combined report (reasonable assurance description (part (a))), we recommend adding the following text to the second bullet point of the practitioner's responsibility section to align with existing language used in the ISAE 3410 illustrative reasonable assurance report:

"Design and perform procedures responsive to the assessed risks of material misstatement of the disclosures in the [Sustainability Information]/[Information RA]. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. The risk of not... .."

### International

We have the following suggestions to clarify in the requirements to the report:

If the proposed definition of 'relevant ethical requirements' per paragraph 17(nn) of ED-5000 is not revised (as suggested in our response to question #4), we believe the IAASB should include example language when using relevant ethical requirements that are 'at least as demanding' as the IESBA Code, such as the following:

We are independent of the Company in accordance with [name of relevant ethical standards used] issued by [issuing body] relevant to our assurance engagement of the sustainability information in [jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements and the [name of relevant ethical standards used].

We believe the IAASB should include example language when using relevant quality management standards that are 'at least as demanding' as ISQM 1, such as the following:

Our firm applies [name of relevant quality management standards] issued by [issuing body] and, accordingly, maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Alternatively, if the IAASB revises the requirements to require all practitioners performing an engagement under ED-5000 to follow ISQM 1 and relevant jurisdictional quality management requirements that are more restrictive, as suggested in our response to question #4, we believe the IAASB should include example language, such as the following:

Our firm applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, together with the quality management requirements that are relevant to our assurance engagement in [jurisdiction], and accordingly, maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Regarding the report title, paragraph 170(a) of ED-5000 requires the title to identify if the report is for limited or reasonable assurance. This is not a requirement in either ISAE 3000 or 3410. Also, ED-5000 is unclear

how to title the report when the report contains both limited and reasonable assurance. We recommend removing the requirement to include 'limited' or 'reasonable' in the report title. Alternatively, if including 'limited' or 'reasonable' in the report title is preferred and in the public interest, we believe the IAASB should consider a conforming amendment to ISAE 3000 and 3410 to add this requirement to the relevant paragraphs. In addition, we recommend revising paragraph 170(a) of ED-5000 to include the scenario for 'limited and reasonable' assurance when the report contains both limited and reasonable assurance conclusions.

#### **UHY International**

We do not believe an "Other Information" section should be required in the assurance report (par. 182). However, we agree with the approach described in par. 154-159 that reading other information (i.e. financial information included in an integrated annual report) for consistency with the sustainability information subject to the assurance report should be part of the engagement, and any material inconsistencies should be communicated to management and those charged with governance. The practitioner's response should consider the implications, if any, to the assurance report (par. 158).

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

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

It depends on the intended user; however, brevity is what is desired by most users. The ISAE 3000 Assurance Report can fit on one page and is explicitly clear regarding critical components of the engagement. Perhaps we keep the short form but move the information around within that form to highlight the conclusion/opinions at the top of the page. There is more practitioner value in the long form Reports than user value.

### **9. Public Sector Organizations**

#### **First Nations Financial Management Board**

We are specifically supportive of the IAASB's inclusion of statements on independence and ethical responsibilities. Our review of the materials suggests that there is no requirement to include the practitioner's credentials or the basis for their expertise on the subject matter. This would be a key consideration for users of an assurance report on a sustainability report. The scope of ethical responsibilities should be expanded to explicitly require training and education on the United Nations Declaration on the Rights of Indigenous Peoples and other relevant bodies of work (e.g. Final Reports from Canada's Truth and Reconciliation Commission)

### **11. Academics**

#### **Monash University**

Our analyses of current disclosure practices suggest that specific reporting guidelines or standards could improve the quantity and quality of disclosures in financial statements and notes. One potential financial implication arising from climate-related risks includes asset impairment and changes in the asset's useful life. From a practical point of view, we provide evidence that entities making voluntary climate change, sustainability, and other risk-related financial disclosures (in response to existing regulatory signals) revalue their long-term assets, considering the future cash flow implications. Therefore, we recommend emphasis on the scenarios considering the impact of climate change on long-term asset values



## 12. Individuals and Others

### Japan Accreditation Board (JAB)

JAB recommends to address the additionally applied standards with ISSA 5000 in the assurance report, when the assurance use ISAE 3410, IESBA code and relevant ISO standards.

### We Mean Business Coalition

We fully agree to the concerns raised in Ex Memo §§ 116-117. However, we have also identified questions related to identifying users and stakeholders (question 9 and 17). In cases where assurance is only done to a limited level, the limitations should be very clear also to potential users, who may not be familiar with the terminology.

The use of KAMs (see question 22) could also be a way of addressing some of the more judgmental assurance areas, which may be of importance to the users' understanding.

## 21.3 Neither agree or disagree

### 2. Preparer and Users of sustainability information

#### American Bankers Association

Recognize how existing internal control assessments may interact with local reporting safe harbors. (Responding to Question #2)

Auditor communications will be a critical part of helping users understand the information provided. For example, many may need to understand whether "significant deficiencies" and "material weaknesses" connected to systems providing climate risk and greenhouse gas emissions reports will nullify local safe harbors that allow "good faith" efforts.

#### Climate Accounting & Audit Project

With respect to the reporting of assurance on sustainability reporting, there is one additional point to be made from the experience of the audit of financial statements, and that is with respect to consistency between sustainability reporting and financial statement reporting. Our concerns over consistency also relate to comments in response to question 19 on fraud, including greenwashing.

The requirements in ED-5000 for assurance of sustainability reporting relating to 'other information' appear to mirror those in ISA 720 in relation to the responsibility of auditors of the financial statements with respect to 'other information'. Within an annual report, for the assurance of sustainability reporting, the 'other information' will include the financial statements, whereas the 'other information' for the audit of the financial statements will include the sustainability reporting. In both cases, the requirement is to read and consider the other information, including consideration of whether there is a material inconsistency, and any implications for the audit/assurance report.

Practitioners performing assurance services on sustainability reporting will face the same questions on inconsistencies - just in the opposite direction to that of the auditor of the financial statements.

Recommendations:

We recommend that the IAASB:

consider why currently there is a persistence of information on climate risk that does not appear to be consistent across sustainability reporting and the financial statements (see below) – ie it has neither been

amended to ensure consistency prior to issuance of the reporting, nor mentioned in the unqualified report on the audit of the financial statements (indeed most reports directly state there is 'nothing to report' on requirements relating to 'other information'). The conclusions on this may have implications for 'other information' requirements of the financial statement audit and/or for the assurance of sustainability reporting.

consider in highlighting that for sustainability reporting, it may be the absence of disclosure in the financial statements that gives rise to the apparent inconsistency that should be considered in reading and reporting on 'other information'. Related to this point,

consider cautioning that achieving consistency is not about expanding sustainability reporting to include disclosure that belongs in the financial statements to meet IFRS (or other) accounting disclosure requirements. This could be included in the discussion of how identified inconsistencies may need to be resolved.

Further background:

The topics of consistency, and whether material information is provided in the financial statements, are linked. The lack of material information in the financial statements may give the appearance of inconsistency or at least presents a question of whether information is consistent or not, if disclosure is ambiguous.

Again referencing current experience on the audit of financial statements, this is another requirement that appears not to be conducted/reported in a manner that would be expected. The auditors report frequently notes that the auditor has 'nothing to report' or a similar comment, whereas the work by Carbon Tracker summarized in their report *Still Flying Blind* identified that in all cases, there appeared to be concerns over the consistency of information on climate related matters in the narrative reporting on climate vs the information presented in the financial statements. In only one of the 75 cases reviewed did the auditor make at least some comment on concerns over consistency, in that instance noting that certain specific disclosures were 'not consistent'.

Climate-related strategy and targets may be seen as lacking substance (ie greenwash) if it cannot be seen how and the extent to which they impact consideration of financial reporting. For example, if a company's disclosure of emissions targets and strategy suggests the early retirement of carbon-intensive assets (for example coal-fired power plants that will need to be retired in 10 years not 40 in order to meet emissions targets), then it would be expected that this would be reflected in the financial statements in estimates of remaining useful lives and cash flow generation for impairment testing, and that asset retirement obligations too would likely reflect the acceleration. If this is not made clear in the audited financial statements or the company in fact maintains the assumption of a 40 year life in its financial reporting, then the climate target declaration may well be viewed as "greenwash".

The nature of perceived inconsistencies can differ, for example they may be considered to be:

'Apparent' inconsistencies – The coal plant example falls into this category, where there is information in the sustainability reporting that raises expectations for the financial statements, but if little or no explanation is provided on how the issue was considered and assumptions and estimates made, there at least may appear to be an inconsistency as the situation is left unclear.

Direct inconsistencies – More direct discrepancies may also be present, for example in quantified price or cost amounts, or in qualitative information disclosed. For example, a company may disclose different carbon price assumptions without explaining the difference. Some companies use a price disclosed in sustainability reporting as being used to burden investment decisions with high cost to encourage investment in low carbon projects, and a different price used in its best

estimates of future cash flows for impairment testing in the financial statements. Where these differences are described, these can be understood as two different things. However, if this is left unclear, readers may conclude there is a more directly observable discrepancy.

We consider it critical that inconsistency or the appearance of inconsistency, not be left unresolved as this begs the question of whether information is misstated in either financial statement reporting or in the sustainability reporting, and may make for a relatively incoherent annual report.

Regardless of whether or not substantive, information is needed to understand in the financial statements how issues that are raised by sustainability disclosures have been considered in the financial statements and ultimately the extent to which information is consistent. Differences may be required, for example to the extent that accounting adjustments are not yet permitted as criteria is not met, but this should be made clear in the financial statements and addressed as well in the auditor's procedures (including reporting) on 'other information'.

Anecdotally, some suggest that this is not done currently because sustainability reporting is not currently felt to be substantive – ie that narrative reporting on climate may in some cases be dismissed as more akin to marketing information and therefore may not be considered to raise any reasonable expectations for information in the financial statements. If this is the case, then we would hope that new sustainability reporting requirements together with new assurance will help improve the quality of such sustainability information, but this suggests there may be severe difficulties with implementing the new requirements. In the meantime, such inconsistencies should nonetheless be called out by the auditor under current requirements.

Longer term, new sustainability reporting requirements must result in consistency between sustainability and financial statement information. If they do not, there is the danger that the standards on sustainability information including climate will be regarded as enabling "greenwashing". That in turn will undermine the effect and legitimacy of the new standards, and if not called out by those providing audit and assurance services, the legitimacy of the related IAASB standards under which these services are provided.

Practitioners performing assurance services on sustainability reporting will face the same questions on inconsistencies - just in the opposite direction to that of the auditor of the financial statements.

We recommend that the IAASB consider why currently there is a persistence of information that does not appear to be consistent – ie it has neither been amended to ensure consistency prior to issuance of the reporting, nor mentioned in the unqualified report on the audit of the financial statements (indeed most reports directly state there is 'nothing to report' on requirements relating to 'other information'). The conclusions on this may have implications for 'other information' requirements of the financial statement audit and/or assurance of sustainability reporting.

Additionally, we note that ED-5000 makes clear that it is expected that not only should potential misstatement be considered in what is in the 'other information' (ie the financial statements), but also in the sustainability reporting information that is being assured/audited. On this, we make two observations:

While it is the primary responsibility of the reporting company to ensure appropriate information in the financial statements (and the auditor of the financial statements to consider this), the requirements on 'other information' suggest that those providing assurance on sustainability reporting may need to consider information that should be in the financial statements in order to carry out their responsibilities for consistency of 'other information' including the financial statements, and report the result. In other words, it is the absence of disclosure in other information that may give rise to the inconsistency. This seems to be the case currently, and it would be helpful if it was specifically highlighted in finalizing ED-5000.

We also caution that the financial statements must be complete on their own, providing sufficient information under the relevant accounting/disclosure requirements. Achieving consistency is not about expanding sustainability reporting with disclosure that belongs in the financial statements to meet IFRS (or other) accounting disclosure requirements. Again it would be helpful to bring this out in finalizing ED-5000, perhaps in the discussion of how identified inconsistencies may need to be resolved.

### National Auditing Standard Setters

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

We believe that the requirements in the draft will drive assurance reporting that meets the information needs of users with the exception of the matters we address in our comments below.

#### Reporting Requirements

We acknowledge that ED-ISSA 5000 has been developed to allow its application to reporting on all sustainability topics and aspects of topics. However, there may be circumstances where a reporting entity includes information beyond that required under the applicable sustainability reporting framework. Although generally speaking, such information should not be disclosed in the sustainability report, this cannot be prohibited unless such information is misleading or obscures material information. For example, the entity could include a statement that claims that its entire risk management, internal control and compliance management systems (i.e., not just for sustainability reporting, but for everything) are effectively designed and are operating effectively. Performing reasonable assurance work on such a statement would likely involve a vastly disproportionate work effort; even the work effort for a limited assurance engagement could be prohibitive. If practitioners are unable to convince the entity to remove such information from the sustainability report, then practitioners need a mechanism to avoid having their assurance conclusion cover such statements. We believe that using the “supplementary information” mechanism in ISA 700 may provide a reasonable solution to this issue and therefore recommend that the IAASB pursue this matter in the requirements and application material along these lines.

We are also not convinced that the current treatment of comparative information based upon ISA 710 works for sustainability information. Unlike comparative information in financial statements, which primarily involves the statements from the previous year in a discrete column, the comparative information within sustainability reports is often distributed throughout the report and often covers multiple years. If trend analyses are provided based upon comparative information, then we believe that comparative information needs to be subject to the assurance engagement or, if that is not possible, the trend information needs to be excluded from the scope of the assurance engagement (see our comments directly below on paragraph 170 (c) (iv), when this is permitted by the framework criteria. This also applies to comparative information about multiple years. In any case, the treatment of comparative information in the practitioner’s report needs to be more transparent than is set forth for this information in the draft as based on ISA 710. We also note that paragraph 191 and the related application material in paragraph A520 would be inconsistent with the requirements for other information if the comparative information was not subject to the assurance engagement.

In line with the EER Guidance, paragraph 170 (c) (iv) should address not only the sustainability information covered by the assurance conclusion, but also the information not covered because it is invariably unclear when that information is not provided in the report (this is currently only in the application material paragraph A469 first bullet). To this effect, because the description of the sustainability information covered by the assurance conclusion must align with the description of that information in description of the sustainability information subject to the assurance engagement in the preceding paragraph, clarification is needed that, in line with the EER Guidance, the assurance conclusion should also state that no opinion is

being given on the sustainability information not covered. This also applies to references that sustainability reports make to publicly available information or other reports.

We also believe that paragraph 170 (c) (viii) allowing for entity-developed criteria to be located outside of the sustainability information will lead to difficulties for practitioners because the report would refer to a document over which the practitioner has no control once the practitioner's report has been issued. If the entity-developed criteria are within the sustainability information, then the original practitioner's report would always be connected (physically, if paper, electronically otherwise, for example through a PDF-files) to the sustainability information assured, including the description of the entity-developed criteria. This would clarify which entity-developed criteria apply to the sustainability report for the practitioner and would reduce the likelihood that entities subsequently change the entity-developed criteria for that engagement at the other locations.

The requirement in paragraph 170 (d) (vii) should be the first item in (d) in line with how reports are written.

The section on inherent limitations as set forth in paragraph 170 (g) applies to both the entity and to the practitioner. In addition, the entity should describe these limitations within the sustainability information so that practitioners can refer to them in their report. For this reason, we believe the best place for the description of inherent limitation is right after the Basis for Conclusion paragraph. Furthermore, the requirement should be augmented to have the paragraph make reference to the description of these inherent limitations in the sustainability information and to provide a sentence that clarifies that these inherent limitations in the preparation of the sustainability information also apply to the assurance engagement.

#### Example Reports

The use of example reports that reflect only the requirements in the draft leads to reports that do not reflect current good practice in sustainability assurance reports. There is a danger that practitioners will draw on the example reports without considering the application material, which would result in reports being less useful to users. For this reason, the IAASB should consider augmenting the reports for some of the more important material in the application material, including the augmenting at least one report for entity-developed criteria that supplement framework criteria. Furthermore, the IAASB may consider drawing upon the description of auditor responsibilities in ISA 700 to augment the description of practitioner responsibilities in the example reports.

## 7. Accounting Firms

### Altaf Noor Ali Chartered Accountants

21.1 No. Largely yes.

21.2 The fact that management has been communicated the significant matters that came to the attention of the engagement leader must be mentioned.

21.3 We understand that significant matters are those which are not significant enough for a modified opinion.

21.4 The absence of Key Audit Matters makes it critical that we mention communication of significant matters to the management and resolution from the point of view of intended user.

### Crowe Global

ED-5000 establishes assurance reporting requirements for this area that builds on the IAASB's experience with developing and issuing reporting standards. The reporting approach meets the information needs of

users. Reporting is a subject that can be addressed further in a future standard, the development of which can take account of the initial experience of reporting under ISSA 5000.

### Grant Thornton International

We believe that ED-5000 can drive assurance reporting that meets the information needs of users, however, we believe certain revisions are necessary to drive consistency among practitioners.

We agree with the guidance in ED-5000 to allow the practitioner's report to address other jurisdictional sustainability reporting requirements in addition to the practitioner's responsibilities under ED-5000 when the listed criteria have been satisfied.

We agree with using ISA 700 as a guide for the elements of the assurance report on sustainability information, except as it relates to requiring the name of the engagement leader to be disclosed for listed entities. Depending on the jurisdiction in which the sustainability engagement is performed, the sustainability information may be presented by the entity as other information in an annual report. In this scenario, ISA 720 does not require the engagement leader for the other information presented to be named, creating an inconsistency with ED-5000. Additionally, the requirements within ED-5000 are inconsistent as ED-5000, paragraph 170 does not include a requirement to name the engagement leader.

We do not agree with the inclusion of the requirement in ED-5000, paragraph 170(h)(ii)(b) to define or describe materiality used for the applicable criteria if it is defined or described differently than the practitioner's definition of materiality used to evaluate misstatements. Materiality in the context of the engagement is a concept based in the ISAs and we do not believe it is appropriate to address this in the assurance report. We propose the IAASB remove this requirement from ED-5000.

We believe further guidance is needed in ED-5000 related to comparative information. We do not believe ED-5000 sufficiently addresses the scenario wherein comparative information may have been subject to assurance under ISAE 3000 (Revised) or ISAE 3410 in the prior period. Although ED-5000 addresses different levels of assurance in comparative periods, it does not address different assurance standards. As noted in Questions 7, 13, 17, and 25, there are differences in the level of work required for assurance engagements providing the same level of assurance under different standards. For this reason, we believe it is relevant for the users of sustainability reports to understand the assurance standards used related to the comparative information. We propose the IAASB revise ED-5000 to include a requirement for the practitioner to state what standards the comparative information was assured under.

We question the inclusion of Summary of the Work Performed section in the practitioner's report. It is not clear how this paragraph benefits the users of sustainability information. We question whether investors and users will have a sufficient understanding of performing assurance engagements to understand why the procedures performed for one engagement are sufficient and why it may be appropriate for those procedures to be different than the procedures performed for a similar disclosure in another engagement. Without this understanding, we believe including the Summary of the Work Performed in the practitioner's report may widen the expectation gap regarding different levels of assurance. If this requirement is retained, we believe the illustrative reports in ED-5000, Appendix 2 should be revised to include examples of the level of detail expected related to the summary of the nature and extent of procedures performed. We also believe additional guidance is needed explaining whether this summary is required for each disclosure, and if not, whether there are certain disclosures for which users would always expect to see a summary of work performed. These revisions to the illustrative reports are needed to drive consistency among practitioners and protect the public interest.

Finally, we believe further guidance and an illustrative example are needed to demonstrate the appropriate wording for a practitioner's report that includes both a conclusion on a separate GHG statement and assurance over other sustainability information.

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

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

We heard concerns about the understandability of the report under mixed assurance engagements.

In our outreach, several comments were also raised regarding whether there is a need to distinguish in the underlying entity-prepared sustainability report between information that has been subject to assurance or not.

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

The efficacy of assurance reporting, as influenced by the requirements in ED-5000, hinges on a nuanced consideration of several pivotal factors. Firstly, it is imperative to explicitly reference the underlying sustainability reporting standard adopted. This acknowledgment serves as a crucial contextual backdrop, offering users a clear understanding of the criteria against which the assurance engagement is conducted.

Furthermore, the orientation of the information towards a primary stakeholder, inherent in the choice of reporting standards, requires explicit recognition. By acknowledging the primary audience, the assurance report can be meticulously aligned with the unique needs and expectations of this stakeholder group. This ensures that the information provided is not only comprehensive but also directly relevant to those with a substantial influence or reliance on the disclosed sustainability data.

In tandem with this, it becomes vital to consider the broader stakeholder landscape beyond the primary audience. A comprehensive assurance report should scrutinize and highlight areas where the information may be less focused on certain categories of stakeholders not explicitly targeted by the chosen reporting standards. This inclusive approach is particularly pertinent when assessing the materiality or salience of information for a holistic understanding of the firm's sustainability performance.

## **Academics**

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

We support a detailed report. We suggest a requirement for detailed disclosure of audit fees.

We support “changes to assurance reports for other engagements to align with the auditor's report on an audit of financial statements” and “the name of the engagement partner (for audits of listed entities) and a statement about independence and other ethical responsibilities”.

Assurance fees is another item that could reflect quality once publicly disclosed. The disclosure of audit fees has led to a mushrooming of studies into the effect of audit fees on audit quality and auditor independence. The disclosure of sustainability assurance fees is currently a voluntary and minority practice. Lu, Simnett and Zhou (2023) find that there is a lack of consistency as to whether EER assurance fees are included in audit related service fees or NAS fees. There were 97 instances where the category of EER assurance services fees could be identified, with 36 classified as audit-related services and 61 included as NAS (or similar descriptions). None were included as part of audit fees. When EER assurance fees included as audit-related services fees, no independence concerns identified, while a high ratio of NAS fees increases independence concerns. Thus classification of EER assurance fees has a real-world impact (Zhou 2022).



As Lu et al. (2023) concludes, “the different categories can differentially impact perceived independence concerns. These are issues that are currently on the agendas of various national standard-setters and regulators”.

Also, we like the concept of presenting comparative information (Para 127). Since the disclosure may include future looking information, comparative information will enable the user to understand/highlight the difference between what was promised and what is actually achieved.

## 12. Individuals and Others

### Dr. Prachi Ugle Pimpalkhute

It shall become more credible

### World Wide Fund for Nature

It is unclear at this stage whether ED-5000 will drive assurance reporting that meets the information needs of users. Considering the traditional role of assurance providers, and the increasing expectations of information users regarding extra-financial information, it is difficult to infer whether a traditional approach to information verification will provide sufficient assurance going forward.

In particular, as sustainability matters are increasingly connected, and also connected to financial matters, it will become increasingly important to provide assurance on a holistic basis considering sustainability efforts. In this regard, the notion of transition planning is particularly illustrative : while it is simple to attest to the presence and eventual completeness of a transition plan and its different elements in disclosures, it will become increasingly important to understand whether such plans are credible and relevant to reaching specific objectives (such as alignment with the 1.5°C goal of the Paris Agreement).

Therefore, while ED-5000 goes further on sustainability and enables practitioners to consider matters specific to sustainability reporting, assurance standards should increasingly consider their responsibility in providing a basis for the evaluation of the credibility of sustainability information, related claims, and proof of implementation within a given entity.

## 21.4 Disagree with comments

### 4. Regulators and Audit Oversight Authorities

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

#### Reporting

We draw the IAASB's attention to the fact that the CSRD requires specific reporting provisions for conclusions and we note the fact that specific wording (ie. different from ED 5000 provisions) might be required by law is recognized in par 176.

We highlight the fact that the provisions of par 170 and 171 (and 182) of the ED should not all be compulsory. The report should be useful, concise and responsive to the needs of users. Lengthy descriptions of responsibilities for the preparation of sustainability reporting (par 170 f) and of the practitioners responsibilities (par 170 h) makes the report overly long and do not prove to be very useful for the readers. It dilutes the focus to the main conclusions which are relevant for the users. As such, we ask the IAASB to limit, by being more concise, those descriptions and to include the option that the descriptions could be referenced to where this information may be found, outside the assurance reports. This generic and standardized information may be accessible to the public by other means than through the report itself.

Communication to deal with incorporation by reference

Apart from information that would be used in the financial statements and in the sustainability statements, specific provisions are also needed in ED 5000 to deal with situations where the information covered by the sustainability reporting under the scope of the assurance is located in other documents or statements outside the main “statements” (ie. outside the specific section of the management report in the CSRD context). This information, so called “incorporated by reference”, might be located in specific documents which are also in the scope of other assurance engagements. In this situation, appropriate communication between the different assurance providers is needed to avoid overlap and allow for coordination of assessment of the information. Such a communication should be mandated by the standard. Such a provision would also make clear that the responsibility for the assessment of the information will not fall outside of the scope of assurance on sustainability statements. The fact that the information is incorporated by reference does not reduce the responsibility of the engagement leader.

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

We believe the inclusion of a statement that “the risk of not detecting a material misstatement due to fraud is higher than one due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control”, in the section for Practitioner’s Responsibilities is unhelpful absent a clarification that it should not be seen to weaken the statement that the assurance practitioner’s objective is to obtain limited or reasonable assurance about whether the sustainability information is free from material misstatement. As presented it looks like a caveat and could be seen as risk management by the practitioner.

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

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

We identified the following concerns with the reporting requirements in ED-5000.

Key Concern: Summary of work performed

Today, there is confusion among users of assurance reports on the difference in the level of work performed by the practitioner in limited versus reasonable assurance engagements.

For limited assurance engagements, ED-5000 includes a requirement (paragraph 170(ii)) for the practitioner to include in the assurance report a section entitled ‘Summary of the work performed’ that describes the nature, timing and extent of procedures performed to enable users to understand the limited assurance obtained.

During our outreach we heard:

Concerns that users may incorrectly believe that a limited assurance engagement provides more assurance than a reasonable assurance engagement, given the summary of work performed is only provided in limited assurance engagement. This concern may be exacerbated in situations where the entity is issuing a combined reasonable and limited assurance report on sustainability information (see Illustration 3 of ED-5000).

It is not clear to respondents why the IAASB has departed from the approach in ISAE 3000.69(k) and ISAE 3410.76(k)(ii), which has the practitioner include an informative summary of the work performed as the basis for the practitioner’s conclusion in both limited and reasonable assurance reports.

In considering concerns raised, we noted:

There is a requirement in paragraph 170(d)(ii) to include a ‘Basis for Conclusion’ section in the limited assurance report after the conclusion section. This may diminish some of the misunderstanding for users.

The 'practitioner's responsibilities' section of the report includes a high-level, generic description of the procedures performed for both reasonable and assurance engagements. However, there are minimal differences between how limited and reasonable are described. These differences are hard to identify, even when side by side in a combined report. We believe these differences are likely to be overlooked or misunderstood by a reader, exacerbating respondents concerns.

Although we recognize that there may be practical issues in requiring practitioners to include a summary of work performed for both reasonable and limited assurance engagements, we believe that without this summary users may not understand the difference between the work performed in limited versus reasonable assurance engagements.

Suggest:

The requirement in paragraph 170(i) should be expanded to be applicable to both limited and reasonable assurance engagements.

"For a limited assurance engagement, A section with the heading "Summary of Work Performed," that contains an informative summary of the work performed as a basis for the practitioner's conclusion. This section shall describe the nature, timing and extent of procedures performed sufficiently to enable users to understand the limited level of assurance the practitioner has obtained."

Based on the above suggestion, update the application material in paragraphs A482 to A486L to ensure it's applicable to both limited and reasonable assurance.

Our suggestion goes beyond what is required in ISAE 3000 and ISAE 3410. In the ISAEs, while a summary of work performed is required for both limited and reasonable assurance engagements, describing the "nature, timing and extent of procedures performed to sufficiently enable users to understand..." is only required for limited assurance. That said, given the confusion that exists today among users of assurance reports on the differences in the level of work performed, we believe there is merit to requiring these details for both types of engagements.

Concern: Describing what is subject to assurance in the assurance report

We agree with the IAASB's view that there is confusion among users of assurance reports on which disclosures within the sustainability information were subject to assurance, and which were not.

In response, paragraph 170(c)(iv) has the practitioner identify and describe the sustainability information, including if appropriate, the sustainability matters and how that information is reported, in the assurance report.

We heard the following during our outreach:

When all the information reported is not subject to assurance, there is evidence of users misunderstanding which information was subject to assurance and placing undue reliance on information not subject to assurance. The common current practice of obtaining assurance on part of the sustainability information (vs. all sustainability information reported) may widen the expectation gap. Some were concerned that identifying the sustainability information subject to assurance in the assurance report may not be sufficient to assist users in understanding the sustainability information that was not subject to assurance.

The requirement in paragraph 170(c)(iv) has the practitioner 'identify the sustainability information' rather than more explicitly state 'the sustainability information subject to assurance', as described in the related application material in paragraph A469.

Although we acknowledge the concerns raised, we believe that the most practical and effective way for the practitioner to be transparent with users on which sustainability information is not subject to assurance, is

through clearly identifying and describing the sustainability information that is subject to assurance. We also believe that for listed entities, this may be an area that can be further addressed through securities regulation and requirements on the entity.

Suggest:

Edit paragraph 170(c)(iv) to specify that it is the sustainability information subject to assurance.

"Identify and describe the sustainability information subject to the assurance engagement, including, if appropriate, the sustainability matters and how that information is reported."

To reduce the misunderstanding of users when all information reported is not subject to assurance, consider adding the information in footnote 24 of Illustration 3 to the third bullet in paragraph A469. This will remove the flexibility and ensure consistency in how the practitioner identifies or describes the sustainability information subject to assurance in the assurance report.

"The practitioner may provide a specific identification and location of the information that is subject to assurance reasonable assurance opinion, which should be distinct from the information subject to a limited assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, or an Appendix to Assurance Report etc.)."

Concern: Naming the Engagement Leader in the assurance report

We understand that the requirement in ED-5000 to name the engagement leader in the assurance reports for listed entities (see paragraph 171), is consistent with the requirement in paragraph 46 of ISA 700 for audited financial statements of listed entities. We also understand the IAASB's rationale for including the requirement in ISA 700 and limiting its applicability to listed entities.

However, in contemplating this requirement in the context of sustainability assurance reporting, we heard some concerns during our outreach with disclosing the engagement leader's name in these engagements.

Concerns included that in an evolving assurance market with broader intended users than financial statement engagements, some intended users may:

Have less experience with obtaining information that has been subject to assurance;

Misunderstand what information is subject to assurance; and/or

Be unclear on the difference between limited and reasonable assurance, placing undue reliance on the assured information or attempting to hold the practitioner responsible for outcomes that cannot be detected by assurance procedures.

In our view, these concerns are related to the concerns we have raised above regarding the:

Summary of work performed, and the importance of expanding requirement 170(i); and

Describing what is subject to assurance in the assurance report, where revisions to 170(c)(iv) and A469 are needed.

Suggest: Since all our assurance report concerns are interrelated, the IAASB should consider whether disclosing the name of the engagement leader is appropriate after addressing the other concerns raised.

Other Concerns:

Guidance included on reporting orally - It is not clear why guidance on reporting orally is included in the application material in paragraph A463, when it is clear in the related requirement, paragraph 168, that reports must be written.

Suggest: Editing to align with ISAE 3000 (Revised) paragraph A159 that clarifies that oral forms of communication can be misunderstood without a written report:

"The assurance report is the means by which the practitioner communicates the outcome of the assurance engagement to the intended users. Clear communication helps the intended users to understand the assurance conclusion. Oral and other forms of expressing conclusions can be misunderstood without the support of a written report. For this reason, the practitioner..."

Referring to the work of an expert in the assurance report - Paragraph 172 references the practitioner's expert in the assurance report. The current wording in the requirement could be misunderstood to mean that the practitioner is 'placing reliance' on the practitioner's expert's work, rather than using their work towards the evidence obtained for the practitioner to form a conclusion on the sustainability information subject to assurance.

Suggest: Replace the term 'refers to' in paragraph 172 with the term 'uses'

"If the practitioner refers to uses the work of a practitioner's expert in the assurance engagement report, the wording of the that assurance report shall not imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert."

Compliance criteria – ED-5000 indicates it is for assurance of sustainability information prepared in accordance with compliance criteria and compliance frameworks. The proposed standard includes guidance on forming conclusions and illustrative reports that are accordance with compliance criteria/frameworks, however additional application material from ISAE 3000 would be beneficial.

Suggest: Add application material paragraphs A8(b), A19 and A100 from ISAE 3000 to ISSA 5000.

Illustrative reports – The standard would benefit from further illustrative reports.

Suggest: As future improvement to the standard, consider including illustrative reports that depict:

A modified reasonable assurance opinion.

An entity reporting in accordance with applicable criteria that are comprised of both framework criteria and entity developed criteria.

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

The NZAuASB does not consider that the assurance reporting will meet user needs.

We consider there is a good opportunity for the IAASB to continue to learn about other professions' approaches, to re-examine how best to build trust and confidence in sustainability information.

We have concerns that the form of the assurance report might not be fit-for-purpose for still-emerging sustainability reporting, given the broad definition of sustainability information and intended users.

Currently, assurance engagements over sustainability matters are often narrow in scope, focussed on certain sustainability disclosures only. Assurance conclusions are predominantly limited assurance. Given the lack of established systems and processes, and the forward-looking nature of the information which may look far into the future, we question whether reasonable assurance will ever be provided over parts of the information. This might change, but this may only become apparent over time. We caution against setting the expectation that reasonable assurance is the end goal until more is known to avoid an ever-growing expectation gap.

ED-5000 includes the “traditional” wording for assurance conclusions, being either a limited or reasonable assurance conclusion that the sustainability information has been prepared in accordance with the applicable criteria. We acknowledge that ED-5000 recognises that mixed opinions are likely, i.e., some limited, some reasonable.

However, we are concerned that this “traditional” approach might be too narrow and risk expanding the expectation gap. One or possibly two assurance conclusions over the sustainability report might not be enough to meet users’ needs in all circumstances, given the varied topics and varying work performed by the assurance practitioner.

To promote trust and confidence, we encourage the IAASB to be less prescriptive in how to articulate the opinion or conclusion in this umbrella standard. We recommend that the IAASB does not prescribe the expression of the conclusion as articulated in paragraph 170(vi), to enable more flexibility and encourage the practitioner to consider how best to convey the level of assurance provided and encourage innovation with a focus on user needs. We recommend that the IAASB explore and require the use of additional communication tools in the assurance report, to encourage practitioners to innovate and communicate to users about the level of confidence that the engagement provides while highlighting aspects of uncertainty, given that the nature of the information to be assured may be increasingly uncertain.

Some ideas to explore include:

Other ways of expressing the assurance opinion or conclusions:

Wording similar to the assurance conclusion required in ISAE 3400 the Examination of Prospective Financial information, with a focus on a conclusion over the reasonableness of underlying assumptions and appropriate caveats.

multiple conclusions, where relevant, first concluding on the entity’s materiality process followed by mixed conclusions over the various information reported.

Longer form reporting:

about the assurance practitioner’s observations on the entity’s process to identify topics to report.

that the assurance work was focussed on checking the assumptions, methods and inputs into a model, and that the actual results may differ.

the potential scope exclusions inherent in the framework, for example including commentary that the entity has reported sustainability information in accordance with the criteria in a specific framework and that this may not include all sustainability information.

how the work of an expert might be referenced in the report.

any other information that could enhance the communicative value of the assurance report.

We recommend that ISSA 5000 does not include illustrative reports within the standard, but that the IAASB develop separate non-authoritative illustrations that can be added to over time, based on best practice examples that include innovative techniques to better meet user needs.

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

The PAAB believes that there will be need for a continuous cycle of improvements, modifications, alterations and amendments to ensure it is fit for the purposes of user requirements.

## 6. Global Standard Setter

### Social Value International

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

## 7. Accounting Firms

### Mazars

It is important that the assurance report clearly sets out a detailed summary of the work the practitioner has performed, what information the practitioner has provided assurance over and what level of assurance is provided for that information, particularly for hybrid engagements where a mix of limited and reasonable assurance is provided. Equally importantly, the report should be clear what information is not being assured, for example there is no assurance provided on other documents published on a website other than the sustainability report itself.

The assurance report should include appropriate limitations relating to the intended users because the assurance report is not intended to, nor can it, meet the needs of all potential users and stakeholders. This will be critically important to restrict the use by only those users to whom the report is addressed as the intended users, similar to the “Bannerman Paragraph” used in UK audit reports.

There are elements of the EER guidance which are helpful in clarifying the assurance practitioner's responsibility and the application material for ED-5000 could be enhanced by incorporating this material. Including the following from the EER example would help clarify what the assurance practitioner has and has not provided assurance over:

Our assurance engagement does not extend to any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos.

Illustrative reports – Example of summary of work performed

In our view it would be useful if the illustrative assurance reports included an example of the summary of work, to be adapted by practitioners to reflect the circumstances of each individual engagement, such as the following set out in the EER Guidance:

Evaluated the suitability in the circumstances of ABC's use of the Criteria, as the basis for preparing the Sustainability Information;

Through inquiries, obtained an understanding of ABC's control environment, processes and information systems relevant to the preparation of the Sustainability Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;

Evaluated whether ABC's methods for developing estimates are appropriate and had been consistently applied, but our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate ABC's estimates;

Undertook site visits at four of ABC's twenty manufacturing sites; we selected these sites based on the contribution of the site Sustainability Information to the group Sustainability Information, unexpected fluctuations in the site Sustainability Information since the prior period, and sites not visited in the prior period;



Tested, at each site visited, a limited number of items to or from supporting records, as appropriate;

Performed analytical procedures by comparing the expected GHGs emitted, based on the calorific value of fuel combusted during the period, to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;

Considered the presentation and disclosure of the Sustainability Information.

Inherent limitations

Whilst we acknowledge that the inherent limitations should not be used as an excuse by a practitioner not to obtain sufficient appropriate evidence, or to avoid expressing a modified conclusion, we believe that assurance reports should be enhanced further by the inclusion of a separate "Inherent limitations in assuring the sustainability information" section. The illustrative assurance reports should also set out more clarity over the inherent limitations in sustainability reporting and with regard to the assurance provided including:

Challenges relating to estimates and forward-looking information

Maturity of systems, processes and controls and the impact on the availability and quality of data (at least in the early years of adoption)

The extent to which the practitioner has been able to obtain assurance over disclosures relating to the value chain (including a description of the extent of the value chain incorporated in the disclosures)

The practitioner's ability to obtain assurance over Scope 3 emissions.

## 8. Assurance Practitioner or Firm - Other Profession

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

I believe that Par. 170 (i) below should not be restricted to limited assurance. For many users of sustainability reporting and assurance, their understanding of the extent of procedures undertaken may be limited and not providing at least a summary of these for reasonable assurance may lead them to believe that less work was done than for limited assurance. Many stakeholders want to understand whether the practitioner has actually reviewed source data on the ground (at sites).

170(i) For a limited assurance engagement, a section, with the heading "Summary of Work Performed," that contains an informative summary of the work performed as a basis for the practitioner's conclusion. This section shall describe the nature, timing and extent of procedures performed sufficiently to enable users to understand the limited assurance the practitioner has obtained. (Ref: Para. A482-A486L)

### SGS

To enable paras.120 "require the name of the engagement leader to be included in the assurance report", the assurance practitioner shall ensure the engagement leader have the appropriate level of accountability. The concern is that sustainability assurance has far wider scope than financial audit and assurance.

The assurance report shall include what criteria (regarding to para.72 of ED-5000) the practitioner used to evaluate the sustainability information and the overall evaluation result.

### TIC Council

To enable paras.120 "require the name of the engagement leader to be included in the assurance report", the assurance practitioner shall ensure the engagement leader have the appropriate level of accountability. The concern is that sustainability assurance has far wider scope than financial audit and assurance.

The assurance report shall include what criteria (regarding to para.72 of ED-5000) the practitioner used to evaluate the sustainability information and the overall evaluation result.

## 9. Public Sector Organizations

### Government Accountability Office - US

We believe that the needs of report users would be best served by having consistent procedures in both limited and reasonable sustainability assurance reports. In addition, having the practitioner's perception of informational needs of intended users impact their professional judgement concerning applicable criteria will likely result in significant inconsistencies of sustainability information reporting. For example, ED-5000 para. 94L/R to 178L/R can make limited and reasonable assurance procedures difficult to distinguish. This lack of clear differentiation could lead to ambiguity in how practitioners interpret and apply these guidelines in various contexts. Such a scenario could undermine the overall objective of sustainability reporting, which is to provide clear, consistent, and reliable information to stakeholders.

Additionally, we believe that determining the level of procedures based on the practitioner's perception of the information needs of the intended users is a concept that is not clear and will likely lead to inconsistent application by practitioners. A more standardized description of the procedures performed in a limited assurance engagement should be developed, which would result in more reliable information for users to make decisions.

### Office of the Auditor General of Alberta

In our view this question is mis-phrased and reflects IAASB's mischaracterization of sustainability as "information needs" rather than "enhancing confidence in an entity's sustainability performance, in particular reducing negative sustainability impacts." So the question is better phrased as "Will the requirements in ED-5000 drive assurance on an entity's sustainability performance, including reduction of negative impacts?" The answer to this question would be no, because of lack of a definition of sustainability, a limited view of sustainability matters as financial impacts on the entity, no requirement to evaluate the entity's materiality process, and not enough emphasis in ED-5000 on relevance as being about reduction of negative impacts.

## 10. Member Bodies and Other Professional Organizations

### World Federation of Exchanges

Clarification is requested on intended 'users' of the assurance report.

## 12. Individuals and Others

### Capitals Coalition

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

### International Accreditation Forum (IAF)

To enable paras.120 "require the name of the engagement leader to be included in the assurance report", the assurance practitioner shall ensure the engagement leader have the appropriate level of accountability. The concern is that sustainability assurance has far wider scope than financial audit and assurance.

The assurance report shall include what criteria (regarding to para.72 of ED-5000) the practitioner used to evaluate the sustainability information and the overall evaluation result.