

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 22

Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement and instead having the IAASB consider addressing this in a future ISSA? If not what do you propose and why?

### 22.2 Agree with comments

#### 1. Monitoring Group

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

In the Committee’s view “key audit matters” (or key assurance matters in the ISSA 5000 context) (KAMs) are an important tool by which the assurance provider can communicate key risks and the provider’s response to those risks. The novelty of sustainability disclosures and related assurance and the potentially significant levels of estimation uncertainty and consequent impact on the assurance engagement (consistent with paragraphs 94–97 of the Explanatory Memorandum) mean that communication by the assurance practitioner is vital.

We agree with the IAASB that requirements to include KAMs would not be relevant to all sustainability assurance engagements (Explanatory Memorandum paragraph 122). As such the Committee recommends that the IAASB considers within ED-5000 or as part of its future work whether it would be beneficial to users of sustainability information to address KAMs in a limited manner. The Committee encourages the IAASB to consider the costs and benefits of KAMs being a requirement for listed entity engagements where reasonable assurance is provided over at least some of the information in the sustainability report and in relation to that reasonably assured information. The Committee recommends that the IAASB also considers whether reporting of KAMs may be useful for public interest entity reasonable assurance engagements (in particular those public interest entities that are banks) consistent with the suggestion in our response to the IAASB’s consultation on proposed amendments to ISA 570 (Revised) Going Concern.

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

While the IAIS agrees that the requirement to include KAAMs would not be relevant for all sustainability assurance engagements we recommend that the IAASB consider whether it would be beneficial to users of sustainability information if ISSA-5000 would address KAAMs in a limited manner. That is at least for engagements of listed entities where reasonable assurance is provided. We also recommend that the IAASB consider extending the requirement to reasonable assurance engagements for public interest entities as defined by local jurisdictions particularly for unlisted insurers.

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

Future updates

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

## 2. Preparer and Users of sustainability information

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

We believe that KAMs provide essential insights for users to assess the quality of assurance engagement. That said we would accept ED-5000's approach not to address the concept of KAMs at the inception of mandatory sustainability assurance and to leave it for the IAASB's consideration in the future.

Current assurance reports issued by some assurance practitioners already include information similar to KAMs in financial audit reports. Such information is very useful for users to understand what kind of procedures assurance practitioners undertake including communication with TCWG on KAMs. We believe KAM-like information would be all the more important for reasonable assurance.

In KAMs disclosed in future sustainability assurance reports we would like to see significant matters that assurance practitioners have discovered as well as outcomes of assurance procedures.

In the meantime we would welcome a permissive regime whereby practitioners were enabled – indeed encouraged – to identify key assurance matters relevant to their report on their sustainability assurance assignment.

### Keidanren (Japan Business Federation)

We strongly agree. Given that discussion regarding the disclosure of sustainability information is still ongoing it would be inappropriate to require a concept equivalent to key audit matters (e.g. "key sustainability assurance matters") to be addressed from the very beginning.

## 4. Regulators and Audit Oversight Authorities

### Accounting and Corporate Regulatory Authority

We agree with the approach of not requiring "key audit matters" (KAM) disclosures in audit reports. This implementation approach emphasises a thoughtful and gradual integration process which is aligned with the current landscape of sustainability assurance.

We also propose to allow practitioners to do so if they wish to report KAMs. Such disclosure can be helpful to practitioners who are expressing 'reasonable' assurance for the entire sustainability reports. It also mirrors the KAMs disclosures in financial statement audits.

## 5. National Auditing Standard Setters

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

We support the approach in the proposed standard of not addressing the concept of "key audit matters" for a sustainability assurance engagement.

We do not think key audit matters would be appropriate in the current assurance landscape where many entities are only having specific metrics assured. The definition of key audit matters in the ISAs is 'items that were of most significance in the audit.' In situations where the entity is only assuring specific metrics reported the value of key audit matters to users of the report is not present.

We also suggest that key audit matters may be area for the IAASB to explore in future standard-setting initiatives as reporting and assurance landscapes mature including whether key audit matters:

Are helpful for listed entities and PIEs in reasonable assurance engagements.

Should be considered a differentiator between reasonable and limited assurance.

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

The AUASB agrees with the approach taken by the IAASB to not address the concept of “key audit matters” in the sustainability assurance report. On outreach the AUASB heard mixed responses on this matter but on balance the AUASB would like to see more maturity in sustainability reporting and assurance before requiring reporting key sustainability assurance matters recognising that voluntary reporting by practitioners is not prohibited by ED-5000.

While the AUASB does not support long-form reporting being a requirement of ED-5000 the IAASB should encourage practitioners through application material to provide more detail regarding the assurance process through their reports if considered relevant to users (for example materiality).

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

We agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability engagement and instead having the IAASB consider addressing this in a future ISSA because we believe further outreach by the IAASB and input from stakeholders is needed to determine whether a concept of “key audit matters” is the appropriate direction to address information needs of users related to the assurance work performed. We believe that the following perspectives should be considered in the IAASB’s information gathering.

ED-5000 (Paragraph 170 (i)) requires limited assurance reports to include “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.”

Consequently a limited assurance report is in “long form” containing information specific to the assurance engagement while a reasonable assurance report does not include this section and includes only “boilerplate” information. It may appear counterintuitive that the reader of a reasonable assurance report obtains less details on the work performed on the engagement than the reader of a limited assurance report.

To address possible misconceptions by users of assurance reports exploring the mechanism of “Key sustainability assurance matters” in reasonable assurance reports is worth considering. However we believe this mechanism if applied should be consistent with the concept of “key audit matters” in an audit including that it applies to reasonable assurance engagement reports of general purpose [1] sustainability information of listed entities.

Mirroring the requirements in ISA 701 “key sustainability assurance matters” could:

Bridge the gap between the informative value of a limited assurance report and a reasonable assurance report.

Provide consistency between the auditor’s report and the sustainability assurance report for the same listed entity as both reports are often included in the same annual report.

[1] The concept of “general purpose” sustainability information would have to be defined. The concept of “general purpose financial statements” is defined in ISA 700 (revised).

We are supportive of the possibility in paragraph 170(g) to include in the report a section with the heading “Inherent Limitations in Preparing the Sustainability Information” to describe any significant inherent limitations associated with the measurement of evaluation of the sustainability matters against the applicable criteria as we consider that such inherent limitations may exist in many sustainability assurance

engagements. We are also supportive of the statement in paragraph A499 that it may be useful for management to disclose such inherent limitations in greater detail within the sustainability information. Although paragraph A499 states that the description of inherent limitations in the assurance report in accordance with paragraph 170(g) is different from including an Emphasis of Matter paragraph as inherent limitations are present irrespective of whether they have been disclosed by management we consider that the standard should provide additional clarification/guidance to assist the practitioner in determining whether to include an « Inherent limitation » section or an Emphasis of Matter paragraph (including whether it is possible to include both) when the inherent limitations are described within the sustainability information.

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

We agree with the IAASB's view of not addressing the concept of "key audit matters" for a sustainability assurance engagement in ED-5000. Nonetheless we adopt a cautious stance regarding the development of a future ISSA addressing this concept. From our local practitioners' perspective this topic is not currently regarded as a top priority primarily due to the perception that the applicability of "key audit matters" would be limited to reasonable assurance engagements.

Moreover there are practical challenges in determining "key assurance matters" within the context of sustainability assurance due to:

Information relating to sustainability covers a wide range of environmental social and governance aspects which can be complex and multidimensional. Identifying the most critical areas for assurance within this vast landscape can be challenging.

Different stakeholders may have varying expectations regarding the scope and focus of sustainability assurance. Balancing these expectations and aligning them with the entity's goals and priorities can be a challenge.

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

We agree with the approach in the draft of not addressing the concept of "key audit matters" for a sustainability assurance engagement and instead having the IAASB consider addressing this in a future standard because it is too early to introduce KAM-type reporting. Further experience needs to be gained in assurance engagements and reporting on them before the IAASB develops material on KAM-type reporting. We do note that there is nothing in the draft that appears to preclude practitioners from including such KAM-type reporting in the practitioner's report on a voluntary basis. However there may be legislative barriers in some jurisdictions to provide this type of reporting in the assurance report without a basis in legislation (such as in the EU) so making this type of reporting mandatory would be premature.

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

We are of the view that it is not appropriate to require communication of key audit matters (KAM) or equivalent (e.g. "key sustainability assurance matters") in ED-5000 at this juncture. Although we acknowledge the usefulness of communicating KAM the complexity of applying a new standard itself will be challenging to the practitioners and having to communicate KAM for a sustainability assurance engagement will pose more challenges to the practitioners.

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

We refer to the third bullet of our response to Question 21.

## 7. Accounting Firms

### Ataf Noor Ali Chartered Accountants

22.1 Yes.

22.2 We wish to make reporting to the point. At this moment we do not see a need when the matters are yet to develop fully.

Q23. For limited assurance engagements is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent?

### BDO International Limited

We agree with the IAASB's approach of considering Key Audit Matters (KAM) by deferring such consideration and implementation until a later date. Given ED-5000 will be a new standalone standard along with the reasons provided in the Explanatory Memorandum additional time for adoption both by users and practitioners is warranted before introducing further reporting requirements. It is noted that ISAE 3000 and ISAE 3410 do not currently require a similar reporting mechanism and ISA 701 is premised on certain other ISA standards requirements including items such as well-defined constructs related to risk assessment levels under ISA 315 requirements related to communication with those charged with governance under ISA 260 etc. Without similar constructs applying KAM as envisioned in ISA 701 would be challenging under the currently drafted ED-5000 and a revised construct of KAM to fit ED-5000 may be premature.

An introduction of those elements is better suited to a time when ED-5000 has benefited from an initial period of application which will allow a more informed survey of stakeholders (users) to provide feedback on whether KAM will be a useful element of assurance reporting specifically for sustainability matters and whether other reporting matters may be of more use than the current construct of Key Audit Matters as has been used in ISA 701.

### Deloitte LLP

We agree with the approach in ED-5000 of not addressing the concept of "key audit matters" (KAMs) and instead having IAASB consider addressing KAMs in a future ISSA. When the IAASB does revisit KAMs we encourage the IAASB to (1) align the definition of KAMs as being matters of most significance to the assurance engagement and (2) align requirements for KAMs with the types of entities and engagements that are subject to ISA 701 rather than having KAM requirements for all sustainability assurance engagements. For example we would recommend including KAMs for reasonable assurance engagements of listed entities only unless required by law or regulation.

### Ernst & Young Global Limited

We agree with the approach in ED-5000 of not addressing the concept of "key audit matters" for a sustainability engagement and instead having the IAASB consider addressing this in a future ISSA because we believe further outreach by the IAASB and input from stakeholders is needed to determine whether a concept of "key audit matters" is the appropriate direction to address information needs of users related to the assurance work performed. We believe that the following perspectives should be considered in the IAASB's information gathering.

ED-5000 (Paragraph 170 (i)) requires limited assurance reports to include "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."

Consequently a limited assurance report is in “long form” containing information specific to the assurance engagement while a reasonable assurance report does not include this section and includes only “boilerplate” information. It may appear counterintuitive that the reader of a reasonable assurance report obtains less details on the work performed on the engagement than the reader of a limited assurance report.

As an illustration an academic research paper published in June 2023 has concluded that ‘when sustainability and financial information assurance reports are presented separately participants perceive the sustainability performance information to be more credible and make higher investments judgments with limited as opposed to reasonable assurance (...) A possible reason for this result is that the limited sustainability assurance report used in our study presented a more explicit description of the nature and scope of work performed than did the reasonable assurance report consistent with the recommendations outlined in IAASB (2021). However a follow-up study shows that even when the language used in the nature and scope of the work section in the limited and reasonable assurance reports is similar investors still made higher sustainability information credibility and investment desirability judgment with the limited assurance report.”

To address possible misconceptions by users of assurance reports exploring the mechanism of “Key sustainability assurance matters” in reasonable assurance reports is worth considering. However we believe this mechanism if applied should be consistent with the concept of “key audit matters” in an audit including that it applies to reasonable assurance engagement reports of general purpose sustainability information of listed entities.

Mirroring the requirements in ISA 701 “key sustainability assurance matters” could:

Bridge the gap between the informative value of a limited assurance report and a reasonable assurance report

Provide consistency between the auditor’s report and the sustainability assurance report for the same listed entity as both reports are often included in the same annual report.

#### **Grant Thornton International**

We agree with the approach in ED-5000 to not address the concept of key audit matters (KAMs) for a sustainability assurance engagement. We believe KAMs will be identified primarily based on the entity’s industry and currently there are no globally accepted industry standards for sustainability reporting. Based on the emerging nature of sustainability reporting we believe that practitioners those charged with governance and investors do not have an understanding or expectation of what key audit matters would be as it relates to sustainability assurance engagements.

We do not support having the IAASB consider addressing KAMs in a future ISSA for the following reasons:

ISRE 2400 ISRE 2410 ISAE 3000 (Revised) and ISAE 3410 do not include the concept of KAMs. Adding the concept of KAMs to future ISSAs would be inconsistent with the approach in other review and assurance standards.

We believe non-accountant practitioners will struggle to identify KAMs as the KAM concept comes from the ISAs and is dependent on having sufficient audit and assurance experience to identify KAMs.

We have concerns about applying the concept of KAMs in limited assurance engagements and do not believe this would be appropriate.

#### **KPMG International**

We are supportive of the IAASB’s decision not to address the concept of “key audit matters” (KAMs)/KAM equivalents i.e. “key sustainability assurance matters” in ED-5000. In particular we agree with the IAASB’s



concerns that users may perceive that a greater level of assurance may appear to be imparted by the assurance report than is intended when KAMs are included in a limited assurance report and therefore this may be misleading to intended users. We also recognise the IAASB's view that KAMs are intended to meet the information needs of intended users of audit reports on complete sets of general purpose financial statements of listed entities and therefore may not be necessary or appropriate for assurance engagements over non-listed entities assurance engagements with a narrow scope and/or when a "special purpose" reporting framework is applied. These situations are more likely to arise when performing a sustainability assurance engagement than when performing an audit.

In addition to the above we highlight that the inclusion of KAMs in longer-form assurance reports assurance reports that include information regarding inherent limitations and assurance reports with modified conclusions and/or Emphasis of Matter paragraphs may be potentially confusing to intended users as it may be unclear how KAMs interact with such matters. We note that assurance reports are expected to include these features more frequently than audit reports and we understand that the IAASB instead will consider addressing KAMs in the future suite of ISSAs. We support this approach and suggest that the IAASB explore this concept more broadly adapted as appropriate to a sustainability assurance engagement recognising that the engagement circumstances in respect of an audit of financial statements are different to those of a sustainability assurance engagement as described above.

#### **Mazars**

We agree with the approach in ED-5000 to exclude the concept of Key Audit Matters. We believe that KAM's should apply only to Reasonable Assurance engagements over full sustainability reporting in accordance with a full reporting framework such as ESRS and ISSB standards. Furthermore the scope of application of KAMs should be restricted to the same entities to which ISA 701 applies that is listed entities and others where law or regulation require KAMs to be reported.

In our view KAMs would be best addressed in a future standard in the ISSA suite of standards rather than being incorporated in ED-5000.

#### **MHA**

We agree that the concept of "key audit (or assurance) matters" would be better addressed in a future ISSA rather than the proposed standard given this is a less urgent consideration. We encourage the IAASB to focus such a standard on sustainability assurance engagements where the reporting entity is a Public Interest Entity or Other Entity of Public Interest and where the engagement is a reasonable assurance engagement.

#### **Nexia International**

We agree with the approach in ED-5000 of not addressing the concept of KAMs for a sustainability assurance engagement and instead having the IAASB consider addressing this in a future ISSA. We believe the IAASB should monitor the efforts of this outreach on this ED as well as other forums for the desire if any for KAMs. We also believe the nature of KAMs may evolve in the near future regardless; thus considering addressing in the future is appropriate.

#### **PricewaterhouseCoopers International Limited**

There are pros and cons to including such reporting in particular in the context of a limited assurance engagement where their inclusion may convey a greater level of assurance than intended based on the engagement circumstances.

Consistent with ISAE 3000 (Revised) we therefore support the position in ED-5000 that neither requires nor precludes the inclusion of the equivalent of key audit matters in the assurance report. This is a judgement that an individual firm will make based on firm policy or to align with acknowledged practice in a jurisdiction. This is an area that may need to be reconsidered as part of future sustainability assurance standard setting taking into account evolution in practice and/or regulatory requirements.

#### **RSM International**

We encourage the IAASB to consider addressing 'key audit matters' (KAMs) in the future suite of ISSAs consistent with ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report. We believe it is of particular importance if the sustainability information is presented in an entity's annual report or a document accompanying an entity's annual report for entities where this requirement is applicable under the ISAs.

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

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

I think more emphasis could be given to the 'Other matters' paragraph in the assurance report with examples. And still develop a new standard for Key Audit Matters.

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

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

We agree with the IAASB's approach in ED-5000 to defer consideration of "key audit matters" and the possible inclusion of these matters in the assurance report to a future standard that could be drafted after a post-implementation review of the application of ISSA 5000 recognising that the engagement circumstances in respect of an audit of financial statements are different to those of a sustainability assurance engagement.

However we note that certain matters that would usually be mentioned in a key audit matters paragraph as per the current requirements for the audit of financial information of ISA 701 would also be included in the assurance report if it is prepared in a long form format and the practitioner complies with structure set out in paragraph 169 and the related guideline in paragraph A488. The IAASB's decision not to address the issue of key audit matters is therefore contradicted by the content of ISSA 5000 about long form reports.

##### **Belgian Institute of Registered Auditors**

It is important to consider the maturity of sustainability reporting when making decisions about the requirements for sustainability assurance engagements. The Corporate Sustainability Reporting Directive (CSRD) is a significant step forward for sustainability reporting in the European Union but it is important to note that the CSRD is starting with limited assurance. This means that it is unlikely that reasonable assurance will be provided for sustainability assurance engagements for a few years.

In the future it may be appropriate to introduce a standard on KAMs for sustainability assurance engagements if it is scoped properly to apply only to Listed/Public Interest Entities and to Reasonable Assurance engagements. (same scope as ISA 701). As financial and non-financial information are connected it should be avoided that in the context of ISSA 5000 KAMs are used for other types of assurance and entities than the scope of ISA 701.

It is important to take a phased approach to the introduction of KAMs for sustainability assurance engagements. We should start by developing a comprehensive understanding of how to apply KAMs to sustainability assurance engagements. Once we have developed this understanding we can then consider whether it is appropriate to introduce a standard on KAMs for sustainability assurance engagements and if so how it should be scoped.



This would also help to ensure that the concept is properly implemented and that the benefits outweigh the costs.

#### **Center for Audit Quality**

We agree with the approach in ED-5000 of not addressing the concept of “key audit matters” (KAMs) for now and instead having the IAASB consider addressing this in a future ISSA for the reasons stated in the explanatory memorandum as well as the following reasons:

Adding KAMs at this stage would result in another difference between attestation engagements performed using ISAE 3000 (Revised) or ISAE 3410 and ED-5000

Overall we are not sure these engagements lend themselves to KAMs in various ways for example:

The scope of items communicated to those charged with governance is much narrower.

Differences and flexibility in risk assessment standards between limited and reasonable assurance engagements - the risk assessment has an impact on whether matters are KAMs.

Non-accountant assurance practitioners will not have experience with KAMs and could struggle with the identification of KAMs on engagements.

If KAMs were included in limited assurance engagements they could be confused with the “summary of work performed.”

KAMs could be confused with the description of inherent limitations which are required for both limited and reasonable assurance engagements.

Given the challenges noted above we believe it would be most appropriate for the IAASB to consider addressing KAMs in a future ISSA when sustainability assurance engagements have had an opportunity to mature. We note that the current exposure draft does not preclude including KAMs in the report and believe that this flexibility is appropriate given the evolving nature of ESG reporting and assurance.

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

We recommend that IAASB prioritize “key sustainability assurance matters” in its future sustainability-related work especially as this issue is linked to the communication that takes place between the assurance provider and those charged with governance

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

We are supportive of not requiring key audit matters at this point in time given the fact that both the reporting and assurance frameworks are not yet mature. ED-5000 does not prevent a practitioner from including this information should they choose to do so. However we urge the board to prioritise revisiting the need for key audit matters to be reported soon after the finalisation of ISSA 5000 following a PIR or further consultation which will allow more informed feedback to enable a better understanding of the users' information needs.

#### **CPA Australia**

We support the IAASB's decision to address the concept of “key audit matter” (KAM) at a later stage. We are of the view that the inclusion of KAM may not be appropriate at this stage and sufficient time should be allowed for the market to mature before the IAASB considers including KAM in the sustainability information assurance report.

As outlined in our responses to earlier questions to recommend the IAASB allocates its finite resources to developing separate ISSA in more fundamental areas of sustainability information assurance such as

materiality estimates and forward-looking information group and “consolidated” sustainability information and developing critical implementation guidance.

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

While we recognise it would be challenging to address the concept in ISSA 5000 at this stage we encourage the IAASB to prioritize “key sustainability assurance matters” in its future sustainability-related work.

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

This being an overarching standard covering all types of assurance engagements on sustainability information; we would therefore see no need of KAM at all.

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

We broadly agree that consideration of a Key Audit Matters (KAMs) equivalent should not be a high priority at this time. We agree that a future standard on KAMs might be appropriate if scoped properly for example applying to listed entities/PIEs only and to reasonable assurance engagements whereby the standard should be aligned with ISA 701 as these reports will in due course sit alongside financial statements.

We concur with the approach that given the evolving nature of sustainability reporting changes should be implemented in a gradual manner. We do however believe that it is vital to establish a robust timetable for the future standards and for momentum to be maintained beyond publication of the initial standard.

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

At this time we are supportive of the IAASB's proposed approach in this regard. However we do believe that over time as recognised by the IAASB this is likely to be an area that is required to be revisited in a future ISSA to ensure that the reporting requirements continue to serve the public interest.

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

The IAASB's approach in the ED to not address Key Audit Matters (KAM) for a sustainability assurance engagement and to consider addressing this in a future ISSAs appears reasonable and well-considered.

As included in the Explanatory Memorandum the concerns raised by stakeholders in the PIR survey regarding the inclusion of KAM in limited assurance reports such as potential misperception of the level of assurance and the balance between costs and benefits are valid considerations.

Considering addressing KAM in future suite of ISSAs reflects a proactive stance. It allows for a more tailored approach in addressing KAM specifically in the context of sustainability assurance engagements.

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

We agree with the approach of not addressing “key audit matters” in the proposed standard. While requirements over key audit matters are not included in the proposed standard we do not note any restrictions for practitioners to voluntarily communicate them if they intend to do so.

From our observation the market has not reached the maturity for reporting on key audit matters. For such reporting to take place proper protocol over communication to audit committees and those charged with governance need to be established. As such reporting would be useful to users of sustainability reports we support addressing this in a future standard for reasonable assurance engagements drawing reference to such reporting in integrated reports.

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

We support this approach based on the post implementation review of the ISA 701 recognizing that sustainability is an evolving topic and users may be engaging with practitioners requesting in the near future more reasonable assurance opinions including the inclusion of KAM.

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

We recognize that at this stage it would be challenging to address this concept in ISSA 5000 but we encourage the IAASB to prioritize “key sustainability assurance matters” in its future sustainability-related work especially as this issue is linked to the communication that takes place between the assurance provider and those charged with governance (see question 20).

“IFAC believes that audit stakeholders—particularly company boards governing bodies and management—should view audit as a value-added process rather than a compliance exercise that simply results in an audit opinion.” This Point of View—published in 2020 holds true today for both financial audit and sustainability assurance engagements. IFAC has supported “efforts that enable the auditor to deliver greater transparency and value in the audit report—for example requirements to communicate Key Audit Matters (under ISA 701) and Critical Audit Matters (under PCAOB AS 3101).” We therefore encourage the IAASB to prioritize Key Sustainability Matters in its future sustainability-related work especially as this issue is linked to the communication that takes place between the assurance provider and those charged with governance (see question 20).

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

We would like to seek clarification as to whether the IAASB will produce the similar standard of ISA 701.

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

Yes we agree with deferring the concept of “key audit matters” (KAM) for sustainability assurance engagements. We suggest that when KAMs are addressed a distinction is made between publicly traded and privately held reporting entities.

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

SAICA agrees that the IAASB should consider addressing the concept of “Key audit matters” for sustainability assurance in future as practice evolves:

Key audit matters (KAMs) in sustainability assurance engagements will enhance practitioners’ communication in the assurance report.

KAMs will add value to sustainability clients and other stakeholders interested in the sustainability report.

The IAASB’s post-implementation review (PIR) process in relation to this standard will be particularly important in this regard.

## **11. Academics**

### **Monash University**

Key Audit Matters are a valuable source of information. We believe that in the future KAM related to sustainability assurance engagement might be demanding because of higher efforts to combine sustainability and financial reporting. Identifying sustainability-related KAM would confirm that sustainability and climate risk reporting may be linked directly to financial statement categories. We propose a separate sub-section in KAM that refers to issues specific to climate change and sustainability-related risks and other issues of concern. The IAASB could encourage auditors to report on concerns related to audit clients’

valuation of reported long-term assets considering the impact of climate change on future cash flows as part of the key audit matters (KAM).

## **22.3 Neither agree or disagree**

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

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

KAM is a very effective means of communicating to the management and the Board where material misstatement could arise.

### **7. Accounting Firms**

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

This should be addressed in this standard although as a point of contrast and differentiate with a traditional audit possibly the name may be changed to “key sustainability matters/risks”.

In spite of the matters raised in paragraph 121 of the explanatory memorandum we believe the purpose of disclosing these (at least for PIE's those entities which are not PIEs but their activities greatly impact ESG matters and where the practitioner deems it necessary and relevant) will be similar to the purpose such matters are disclosed in the financial statement audit reports.

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

#### **ASEAN Federation of Accountants**

We recognise the benefit of addressing the concept of KAM for a sustainability assurance engagement in ED-5000. However we believe that the priority now should be on addressing the complexities and potential implementation challenges of ED-5000 as a new and overarching standard for sustainability assurance engagement.

#### **Institute of Chartered Accountants of Ghana**

The concept of “key audit matters” is fundamental for assurance engagements from the perceptions of the public and is likely to be imputed for sustainability reporting. As such a clear statement may be required in all assurance reports to highlight the IAASB's approach of not including it in the current ED.

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

As per ISA 701 KAMs are those matters that in the auditor's professional judgment are of most significance in the audit of the financial statements. Since assurance on sustainability information is comparatively a new area accordingly we perceive that after the enforcement of this standard number of significant matters related to sustainability information will come on surface that would be significant and important for the intended users (including regulators) to know and take timely action thereon. Therefore considering the stakeholder's interest IAASB may include section on KAMs for the listed entities only for reasonable assurance report on sustainability information.

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

We believe that there is a need for a reporting framework with features similar to key audit matters (KAM) to enable users to understand the assurance process. Therefore we encourage the IAASB to consider the desirable framework for this type of reporting.

As sustainability assurance is still in its early stages we believe that in order to provide users with a basis for assessing the quality of the assurance by understanding the matters that the assurance practitioner has

identified as having a high risk of misstatement and the response to them there is a high need for reporting similar to KAM in sustainability assurance as there is a need for KAM in financial statement auditing. This high need applies not only to reasonable assurance but also to limited assurance. We also believe that requiring reporting similar to KAM will foster communication between the TCWG etc. and the assurance practitioner which will enhance the response to misstatements due to fraud including greenwashing. Therefore we believe that a roadmap for reporting similar to KAM should be provided for future implementation.

Some commented that in a report similar to KAM it would be more useful to present not only the procedures addressed but also the findings of the assurance practitioner and the outcome of the assurance procedures.

## 12. Individuals and Others

### Dr. Prachi Ugle Pimpalkhute

It should be addressed in first place now itself may in future they can standardize it but on applicable base they address it now.

## 22.4 Disagree with comments

### 2. Preparer and Users of sustainability information

#### American Bankers Association

Consider guidance to issue a report of Key Audit Matters (KAMs) (Responding to Question #22)

An auditor's report of KAMs can assist users of sustainability information to better understand the key risk areas as well as efforts and internal controls needed to develop and audit this new kind of information. With this in mind we believe KAM discussions may often help users understand key specifics in the meanings of the metrics themselves.

Implementation guidance (and even periodic IAASB staff papers) can provide practical and helpful information to sustainability information users and auditors in this regard.

### 3. Those Charged with Governance

#### Eumediton

Key Assurance Matters

The introduction of ISA 701 'Communicating Key Audit Matters in the Independent Auditor's Report' has led to a significant improvement in the insightfulness of the auditor's report. Key Audit Matters (KAM) play a vital role in effectively informing investors and enhancing meaningful dialogues between investors auditors and companies. We cannot consider the Proposed ISSA 5000 as complete if requirements for Key Assurance Matters that mirror ISA 701 remain missing.

### 5. National Auditing Standard Setters

#### New Zealand Auditing and Assurance Standards Board

The NZAuASB does not agree.

KAMs or an equivalent mechanism (e.g. "key sustainability assurance matters") enables and encourages the communication of significant matters and what has been done to address them. We believe that this would be appropriate in both a limited and reasonable assurance engagement. We consider that the description of how matters have been addressed could be linked to the level of assurance. This could reduce the perceived risk of the level of assurance being greater than intended.

We agree with PIOB's view that it might be in the public interest to allow inclusion of KAMs in the assurance reports and that this practice should be promoted early on.

Overall we believe that KAMs in the assurance report would be useful for:

enhancing users understanding about the assurance engagement especially in the context of different characteristics of sustainability information.

communicating significant matters identified during the engagement by the assurance practitioner and how they have been addressed to promote transparency.

The XRB has required the inclusion of key matters in our recently released standard NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures even for limited assurance engagements. This was done to enhance the communicative value of the report.

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

The PAAB believes that this should be addressed in this standard.

### **6. Global Standard Setter**

#### **Social Value International**

The identification of key audit matters (KAMs) has revolutionised the usefulness of the audit report. They send a very clear message to user what areas where a material misstatement is likely to arise. The scope of an assurance engagement – whether over a single metric or a complete report – has no bearing on the relevance of KAMs being include in the assurance report by the practitioner The absence of KAMs significantly impairs the utility of the assurance report as the principal means of communication between the practitioner and the user. Given the KAMs are a widely accepted innovation there does not appear to be a sound reason for them to be omitted from the proposed standard.

### **7. Accounting Firms**

#### **Baker Tilly International**

It is an identified omission so should be addressed now.

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

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

Key Audit Matters (KAMs) are required by the current New Zealand standard for assurance engagements on Green House Gas emissions disclosures as New Zealand transitions into a mandatory GHG assurance regime. We support the additional transparency and insights required by that standard and therefore encourage the IAASB to address KAMs in at least a future ISSA.

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

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

We appreciate the International Auditing and Assurance Standards Board's (IAASB) effort in developing ED-5000 recognizing the importance of establishing comprehensive auditing principles. Key Audit Matters (KAMs) stand out as pivotal elements in shaping various auditing characteristics such as enhancing audit quality and addressing the needs of information users.

In the context of sustainability assurance engagements the unique nature of these engagements calls for a tailored approach to KAMs. Recognizing the impact of sustainability-related issues on the overall assurance process we propose the inclusion of specific guidance on sustainability assurance-related KAMs within ED-



5000. This inclusion would contribute to the relevance and effectiveness of the auditing principles in the rapidly evolving landscape of sustainability reporting.

We understand the challenges associated with the complexity of ED-5000 and the need to strike a balance in presenting a manageable set of principles. Nevertheless considering the significance of sustainability-related KAMs even a minimal guidance within the exposure draft would be valuable. This guidance could outline the desired properties of sustainability assurance-related KAMs providing practitioners with a foundation for addressing the unique aspects of sustainability in their engagements.

Our suggestion aligns with the goal of fostering professional consistency and preventing divergent practices among practitioners. By offering at least minimal guidance on sustainability assurance-related KAMs within ED-5000 the IAASB can contribute to a standardized understanding within the profession ensuring a more cohesive and effective approach to sustainability assurance engagements.

#### Virginia Society of CPAs

No. We believe that IAASB should address “key audit matters” for a sustainability assurance engagement in this standard to avoid potential confusion to practitioners management and users as to what the audits should cover.

#### 11. Academics

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

We consider that there are very good reasons why Key Sustainability Matters should be included.

The common topics of KAMs on financial information usually possess the characteristics of being hard to be estimated having a high level of uncertainty complex and forward looking. These are precisely the key characteristics and challenges associated with sustainability information which KAM could be particularly helpful with. Research into KAMs generally conclude that these additional paragraphs have informational value to users in the context of financial statement audit reports (e.g. Moroney Phang and Xiao 2021).

In practice non-financial topics such as climate change have increasingly been included in financial statement auditors' report. For example the research report of You and Simnett (2022) on ASX listed companies notes a rising number of KAMs (from 0 in 2018 to 9 cases in 2021) are including climate-related impacts as well as a case where the auditor reported the impact of climate-related reporting on their audit planning in their audit report.

As You and Simnett (2022) wrote: “we notice that all of these KAMs are included in the auditor's reports for companies in climate-sensitive industries. For instance KAMs with climate related content are likely to be related to credit losses or impairment for banks and assets evaluation for companies in Utilities Industries Energy and Materials. For companies in Financials and Energy we observe more instances where auditors consider climate-related impacts in their procedures to address KAMs. By contrast auditors are more likely to consider climate as a factor when identifying risk of material misstatement for their clients in the Materials industry. Besides KAMs we note one instance where auditors raise climate change for audit planning in the auditor's report. KPMG UK highlighted the impacts of climate change on the business financial reports and the audit in their auditor's report issued to Rio Tinto for their 2020 report”.

In addition innovative practices of including “Key Assurance Matters” in a combined audit and assurance report or in the standalone assurance report are emerging in other countries such as the Netherlands. These key assurance matters could include Scope 3 emissions; complete registration of safety incidents; Reporting criteria for sustainable revenues; Estimates and assumptions concerning the calculated impact of avoided Co2 as presented in the value creation model; Business conduct integrity and transparency;

consistent and correct application of KPI definitions across the group and overtime. For an example please see the 2017/2018/2019/2020 annual report of Signify NV in the Netherlands available from <https://www.signify.com/global/our-company/investors/financial-reports/annual-report>.

urther requiring Key Matters to be reported will help to ensure that the most important issues are discussed with those charged with governance and will help to ensure that the entity takes appropriate action.

## 12. Individuals and Others

### Capitals Coalition

The identification of key audit matters (KAMs) has revolutionised the usefulness of the audit report. They send a very clear message to user what areas where a material misstatement is likely to arise. The scope of an assurance engagement – whether over a single metric or a complete report – has no bearing on the relevance of KAMs being include in the assurance report by the practitioner The absence of KAMs significantly impairs the utility of the assurance report as the principal means of communication between the practitioner and the user. Given the KAMs are a widely accepted innovation there does not appear to be a sound reason for them to be omitted from the proposed standard.

### Japan Accreditation Board (JAB)

JAB supports to address the key sustainable assurance matters into ISSA 5000 to set the framework more transparent and comparable manner in particular to climate change. Paris agreement expects the outcome of the climate actions to be transparent and comparable. Sadly the principle based approach of the ED 5000 will not able to demonstrate the sustainable information and its related disclosure can contribute for Paris Agreement.

### We Mean Business Coalition

See replies to question 16 and 25. Not to include KAMs as a necessity for the auditor's report appears to undervalue the purpose of assurance of the sustainability report for the users.

### World Wide Fund for Nature

WWF believes that the inclusion of key audit matters (KAM) within the audit report would add increased transparency and clarity as to the scope of the work performed on sustainability information allow for better understanding of what issues have caused specific questioning on the auditors' behalf and ultimately allow for benchmarking of recurring KAM in assurance processes.

This would help to boost information users' confidence in the assurance process by clearly outlining places where uncertainties exist but where significant work was required to certify the information.

This also seems particularly relevant for an agnostic standard as the frameworks for disclosing sustainability information become increasingly interlinked with those for financial information. In this view sustainability disclosures and the associated assurance processes should be held to a similar standard of quality than their financial counterparts. This is important in the case where audited information corresponds to a legal requirement and will help voluntary engagements improve their practices and transparency.