

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 19

Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

### 20.2 Agree with comments

#### 1. Monitoring Group

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

The Committee generally agrees with the high-level requirement in ED-5000 regarding communication with management and those charged with governance, given the evolving nature of sustainability assurance engagements and the different topics and aspects of topics that may be disclosed by the entity.

Similar to our points on the importance of communication to users of the assurance report, the Committee believes that, especially with sustainability reporting and assurance being new, communication with management and those charged with governance is very important. The control environment and the disclosures are likely to evolve over time and management and those charged with governance will likely benefit from communication by the practitioner. As such, we have identified specific areas where the requirements of the exposure draft could be clarified or strengthened:

The communication requirements should be extended to the practitioner’s responsibilities in relation to the sustainability reporting, the planned scope and timing of the engagement, as well as the practitioner’s independence (see ISA 260 (Revised) paragraphs 14, 15 and 17).

The communication items listed in paragraph A137 should include practices which may be acceptable but which the practitioner considers may not be the most appropriate to the particular circumstances of the entity (similar to ISA 260 (Revised) paragraph 16(a)).

The Committee considers it would be helpful to expand the second bullet in paragraph A137 on internal control. Where internal control deficiencies have been identified, the written communication should cover information to allow for an understanding of the deficiencies and their potential impacts (see ISA 265 paragraph 11(a)). The extent and frequency of communication should depend upon the severity of control deficiency, with material weaknesses receiving the greatest focus.

It may also be helpful for the practitioner to communicate the context of the communication, to enable those charged with governance and management to understand the purpose of the engagement, role of the consideration of internal control relevant to preparation of the sustainability reporting (design of assurance procedures, not opinion on the effectiveness of internal control) as well as the limitation to deficiencies identified during the engagement (see ISA 265 paragraph 11(b)).

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

The IAIS is supportive of ISSA-5000 addressing communications with TCWG, along with the related application material, given the evolving nature of sustainability assurance engagements and the different topics that may be disclosed by the entity.

We would, however, suggest some enhancements, including on communicating with regulatory bodies and with an insurer's statutory auditor. The latter is important given the connectivity between climate disclosures and an insurer's financial statements.

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

#### **Consistent application**

We have included examples of application material, which should have related requirements. These are examples where the standard does not mandate any action, but only refers to the possibility of action to be considered. Thus, the consistency of application will depend on the choice made by the practitioner. The IAASB should re-evaluate the use of "may" in the ED-ISSA 5000 application material to ensure it is supported by the related requirements where appropriate.

For example,:

A137 listing matters that "may" be communicated to management, those charged with governance or others. The matters listed should be moved to the requirements, with the exception of identified deficiencies in internal control, which could be limited to significant deficiencies to be consistent with the ISAs.

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

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

Given the different regulations are enforced among jurisdictions, we propose the ED-5000's guidance to provide examples of what is to be communicated by the assurance practitioners with management and TCWG, including connectivity with financial statements, in order to make assurance procedures more robust.

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

Overall, we agree with requirements in ED 5000 regarding communication with management. However we regret that it doesn't take sufficiently into account the level of maturity of sustainability reporting, at least in the early years. In particular the application guide (A137) requires reporting to the management board any concerns related to management's use of the work of an expert or information obtained from external sources or expert assessment.

In particular, for certain ESG themes, companies will have to rely on the work of an expert or on information obtained from external sources. However, assessing the relevance of information obtained in this way could prove difficult for companies.

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

Detailed comments (if any): Where there is an obligation imposed on the assurance practitioner under law to report any suspected fraudulent activities, the assurance practitioner should consider whether and how to communicate such matters with those charged with governance. We suggest the IAASB work with IESBA on such matters.

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

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

All significant issues need to be communicated to management and those charged with governance in all circumstances. This will assist in creating consistency in reporting and aid stakeholders/regulators in regulating the profession.

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

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

It is not clear as to who “others” may be referring to in “management, those charged with governance and others.” Clarification or examples would be helpful.

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

The approach taken by the IAASB with regards to uncorrected misstatements in other information is not aligned with this high-level requirement. According to paragraph 157(b) of the ED, if management refuses to correct a misstatement in other information upon practitioner’s request, the practitioner shall communicate the matter to those charged with governance and request that the correction be made. This gives the wrong impression that identified misstatements in other information are more significant than the ones in sustainability information subject to assurance. Hence, we believe that paragraph 157(b) should be moved to paragraph A137 as another example of significant matters that may be appropriate to communicate with those charged with governance.

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

Yes, we agree with the approach adopted by IAAB. Additionally, we suggest the following main matters that can be appropriately communicated to those charged with governance, in line with those described in auditing standard ISA 260 (items 14-17):

- (i) Practitioner’s responsibilities in relation of the assurance of sustainability information
- (ii) Planned scope and timing of assurance
- (iii) Materiality
- (iv) Significant Findings from the assurance
- (v) Independence of the practitioner, in the case of listed entities

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

We support the high-level requirement in ED-5000 regarding communications, with the related application material because there are many different criteria for sustainability reporting and many different regulatory requirements in various jurisdictions. Sustainability assurance engagements may relate to a single disclosure at a point in time or to a “full” annual sustainability report covering sustainability, social and governance topics. In addition, laws and regulations may prescribe timing and content of communication with those charged with governance.

However, we note that ISA 260 (Revised) paragraph 16(d) requires communication with those charged with governance of circumstances that affect the form and content of the auditor’s report, if any. We suggest that the IAASB add an equivalent consideration to the application material to paragraph 62 of ED-5000 (i.e., paragraph A137).

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

We support the high-level requirements of the matters set out in A137-A139 which may be communicated to those charged with governance. In addition to that, it might be necessary to include requirements for practitioners to communicate with TCWG matters that may result in a limitation on scope, such as the:

inability to obtain sufficient appropriate evidence or obtain through alternative means, over the disclosures for which the practitioners' intended to use the work of another practitioner as described in A125 (refer to question 15, with respect to challenges in using work performed by another practitioner from the entity's value chain).

compliance or potential non-compliance with the independence requirements of the IESBA's ethics code.

## **7. Accounting Firms**

### **Altaf Noor Ali Chartered Accountants**

20.1 Qualified Yes.

20.2 This matter is important enough to be a part of the reporting. There is no mention of the fact that the significant matters have been communicated to the management.

### **BDO International Limited**

We support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate. We suggest including more guidance on the matters to be communicated with management and those charged with governance in ED-5000, including the 'practitioner's responsibilities' in relation to the sustainability information and the 'planned scope and timing of the engagement' as in ISA 260.A9-A15,

### **Crowe Global**

We support the requirements and application material as presented in ED-5000 regarding communication with management, those charged with governance and others. This is an area where implementation guidance would be appropriate.

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

We support the high-level requirement in ED-5000 regarding communications, with the related application material because there are many different criteria for sustainability reporting and many different regulatory requirements in various jurisdictions. Sustainability assurance engagements may relate to a single disclosure at a point in time or to a "full" annual sustainability report covering sustainability, social and governance topics. In addition, laws and regulations may prescribe timing and content of communication with those charged with governance.

However, we note that ISA 260 (Revised) paragraph 16(d) requires communication with those charged with governance of circumstances that affect the form and content of the auditor's report, if any. We suggest that the IAASB add an equivalent consideration to the application material to paragraph 62 of ED-5000 (i.e., paragraph A137).

### **KPMG International**

We are supportive of the inclusion of the requirement, at paragraph 62, to address communication regarding significant matters with management, those charged with governance and/or others. We note that this

content is consistent with the requirement at ISAE 3000.78, and we consider such two-way communication to be an important part of both reasonable and limited assurance engagements. In addition to such communication and related discussions being an important source of evidence for the assurance engagement, we also highlight that the communication of significant matters in relation to the sustainability information and the assurance engagement of which the practitioner is aware is important to those charged with governance, in terms of their ability to properly discharge their oversight responsibilities. Whilst we are supportive of the high-level communication requirements, we make several recommendations below that we believe the IAASB should consider to further strengthen these requirements in the proposed standard.

**Include an explicit requirement to communicate**

We understand the IAASB's rationale to include a requirement to "determine whether" there are any significant matters that should be communicated, rather than establish an absolute requirement to communicate. However, we consider that were an absolute requirement to be included, this would be inherently scalable because if the sustainability matter is relatively less complex or narrow in scope, and/or the system of internal control is less mature, then any related communications would also likely be less extensive, and/or it would be less likely that the practitioner would identify a significant matter in respect of which there would be a need to communicate.

Furthermore, we highlight that several sustainability reporting frameworks are focused on matters of governance and internal control systems. Therefore we believe that a stronger requirement to communicate in respect of matters such as deficiencies in internal control, or application of the criteria to the entity's specific circumstances, would be aligned to the intention underpinning such frameworks and likely would provide information that would be valuable to those charged with governance both in discharging their oversight responsibilities and in seeking to make improvements to their processes and controls, recognising that an assurance "journey" with continual improvement is envisaged. Additionally, we note that ISAE 2400, which addresses limited assurance only in the form of a review of historical financial statements, includes an explicit requirement, at paragraph 42, to "communicate with management or those charged with governance, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review engagement, that, in the practitioner's professional judgement, are of sufficient importance to merit the attention of management or those charged with governance, as appropriate." Accordingly, we recommend that the requirement at ED-5000.62 also be expressed as an explicit and absolute requirement to communicate, i.e., as "the practitioner shall communicate significant matters to management, those charged with governance, and others (as appropriate)".

**Include required matters to communicate**

We also recognise the IAASB's intentions not to establish required matters about which to communicate, and instead to provide examples in the application material. However, we consider that the types of matters set out as examples in the application material, which we note are derived from ISA 260, are matters that we expect would always be of sufficient importance to communicate to those charged with governance. Accordingly, we recommend that these be included in the body of the standard as required communications, with the caveat of "as applicable" to recognise that not all of these matters would be relevant to every engagement.

Furthermore, we recommend that certain additional matters are also included as required communications (as applicable), as follows:

Matters relating to independence, with related application material. This may include more detailed information about relationships and other matters in respect of entities across the wider value chain (please also refer to our response to Question 18);

The planned scope and timing of the engagement (which is particularly important to understand for a limited assurance engagement);

Significant findings, including the practitioner's views about significant qualitative aspects of the entity's policies and procedures to prepare the sustainability information, including in relation to estimates and forward-looking information, as well as in respect of disclosures;

Matters relating to estimates, forward-looking information, and inherent uncertainties, and related disclosures;

Matters affecting the assurance report, e.g., expected modifications; and

Any other relevant matters, designed to be a "catch all" with application material to explain that this would include any other significant matters that may be of importance to those charged with governance and/or may have a significant impact on the sustainability information and/or affect the form and content of the assurance report thereon. We believe that the inclusion of such a general requirement is important to accommodate the evolution of sustainability assurance engagements.

We consider that the above would appropriately align the requirements of ED-5000 with those of the ISAs, in particular, ISA 260, as we consider that communications should be similar in nature and scope to those for an audit engagement.

Communicating with external bodies

Lastly, we recommend that the requirement in respect of communicating with others, where "others" are external bodies, be distinguished from the required communications with management/those charged with governance, and continue to be expressed as a requirement to "determine whether" to communicate. We note that certain jurisdictions may establish requirements to report certain matters to bodies external to the entity, e.g., to a regulator, and therefore separation of this requirement would give this more prominence, and it would be appropriate to express this as a conditional requirement.

#### **Mazars**

We support the requirements regarding communication to those charged with governance, noting that the requirements are same regardless of the level of assurance provided.

We note that Audit committees are increasingly responsible for sustainability reporting in many jurisdictions and, although not a requirement, we believe that it is likely that assurance practitioners may escalate more issues to those charged with governance than might normally be the case in a financial statements audit which would help drive improvements and developments in sustainability reporting.

#### **MHA**

Our review of ED-5000 and the supporting explanatory materials published by the IAASB has not identified an explicit requirement for the assurance practitioner to communicate uncorrected misstatements to those charged with governance. This is a critical shortcoming and one we encourage the IAASB to address in the final standard. We find that some sustainability disclosures are more susceptible to misstatements than others, and it is not uncommon for a sustainability assurance engagement to identify a higher number of uncorrected misstatements than a financial statement audit on the same reporting entity.

### **PKF International Limited**

We are generally in agreement with the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others.

We recommend that the wording is expanded to include a requirement for the practitioner to also communicate a statement of compliance with relevant ethical requirements regarding independence.

### **PricewaterhouseCoopers International Limited**

In principle, we agree with the IAASB's proposed approach of including high-level requirements regarding communication with management, those charged with governance and others, which is consistent with ISAE 3000 (Revised). However, in light of seeking to increase all stakeholders' understanding of sustainability assurance engagements, we believe including a limited number of more specific communication requirements with respect to matters to be communicated to those charged with governance is warranted.

The following key matters to be communicated to those charged with governance could be addressed in the requirements:

Materiality – please see our response to question 12 regarding the proposal to communicate materiality matters.

Relevant ethical, including independence, requirements and quality management requirements and whether there is any risk regarding the fulfilment of such requirements. Furthermore, when such requirements do not comprise the IESBA Code or ISQM 1, an explanation of why the alternatives applied are deemed to be at least as demanding.

Identified and assessed risks of material misstatement.

Uncorrected material misstatements.

Management bias in the preparation of the sustainability information.

Identified or suspected fraud or non-compliance with law or regulation and responses thereon.

Deficiencies in internal controls.

Many of the above matters, and others, would also be communicated to management and this can continue to be reflected in supporting application material.

Application material could also address explaining to those charged with governance the nature and extent of work performed in a limited assurance engagement to address any potential misunderstanding or expectations gap in this area i.e., the extent of work performed with respect to the entity's internal control.

### **RSM International**

We recommend the IAASB consider adding the following to paragraph A137 of ED-5000 as a significant matter that may be appropriate to communicate:

Matters that may be significant to the sustainability information. Examples include data completeness and how far in an entity's value chain data has been aggregated and how that aligns to the entity's set policies and sustainability reporting frameworks.



Other matters that the practitioner deems appropriate.

We believe it would be helpful to clarify what is meant by 'others' in the context of 'management, those charged with governance or others' in paragraphs 62 and A137 and the related section title in ED-5000, possibly in the form of an explanation and/or example(s).

We believe the IAASB should consider defining 'significant matters' to be communicated to management, those charged with governance or others to promote consistent application as to what a 'significant matter' is, since judgement would need to be applied by the practitioners. We are appreciative of the examples in paragraphs A137 to A139 of ED-5000 and believe they are helpful.

We believe an illustrative example of a communication with management, those charged with governance or others would be helpful, either in an appendix to ED-5000 or in the Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements (the EER guidance).

## 9. Public Sector Organizations

### Office of the Auditor General of Canada

We would suggest that ISSA 5000.A138 would be improved by including the following underlined text.

Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

Yes, we support the high-level requirement as formulated in paragraph 62 of the ED ISSA 5000 and examples of significant matters given in paragraph A137.

However, the approach taken by the IAASB with regards to uncorrected misstatements in other information is not aligned with this high-level requirement. According to paragraph 157(b) of the ED, if management refuses to correct a misstatement in other information upon practitioner's request, the practitioner shall communicate the matter to those charged with governance and request that the correction be made. This gives the wrong impression that identified misstatements in other information are more significant than the ones in sustainability information subject to assurance. Hence, we believe that paragraph 157(b) should be moved to paragraph A137 as another example of significant matters that may be appropriate to communicate with those charged with governance.

### ASSIREVI – Association of the Italian audit firms

Paragraph 112 of the EM to ED-5000 states that the IAASB concluded that the approach to communication with those charged with governance in ISAE 3000 is appropriate in the case of ED-5000 as well "given the evolving nature of sustainability assurance engagements and the different topics and aspects of topics that may be disclosed by the entity". While we understand the reasons why the IAASB has adopted this approach, we feel that the requirements and the application material of ED-5000 for communications should be supplemented with further clarifications.



Firstly, requirement 62 includes management, those charged with governance and others as the recipients of communication. While ED-5000.17 defines the terms “management” and “those charged with governance”, there is no definition for “others”. If this additional category of recipients is maintained, the standard should include a definition for it as the sustainability information could have very different stakeholder categories (regulators, local authorities, local communities, trade unions, etc.). Once this definition has been made, the proposed standard should indicate what matters are to be communicated to this category given the potentially different roles and responsibilities of management and those charged with governance compared to “others”.

With respect to the matters to be communicated, the required communications in accordance with ISA 260, as applicable, would be of importance to those charged with governance. Should a definition of “others” not be included in the standard, certain matters listed in paragraph A137 should more appropriately be moved to the requirements. We refer in particular to the following circumstances:

identified or suspected fraud or non-compliance with law or regulation, introducing the limitation of “unless prohibited by law or regulation” as per ISA 250 (based on that set out in paragraph A132 of ED-5000 as well) for the communication of non-compliance with a law or regulation;

management bias in the preparation of the sustainability information;

identified deficiencies in internal control, communicating significant deficiencies separately to other deficiencies in accordance with the requirements of ISA 265;

material misstatements of the sustainability information or other information that management has refused to correct.

In addition, it might be useful to supplement the application material with guidance about:

the appropriate level of those charged with governance to whom the communications should be made (in accordance with that set out in ED-5000.A132 about non-compliance with laws and regulations); the structure and timing of the communication.

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

Although we agree with the proposed approach we would recommend to give more specific guidance with concrete list of overview of key matters to be communicated to those charged with governance.

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

We support the high-level requirement for communication as outlined in ED-5000, recognizing its alignment with ISAE 3000 (Revised). However, we must take into consideration the evolving landscape of sustainability assurance engagements, which might require refining communication aspects. It might be beneficial to offer additional guidance or examples tailored to sustainability-specific matters that practitioners should communicate with those charged with governance.

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

Yes. We are broadly supportive of the requirements included in ED-5000. However, we believe that it should also address if there are any expected communications required between the sustainability assurance practitioner and the financial statement auditor, where these engagements are conducted by different people and/or firms, and whether there are differences where both practitioners are in the same firm or network firm versus separate unrelated firms.

Currently ED-5000 requires the practitioner to communicate with those charged with governance if they have concerns on reading 'other information'. To ensure consistency in practice, if the board considers that this is sufficient and there is no responsibility for the assurance practitioner to communicate with the financial statement auditor if they identify a matter that they think could impact the financial statements, or the board considers that the practitioner would not be able to do so due to confidentiality considerations, then this should be stated in the standard to clarify and a conforming amendment made to ISA 720 (Revised) The Auditor's Responsibilities Relating to Other Information as well. If the board considers that there is a responsibility to communicate, this should be addressed in ISSA 5000 and ISA 720.

#### **Chartered Accountants Ireland**

While we support the high-level requirement regarding communication with management, those charged with governance and others, we believe that there is a lack of clarity and detail to allow a practitioner to fully understand the expected communication cycle. Areas where we believe there could be improvements made include:

The required communications when performing a limited assurance vs. reasonable assurance engagement.

Paragraph A137 references "material misstatements ..... that management has refused to correct" as a matter for communication to those charged with governance. We believe that there is an omission here by not including "uncorrected misstatements identified during the engagement".

Paragraph 62 and the associated application guidance on A137 to A140 address communication with those charged with governance in a manner akin to an audit management letter. We note that there will be several other instances where management will be communicated with, and it may be beneficial to collate the required communication points in one section of the standard.

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

Refer to our comments in question 19.

In addition, we encourage the IAASB to consider the potential need for communication and interactions between the financial statement auditor and the sustainability assurance practitioner (either within the same firms or in different firms) and in which circumstances this communication would be required.

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

We support the high-level requirement regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate. Nevertheless, we believe that communication between the sustainability assurance practitioner and auditor, subject to ensuring client confidentiality, should be required.

Given some jurisdictions want to "open up" the sustainability reporting assurance market to practitioners other than auditors, as is the case in Spain, we suspect that in certain cases the sustainability assurance practitioner and auditor for a reporting entity will be different. We expect similar connectivity, facilitated by close communication between the sustainability assurance practitioner and auditor, to enhance the robustness of the assurance. Hence, certain requirements in the standard may be appropriate.

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

Communication between assurance providers and management is key to the success of the assurance process. The high-level requirement in ED-5000 rightly emphasizes the importance of this communication,

particularly with regards to matters that it may be appropriate to communicate. However, we propose a nuanced perspective on this requirement.

While recognizing the significance of driving the selection of matters through communication with management, we contend that it is equally crucial for the assurance provider to exercise independent judgment and assessment. This autonomy allows the assurance provider to bring a fresh and unbiased perspective to the identification of matters that merit communication. It adds an additional layer of objectivity to the assurance process, ensuring that all relevant aspects are considered comprehensively.

#### **CPA Ireland**

Yes, the requirements set out on para 62 and A137-139 of the ED-5000 are appropriate items to consider in communications with TCWG and are in line with ISAE 3000.

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

We support the high-level requirement regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate.

We believe, however, that communication between the sustainability assurance practitioner and auditor, subject to ensuring client confidentiality, should be required. Given some jurisdictions, including the EU, want to “open up” the sustainability reporting assurance market to practitioners other than auditors, we suspect that in many cases the sustainability assurance practitioner and auditor for a reporting entity will differ. Furthermore, connectivity between financial and sustainability reporting is considered key to enhancing the value of reporting. This connectivity is enabled through communication between the respective reporting teams. We expect similar connectivity, facilitated by close communication between the sustainability assurance practitioner and auditor, to enhance the robustness of the assurance. Hence, some general requirements in the standard may be appropriate.

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

Detailed comments (if any): Some of the information that would require communicating should ideally include “greenwashing” aspects as organizations mainly MNCs have contributed substantially to major environmental disasters which have had negative social impacts in developing countries (for example, Nike, Enron, Shell etc.), instead of losing their licences to operate, have actually enhanced their resources and become more powerful through different initiatives such as mergers, restructures and continued efforts to build their public image.

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

We would welcome additional guidance on communication with Those Charged with Governance (TCWG). We believe that it is likely that assurance providers may be tempted to refer to TCWG more than they might in a financial statements audit, which, albeit well intended, could result in key issues being overlooked.

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

Sustainability assurance engagements may relate to a single disclosure at a point in time or to a “full” annual sustainability report covering sustainability, social and governance topics. In addition, laws and regulations may prescribe timing and content of communication with those charged with governance. Therefore, illustrative guidance are useful for identifying matters to be communicated with TCWG.

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

The auditors are required to communicate with those charged with governance on a timely basis and evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. The high-level requirement in the ED to communicate material matters establishes an approach that encourages management to direct its attention to key and substantial matters.

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

For practitioners who are not familiar with ISAs, the communication requirements can be a challenge. Paragraph 62 is quite a "high level requirement" as reflected in the question, making it necessary, as in many other parts of the standard, to refer to the application material.

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

We fully support the requirements on communication since this is one of the most critical milestones during the execution of the assurance work. Open and transparent communication contributes to the quality of the engagement and to set expectations about scoping, risk, responses and deliverables.

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

We agree with the IAASB's assessment that the nature/scope of sustainability assurance engagements—and who is charged with corporate oversight—is still evolving and that prescriptive measures are not required at this time, but we encourage the IAASB to prioritize this issue in its future sustainability-related work. For independence purposes, the benefits of reporting to those charged with governance (TCWG) have been clear for auditors of financial statements and we believe the merits of reporting to TCWG should be explored for other assurance engagements too, including sustainability.

In its publication on Achieving High-Quality Audits, IFAC supports the belief that "achieving high-quality audits is dependent on a well-functioning ecosystem of participants from the audit profession as well as from governing bodies, directors and management. The right culture—starting with the tone at the top—and right oversight are critical to achieving a high-quality and high-value audit. This philosophy applies equally to financial audits and sustainability-focused assurance. Therefore, communication on the part of the assurance engagement team with management, those charged with governance and others is essential."

This said, unpublished research that IFAC has conducted on governance and oversight practices of 1400 stock exchange listed companies in our 2021 State of Play sample set suggests that best practices in board governance and oversight are still evolving. 75% of the companies we reviewed did not have policies in place designating the Audit Committee (or alternative committee such as sustainability, corporate governance, human resources, etc.) with specific oversight of sustainability assurance. More broadly, oversight of sustainability strategy (i.e., not reporting or assurance specific) is cited 87% of the time, but 70% of these companies assign responsibility to multiple committees (including audit – 74%; sustainability – 48%; corporate governance – 41%; human resources – 10%; other – 38%; and "the Board" – 5%).

Our State of Play research also demonstrates evolution in the scope of sustainability assurance engagements. Our 2021 review suggests that assurance is currently focused on GHG emissions, with a meaningful decline in the number of reporting companies also obtaining assurance on other environmental, social, or governance matters they report. About half (53%) of companies obtained assurance on information across all four of these disclosure categories. These assurance results are in contrast to our findings on reporting—with almost all companies who report on ESG do so across GHG, environmental, social and governance sustainability matters.

We therefore agree with the IAASB's assessment that the nature/scope of sustainability assurance engagements—and who is charged with oversight—is still evolving and that prescriptive measures are not required at this time, but we encourage the IAASB to prioritize this issue in its future sustainability-related work.

This said, one specific area where an anomaly could be addressed in ED-5000 relates to the requirement outlined in paragraph 157(b) which refers to a need to report to TCWG if management refuses to correct a material misstatement to 'other information.' Paragraph 62 refers to significant matters being reported to TCWG, but it may be useful to explicitly clarify that material issues with matters subject to assurance (in addition to 'other information') also need to be reported to TCWG. In the absence of this, it may give the impression that 'other information' issues are more important to communicate to TCWG.

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

We would like to seek clarification as to whether the IAASB will produce the similar standard of ISA 260 (Revised).

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

Response: Yes. As with all material and important matters, there should be timely and effective communication with management, those charged with governance, and others, so that these issues can be addressed appropriately.

Although the IAASB decided not to prescribe a list of matters, so as not to limit the issues to be considered, the examples in paragraphs A137 to A140 of the exposure draft provide a good template of potential issues to be considered and addressed.

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

Yes, we support the high-level requirement in paragraph 62 of ED-5000.

However, the approach taken by the IAASB with regards to uncorrected misstatements in other information is not aligned with this high-level requirement. According to paragraph 157(b) of the ED, if management refuses to correct a misstatement in other information upon practitioner's request, the practitioner shall communicate the matter to those charged with governance and request that the correction be made. This requirement gives the wrong impression that identified misstatements in other information are more significant than the ones in sustainability information subject to assurance. We suggest that the content in paragraph 157(b) should be moved to paragraph A137 as another example of significant matters that may be appropriate to communicate with those charged with governance.

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

We support the proposal on communication with TCWG, etc.

However, as stated in our response (7) to Question 1, in cases where the auditor of the financial statements and the assurance practitioner of the sustainability information are different, additional requirements should be included in the standards to ensure the connectivity between the financial statements and the sustainability information, such as confirmation of recognition in communications with the TCWG, etc. Therefore, the guidance should be enhanced by providing examples of matters to be communicated.

As stated in paragraph 112 of the EM, in order to enhance the assurance procedures without omitting any necessary considerations while taking into account the differences in laws and regulations on governance in each jurisdiction, examples of matters to be communicated in general, not limited to the connectivity

between financial and sustainability information, should be provided, including the entity's governance structure and materiality process, which are critical matters for users.

## 11. Academics

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

We support communication with management and those charged with governance and suggest that this requirement should be strengthened.

The requirement in Para 62 of the ED is not strong. We suggest that rather than the practitioner determining whether any significant matters have come to the attention of the practitioner to be communicated with management, those charged with governance or others, that there ought to be a requirement to communicate with management and those charged with governance.

Sustainability information is important to various types of stakeholders including interests groups and not for profit organizations. The research suggests that there is an expectation gap between these stakeholders and assurance providers. Therefore, there is a need for the assurance services profession to consider mechanisms to enhance the effectiveness of communicating the assurance function in this setting in order to enhance the credibility and social value of emissions assurance.

reen and Taylor (2013) investigated the factors influencing perceptions of GHG assurer quality. They find that communication with the board and the senior management team are important factors in determining the perception of the quality of assurance, although they are ranked lower than that of competence and ethical factors. One interesting aspect of communication between the assurance team leader and the client is that assurers believe that it is more important to communicate with the board of directors while the preparers believe that it is more important to communicate with senior executives that are responsible for GHG emissions disclosures. These authors, however, suggest that the assurers, users and prepares emphasize lesser importance on communication with board (and senior management) is lower due to the voluntary nature of assurance services. Therefore, it is important to regulate communication between assurance provider and the preparer's Board to enhance the reliability and independence of the assurance reports.

García-Sánchez et al. (2022) argue that institutional investors exert an influence in appointing sustainability assurance providers through their presence on the boards. Therefore, it is important that sustainability assurance providers communicate with those charged with governance, usually the board of directors, as this would validate the assurance reports' reliability in the eyes of institutional investors.

Furthermore, external assurance can lead to internal learning processes and cultural changes with regard to sustainability (O'Dwyer et al., 2011) and can be incorporated in the decision-making process (Channuntapipat 2020; Farooq and de Villiers 2020). Therefore should be communicated to the managers so that they can adopt the changes in the future.

Published research also provides evidence on instances where level and content of communication with the management in terms of assurance topics, process and depth is a concern. For example, research implies that there should be caution regarding managerial capture, where managers take control of assurance process and depth (Boiral et al., 2019; Hummel et al. 2019; Owen et al. 2000; Smith et al. 2011) and use this information primarily to provide information to enhance corporate image rather than signalling sustainability materials to the stakeholders.



## 12. Individuals and Others

### International Accreditation Forum (IAF)

In principle the requirement is supported but what is stated could be strengthened. Whereas it is a legal requirement in many jurisdictions for auditors to engage directly with a company's board in finalising their audit often the same practices are not observed when it comes to assurance over sustainability information. IAF recommends IAASB to require practitioners to engage members of the governance body and do not rely uniquely rely on their conversations with management.

### Japan Accreditation Board (JAB)

It is necessary to consider the alternative mechanism to conduct with the competent officer in charge of sustainability information to work together with corporate auditor as the TCWG.

### We Mean Business Coalition

The assurer must provide the preparer's board with a long-form report – especially when the assurance is at a reasonable level – and this could easily include the significant matters mentioned in ED A137-A140. This is also needed to ensure the internal control setup is continuously maintained and developed.

Based on the current phrasing, one might think that a long-form is not necessarily needed if there are no significant matters to report. But either way, a long-form report is always needed.

## 20.3 Neither agree or disagree

### 5. National Auditing Standard Setters

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

The AUASB recognises that given the qualitative and subjective nature of many sustainability disclosures, regular and high-quality engagement between directors and assurance practitioners will be crucial to quality sustainability assurance. Paragraph A137 covers 'what' is communicated to management and those charged with governance. The AUASB suggests that guidance is included within the final standard on how management or those charged with governance and assurance practitioners should communicate. Additionally, the final standard should require for timely communication throughout the engagement.

### 6. Global Standard Setter

#### Social Value International

The high-level requirement is fully supported but what is stated could be strengthened. Whereas it is a legal requirement in many jurisdictions for auditors to engage directly with a company's board in finalising their audit often the same practices are not observed when it comes to assurance over sustainability information. Here the IAASB could send a clear message that practitioners should be engaged with those charged with governance and not rely solely on their conversations with management. In particular, we would suggest that the public interest objective highlighted in paragraph A140 applies to all entities regardless of whether they are governmental or not.



## 12. Individuals and Others

### Capitals Coalition

The high-level requirement is fully supported but what is stated could be strengthened. Whereas it is a legal requirement in many jurisdictions for auditors to engage directly with a company's board in finalising their audit often the same practices are not observed when it comes to assurance over sustainability information. Here the IAASB could send a clear message that practitioners should be engaged with those charged with governance and not rely solely on their conversations with management. In particular, we would suggest that the public interest objective highlighted in paragraph A140 applies to all entities regardless of whether they are governmental or not.

## 20.4 Disagree with comments

### 4. Regulators and Audit Oversight Authorities

#### Canadian Public Accountability Board

Reporting to those charged with governance

Given the range of assurance practitioners who will be using this standard, it is important that there be clear requirements on reporting to those charged with governance. There are opportunities within the proposed standard to clarify this, specifically by including paragraphs A137 (focused on examples of significant matters that may be appropriate to communicate with management, those charged with governance, and others) and A138 (focused on examples of significant matters discussed, or subject to correspondence with management) as requirements, and other relevant requirements of ISA 260, Communication with Those Charged with Governance and ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management. For example, there should be a requirement that corrected and uncorrected misstatements and significant deficiencies in internal controls identified by the auditors are communicated to those charged with governance.

The communication of corrected misstatements (in addition to uncorrected misstatements) to those charged with governance would provide important insight into the auditor's evaluation whether internal control deficiencies identified aggregated to a material weakness. We acknowledge financial statement auditors are not currently required to communicate corrected misstatements in accordance with ISA 260, Communication with Those Charged with Governance, transparency around the nature and extent of misstatements that were corrected by management is an area where ISA 260 is currently lacking.

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

The requirements in paragraph 62 of ED5000 are too high level. In particular (for a reasonable assurance engagement) the practitioner should be required to communicate significant findings to those charged with governance, consistent with the requirements of ISA 260.

Additionally, the items listed in paragraph A137 as matters that it may be appropriate to communicate with those charged with governance should be moved to the requirements section.

## 5. National Auditing Standard Setters

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

We support the high-level requirement in paragraph 62 of ED-5000 regarding communication with management, those charged with governance (TCWG) and others. However, in considering the requirements related to communications in ED-5000, we noted some concerns.

Concern: Communication with Management, Those Charged with Governance and Others

We agree that for an overarching standard, the requirement in paragraph 62 and application material in A137-A140 is appropriate; however, there are other 'matters that it may be appropriate to communicate' that would be beneficial to add to the application material to paragraph 62 from ISA 260. Including these matters, as appropriate in ED-5000, would create consistent expectations for communications between practitioners and management, those charged with governance, and others, regardless of whether it is a financial statement audit or a sustainability assurance engagement.

Suggest:

Add additional matters that it may be appropriate to communicate from ISA 260 to ED-5000. Consider adding the following aspects of ISA 260.A14-A25 to the application material in A137-A140, contextualized for a sustainability assurance engagement:

Planning matters related to the using the internal audit function.

Significant communications between the entity and regulators.

The documents comprising the other information.

The attitudes, awareness, and actions of TCWG concerning internal control, the detection and possibility of fraud, and the response to developments in sustainability reporting criteria/frameworks, corporate governance practices, exchange listing rules, and related matters.

Add application material on establishing the communication process between the practitioner and management, those charged with governance, and others, to help establish the basis for effective two-way communication. To that end, include aspects of ISA 260.A37-A38 in the application material in A137-AA140 of the proposed standard, contextualized for a sustainability assurance engagement.

Concern: Communications between the practitioner and financial statement auditor

If the financial statement auditor is considered an 'other practitioner' within the sustainability assurance engagement, we believe paragraph 52-53 and A122-A123 provide sufficient guidance on those communications.

However, if the financial statement auditor is not considered an 'other practitioner' within the sustainability assurance engagement, we believe the requirements in ED-5000 are not sufficient.

Connectivity and enhanced transparency between the financial statement auditor and the sustainability assurance practitioner is important given there is likely to be relevant matters that may impact their respective engagements.

Communication between them will support the practitioner's understanding of engagement circumstances and risks and how they may affect their engagements.

Suggest:

Add a requirement after paragraph 62

“Communication with the auditor of the historical financial statements (header) – In circumstances where the financial statement auditor is not considered an ‘other practitioner’ in the sustainability assurance engagement, the practitioner shall consider, subject to the terms of the engagement, legal and regulatory limitations, and confidentiality considerations, communicating with the financial statement auditor to understand any significant matters that may impact the sustainability assurance engagement”.

Add application material to this new requirement as follows:

Provide examples of significant matters that may be communicated, based on paragraph A122.

Explain how to overcome restrictions on access by the practitioner to the financial statement auditor, based on ISA 600.A40: “In some circumstances, the practitioner may be able to overcome restrictions on access to the financial statement auditor, by requesting management or those charged with governance to assist in:

removing the restriction; or

obtaining the information directly from the financial statement auditor.”

Consider whether a similar requirement is necessary in circumstances where there are two sustainability practitioners, but they would not consider each other to be an “other practitioner”. For example, when the entity has engaged more than one firm to issue separate reports on different disclosures.

Concern: Written Representations from Management and Those Charged with Governance

We questioned whether the language of ‘clearly trivial’ in paragraph 148(e) is appropriate. The term ‘clearly trivial’ is used in ISAE 3410.58(e); however, it is defined in ISA 450.A2 as in relation to misstatements (qualitative or quantitative), rather than deficiencies in controls.

Suggest:

Review paragraph 148(e) and consider language used in ISA 265.10 instead:

“...that they have communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial significant deficiencies, or that are of sufficient importance to merit the practitioner’s attention, of which they are aware”.

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

We do not agree with the proposal in ED-5000 because requirements in paragraph 62 and related application materials are not sufficient for certain situations. We understand that ED-5000 is an overarching principles-based standard; however, in the cases where ED-5000 is applied for an assurance engagement mandated by a jurisdiction, additional communication should be warranted, given the requirements for financial statement audits under ISA 260 (Revised), Communication with those charged with governance.

For example, communications required by ISA 260 (Revised) but not required by ED-5000 include communication on the practitioner’s responsibilities in relation to the sustainability information assurance, planned scope and timing of the assurance, and practitioner’s independence. We think these could be added to ED-5000 as conditional requirements to assurance engagements of listed entities or other engagements whenever deemed necessary.

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

The NBA suggests that the communication requirements with management and those charged with governance should be more consistent with the communication requirements in ISAs 260 and 265. In addition, the NBA is worried about the lack of emphasis on the importance of adequate two-way communication between the practitioner and the entity, and urges IAASB to address two-communication more explicitly in the Standard.

## **7. Accounting Firms**

### **Grant Thornton International**

We believe the requirement in ED-5000 regarding communication with management, those charged with governance and others and the related application material is too high-level which may result in inconsistencies in practice, particularly given the standard is expected to be used by both professional accountant and non-accountant practitioners.

### **UHY International**

ED-5000 ignores communication with the supervisory board / audit committee. We believe the IAASB should require certain communications to those charged with governance, similar to the requirements for financial statement assurance engagements.

## **9. Public Sector Organizations**

### **Office of the Auditor General of Alberta**

We suggest more material from ISA 260 and ISA 265 be included. A specific requirement should be added for the practitioner to communicate with management and those charged with governance regarding their views on what sustainability is, what they view their most important negative impacts are, and what actions are needed to mitigate those negative impacts.