

Sustainability Assurance – Respondents’ Detailed Comments to EM Question 16

Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

16.2 Agree with comments**1. Monitoring Group****International Forum of Independent Audit Regulators (IFIAR)****Estimates and Forward-Looking Information**

The IAASB acknowledges the importance of estimates and forward-looking information in its explanatory memorandum. Whilst we appreciate the topic being addressed further in a separate topic-specific ISSA in the future we are of the view, that ED-ISSA 5000 should provide detailed provisions for the practitioner. The current requirements (paragraphs 134L and 134R) and the related application material (A390 to A392) should be clarified and expanded. Stronger emphasis in the standard on the nature of estimates and forward-looking information in the context of sustainability reporting as well as in the context of assurance on sustainability information is necessary for a common understanding by all practitioners. This includes deliberation by the IAASB as to whether sustainability information is likely to be more susceptible to uncertainty than financial information and if so include specific provisions addressing the issue.

Whilst ED-ISSA 5000 discusses potential management bias in relation to estimates and forward-looking information in the “Evaluating the Evidence Obtained” section, it is not mentioned in the “Estimates and Forward-Looking Information” part of the requirements. We recommend integrating further provisions to foster the practitioner’s attention and professional scepticism to this potential bias when assessing the estimates.

International Organization of Securities Commissions (IOSCO)**4. Assurance of forward-looking sustainability-related information**

IOSCO has previously noted that, relative to financial reporting, sustainability-related reporting typically involves a more extensive narrative component, longer time horizons for forward-looking information and more reliance on value chain information. We support the approach taken in the Proposed ISSA 5000 to address estimates and forward-looking information in the same section of the standard.

We emphasize the importance of clarity of requirements in this area, noting that forward-looking sustainability-related information often involves significant complexities, including estimation uncertainty and the use of judgement. We therefore encourage further clarity and specificity of requirements to support consistent application by practitioners.

2. Preparer and Users of sustainability information**Corporate Reporting User’s Forum (CRUF)**

Yes, we agree with the ED-5000 approach in general but we would like to point out the following as additional considerations;

Estimates and forward-looking information are often provided in graphs and charts, processed from data. Although Section 134 provides additional procedures for estimates and forward-looking information under limited assurance, we think the assurance practitioner should consider the appropriateness of the methodology, assumptions and data selection, as well as the appropriateness of the presentation of the processed data.

In order for users to understand the characteristics and limitations of the data, it is necessary for them to know the creation data date, the measurement method, the facts assumed, the estimation process, etc. This information should be accompanied with a clear reminder that states future information is not guaranteed. The assurance practitioner should consider if these are disclosed appropriately, because they are material to users in nature.

Keidanren (Japan Business Federation)

Estimates and forward-looking information relating to sustainability disclosure often involve long-term projections that are subject to greater uncertainty than is the case for financial information, and the forward-looking information currently disclosed in practice often comprises targets. We are concerned that requiring excessively rigid assurance could mean that the incentive to disclose forward-looking information on sustainability would be lost.

As the process of establishing a system for sustainability-related disclosure proceeds, the bodies that set disclosure and assurance standards need to bear in mind the distinction between objective forward-looking information and entities' target-related information as they develop their standards. Depending on whether the information required by disclosure standards is objective forward-looking information or entities' target-related information, the disclosure outcomes will differ, and this will influence the investment decision-making of information users. Moreover, the appropriate approach for the assurance standards will differ accordingly.

The fact that sustainability information differs fundamentally from financial information limits the extent to which it is possible to require the same level of disclosure and assurance as for financial information. Sustainability information often involves longer-term projections than is the case for financial information, and the discrepancies between estimates and actual results therefore tend to be larger. These differences in characteristics should be mentioned in paragraphs A390, A391, and elsewhere, and the differences compared with the International Standard on Auditing (ISA 540) should be clearly stated.

MFIs' Internal Audit ESG Working Group

Yet, it remains unclear how materiality is determined.

It'll be helpful to provide illustrative examples or case studies that demonstrate how we can apply these concepts in the context of sustainable reporting assurance engagements.

Singapore Exchange (SGX Group)

As climate science continues to evolve, the IAASB may wish to consider providing further guidance on how stakeholders can evaluate the appropriateness of the estimates and forward-looking information prepared by management.

4. Regulators and Audit Oversight Authorities

Accounting and Corporate Regulatory Authority

Assessing whether the method is appropriately selected and applied can be difficult, particularly for climate change, where multiple measurement frameworks are available. Further guidance is needed on how to evaluate the appropriateness of estimates and forward-looking information.

Recognising the potential synergy between the assurance process on net zero targets and the validation process under, say, the Science-Based Targets initiative (SBTi), we propose a collaboration between IAASB and organizations like CDP (Carbon Disclosure Panel). Such collaboration could lead to the development of guidance and, where possible, streamlining procedures, to enhance consistency and improve productivity in validation/audit processes.

European Securities and Markets Authority (ESMA)

Estimates and forward-looking information (Q16)

Estimates and forward-looking information are considered as some of the most complex areas when performing financial audits. In sustainability reporting, the prominence of estimates and forward-looking information will be heightened due to the obligation to report, among others, on expected impacts, risks, opportunities, future plans and targets. This will involve significantly more complexities and use of judgement in the assurance engagements.

To promote consistency of practices and high-quality assurance engagements, ESMA considers that ED-5000 should be enhanced by strengthening the requirements in this area and providing more guidance on the expectations regarding what procedures practitioners should perform. To achieve this objective, ED-5000 could incorporate some key requirements from ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures into its requirements and provide more guidance in its application material.

Irish Auditing and Accounting Supervisory Authority (IAASA)

We agree that estimates and forward-looking information could be addressed further in a separate topic-specific ISSA. In the meantime, the current requirements (paragraph 134) and related application material (A390 to A392) should be clarified and expanded to include stronger emphasis on the nature of estimates and forward-looking information in the context of sustainability reporting and assurance.

Whilst potential management bias in relation to estimates and forward-looking information is included in the "Evaluating the Evidence Obtained" section, it should also be highlighted in the "Estimates and Forward-Looking Information" requirements, including additional provisions regarding the importance of professional skepticism when assessing estimates and forward looking information.

5. National Auditing Standard Setters

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

Regarding "forward-looking information",

there are important developments in EER guidance (where they are called "future oriented information"). We do not believe that these developments need to be added to ISSA 5000 due to the overarching nature of

this standard, but we believe, as mentioned in question 1 above, that it is important that EER guidance be updated as soon as possible and aligned with ISSA 5000;

we believe that a specific ISSA standard on forward looking information could be developed at a later stage.

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

It may also be useful to note that depending on how the criteria/framework is written, the practitioner’s work on forward looking information may be directed towards obtaining evidence whether the process /assumptions for developing such information have been applied, as opposed to whether the forward-looking information itself is correct in absolute terms; in that respect, it may be different from the work effort on estimates.

Hong Kong Institute of Certified Public Accountants

It is noted that ED-5000.146(a) requires the practitioner to perform procedures to identify events occurring up to the date of the assurance report that may have an effect on the sustainability information and the assurance report. In the Estimates and Forward–Looking Information section in ED-5000, we recommend that the IAASB cross-reference to ED-5000.146(a) to remind practitioners to follow the subsequent event review procedures for estimates and forward-looking information.

Japanese Institute of Certified Public Accountants (JICPA)

We are supportive of the proposed approach related to estimates and forward-looking information in ED-5000 with two comments below.

With respect to paragraph 134L (a)(ii) in ED-5000 for limited assurance engagements, it seems to require more than what is required for reasonable assurance engagements in paragraph 134R (a)(i) by requiring the practitioner to evaluate whether the method for developing estimates or forward-looking information itself is appropriate; whereas paragraph 134R (a)(i) requires the practitioner to evaluate whether the method has been appropriately selected and applied by management. If the IAASB does not intend to require something more extensive for the limited assurance engagement, the requirements in paragraph 134L (a) should be reconsidered to make them clearly less than what is required in paragraph 134R (a) so that the differentiation in requirements between limited assurance and reasonable assurance is clearer.

We understand that paragraph 134L requires evaluation of the methods for developing estimates or forward-looking information in accordance with paragraph 134L(a) and assumptions or data are evaluated as part of “other procedures” if deemed necessary in accordance with paragraph 134L(b). To further clarify what constitutes “other procedures,” we think it is useful to add a reference to reasonable assurance requirements in application material to 134L in a way similar to paragraph A104 of ISAE 3410.

Suggested additional sentence in application materials to ED-5000:

Application material to 134L. In some limited assurance engagements, it may be appropriate for the practitioner to undertake one or more of the procedures identified in paragraph 134R.

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

In principle, yes. However, forward-looking information which by nature, is subject to high inherent uncertainty and involves the use of hypothetical assumptions which are speculative in nature. As such, for a limited assurance engagement, it would be helpful for ED-5000 to provide application guidance on examples of circumstances which require the practitioner to consider other procedures to examine the reasonableness of such assumptions used.

Furthermore, IAASB may want to consider addressing estimates and forward-looking information in a separate topic-specific ISSA in near future for consistent application across all sustainability assurance engagements.

New Zealand Auditing and Assurance Standards Board

The requirements regarding work required to be performed on estimates and forward-looking information are helpful. The NZAuASB also supports examples relating to forward-looking information in various parts of ED-5000.

However, we believe that the assurance report requirements do not capture the nature of all types of forward-looking information, especially projections. Projections are prepared on the basis of hypothetical assumptions about future events which are not necessarily expected to take place. An example of a projection is a scenario analysis. We recommend that the IAASB re-examine the required assurance reporting to enable wording similar to the assurance conclusion required in ISAE 3400 the Examination of Prospective Financial information, with a focus on a conclusion over the reasonableness of underlying assumptions and appropriate caveats (that actual results may differ, and variation may be material) to avoid exacerbating an expectation gap. We believe that alternative wording in the assurance conclusions will be a helpful communication tool to the user, particularly to cover the hypothetical scenarios.

Alternatively, we encourage the IAASB not to prescribe the expression of the conclusion as articulated in paragraph 170c(vi) to enable more flexibility and encourage the practitioner to consider how best to convey the level of assurance that can be provided.

We note that the ISO framework considers future and forward-looking information within its assurance conclusion for ISO 14064-3 (International Organization for Standardization (ISO) 14064-3: 2019 Greenhouse gases – Specification with guidance for the verification and validation of greenhouse gas statements). The ISO does not permit reasonable assurance to be provided over forecasted or validated emissions. Limited and reasonable assurance can be either subject to verification for historical emissions or a mixture of verification and validation for a combination of historical and future emissions. Any greenhouse gas emissions that are included in the measurement but are emitted into the atmosphere in a subsequent period, must be validated rather than verified.

We recommend that a topic specific ISSA on scenario analysis would be useful.

Public Accountants and Auditors Board Zimbabwe (PAAB)

Challenge of management and experts, together with a rigorous understanding of the subject matter/s will have to be bought to the fore in all engagements. Also audit techniques like corroboration, confirmation, inspection, observation may have to be strenuously applied since it is inherently more challenging to provide assurance on estimates and forward-looking matters.

7. Accounting Firms

Ataf Noor Ali Chartered Accountants

16.1 Yes.

16.2 A future event, occurrence or action relating to sustainability matters may be subject to the greater uncertainty.

16.3 The methods, assumptions and data are the main focus.

16.4 we understand that estimation uncertainty, management's judgement, weak evidence relative to historical information are the three features of estimates and forward information.

BDO International Limited

We agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information, with the following comments:

Paragraph 134L requires the practitioner to only evaluate criteria, methods and changes in limited assurance engagements. We believe that consideration of assumptions and data used should be made mandatory and suggest including this as a requirement.

In ED-5000, paragraphs 134 and 135 state that for limited assurance engagements, the practitioner shall consider whether other procedures are necessary in the circumstances; however, there is no such requirement for reasonable assurance engagements. This may imply that for reasonable assurance engagements, the practitioners do not need to consider whether any other procedures are necessary. We suggest adding this consideration for reasonable assurance engagements.

Due to the uncertainty associated with forward-looking information that could possibly extend to many years in the future, we feel that it may not be possible to provide reasonable assurance on this information. We suggest that it be explicitly stated in the standard what is achievable with respect to forward-looking information, including the differences between limited and reasonable assurance. Further, we suggest adding guidance related to testing forward-looking information, including assumptions, projections and forecasts.

Ernst & Young Global Limited

Generally, we agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information. However, we suggest the following revisions to the standard:

As mentioned in our response to Q7, we believe that the requirement in 134L(a)(i) of ED-5000 should also be included in paragraph 134R (to evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information).

We believe the application of paragraph 134R of ED-5000 could be very challenging for practitioners as it will involve evaluation of various scenarios. Additional guidance is needed related to procedures and testing of estimates and forward-looking information. We recommend that relevant guidance from the Chapter 11: Addressing Future-Oriented EER Information of the EER guidance is included in ED-5000. We also recommend aligning the vocabulary used in the EER guidance with the vocabulary used in ED-5000 ("forward-looking" vs "future-oriented information").

Since the estimates and forward-looking information will be based on forecasts, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a

statement on the procedures performed by the practitioner on forward-looking information. This could be done by adding, when relevant, an additional paragraph in the “practitioner’s responsibility” section. ED-5000 could also encourage the practitioner to include “additional information” in the assurance report on forward-looking information (as suggested in paragraph A490 (a)) or an emphasis of matter paragraph (reference to forward-looking information may be added to paragraph A499).

ETY sas

We welcome detailed guidance in the standard on generally acceptable methods, assumptions, data, and the evaluation of any significant deviations/misstatements on the practitioner's report.

MHA

Assurance over estimates and forward-looking information is particularly challenging for sustainability-related engagements, given relevant disclosures under sustainability reporting frameworks have not yet reached maturity. We welcome the implicit application of ISA 540 (Revised) paragraph 18(b) in ISSA 5000, concerning the testing of how management made an accounting estimate, to sustainability estimates and forward-looking information.

While professional accountant assurance practitioners understand and are competent in the application of ISA 540 (Revised) to sustainability estimates and forward-looking information, we are concerned that non-accountant assurance practitioners will not adequately comprehend or implement these requirements. Given the IAASB’s ambition for a profession-agnostic standard, we strongly encourage the IAASB to develop further guidance to explain the application and its expectations of ISA 540 (Revised) paragraphs 18(b), and 22 to 27, to sustainability assurance engagements.

We are further concerned that paragraph 134L of ED-5000 only requires assurance practitioners to evaluate criteria, methods and changes to estimates and forward-looking information, without considering the assumptions applied and source data used. We do not believe this is sufficient, and, as drafted, ED-5000 would require less rigour in this regard than we currently apply to sustainability assurance engagements under ISAE 3000 and ISAE 3410.

Mo Chartered Accountants (Zimbabwe)

Detailed comments (if any): Challenge of management and experts, together with a rigorous understanding of the subject matter/s will have to be bought to the fore in all engagements. Also audit techniques like corroboration, confirmation, inspection, observation may have to be strenuously applied since it is inherently more challenging to provide assurance on estimates and forward-looking matters.

PricewaterhouseCoopers International Limited

We agree that estimates and forward-looking disclosures (that have been assessed as capable of assurance such that the preconditions for assurance have been met – see our response to question 10) share some similar characteristics. Both will involve an approach (method) adopted by management in their measurement/preparation, a range of assumptions, and, to varying degrees, underlying data.

The establishment of estimates may be subject to more established criteria and/or measurement methods e.g., the applicable reporting framework may establish how such estimates are to be measured or evaluated. Forward-looking disclosures, by contrast, may be more subject to entity-developed criteria or approaches. Assumptions for forward-looking disclosures may be best-estimate or hypothetical, as noted in the explanatory memorandum, and often may involve using assumptions from third-party information that are beyond the control of the reporting entity.

Consequently, while we do not disagree conceptually with the proposed approach that combines the requirements for estimates and forward-looking information, we believe further application guidance is needed to explain relevant considerations for the practitioner as to the nature and extent of evidence that may be typical/appropriate for forward-looking disclosures. We also believe that the standard needs to address what the nature of assurance over such disclosures is in practice. For example, the evidence obtained may support assurance that the disclosure has been developed using a “reasonable” process in accordance with the applicable criteria. A practitioner is not able to assure that the outcome described in such hypothetical or aspirational disclosures will be achieved.

Related, we note that under certain current reporting standards and frameworks (e.g., TCFD), scenario analysis needs to be only ‘plausible’, rather than ‘reasonable’. Plausible appears to be a lower bar. It is unclear how an assurance practitioner should address plausibility when addressing the threshold of “appropriateness” as used in paragraphs 134L and 134R when designing and performing further audit procedures on forward-looking disclosures.

Given the matters described in the preceding paragraphs, we believe the application material with respect to measurement or evaluation uncertainty in paragraphs A421-A422, could be enhanced to include further guidance with respect to the adequacy of management’s disclosures about significant judgements, assumptions and other information relevant to the basis on which forward-looking disclosures (and estimates) have been made. For example, paragraph A110 of ISA 540 (Revised) includes helpful guidance relating to whether related disclosures appropriately describe the amount as an estimate and explain the nature and limitations of the estimation process, including the variability of the reasonably possible measurement outcomes. Paragraph A112 also includes helpful considerations. Similar guidance could be provided in the context of forward-looking disclosures.

For highly complex estimates and forward-looking disclosures that involve third-party data provided by external management’s experts, we also note that the challenges described in our response to question 15 on access to proprietary models is likely to result in limitations on scope on the practitioner’s ability to evaluate the appropriateness of the method, assumptions and data used.

Furthermore, the omission of any application material supporting requirement 134R(b) is problematic. Development of a point estimate or range for forward-looking disclosures is theoretically complex. Practitioners will need guidance on how this might be approached, relevant factors to consider for when this might be an acceptable approach, and how to evaluate a range. We recommend the Board consider what guidance from ISA 540 (Revised) may be repurposed to provide direction. In addition, the Board may consider the development of more detailed implementation support material around common types of estimates and forward-looking disclosures and how a practitioner might approach obtaining sufficient appropriate evidence.

With respect to paragraph 134L, we recommend the option to “obtain evidence from events occurring up to the date of the practitioner’s report” (as included in paragraph 134R(c)), be included. Excluding this option, even if not used widely, is an unnecessary omission.

RSM International

We encourage the IAASB to address estimates and forward-looking information further in a separate topic-specific ISSA to clarify the procedures to be performed and align it more closely with ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, and provide further clarification and possible examples regarding auditing forward-looking information. For example, the nature and availability of evidence for forward-looking sustainability information may vary for various topics and disclosures.

Accordingly, the practitioner would exercise professional judgment in what may constitute sufficient appropriate evidence for the various disclosures, and we believe it would be helpful to clarify what may constitute sufficient appropriate evidence in these circumstances.

We believe there could be a varied approach in relation to the expected timeframe taken into account in terms of the assumptions and data used in determining the forward-looking information. We suggest that the IAASB add application material to paragraphs 134R(a) and 134L(a) to include directing the practitioner to evaluate whether the timeframe used by the entity in calculating the forward-looking information is appropriate and in accordance with the sustainability reporting framework.

Paragraph A391 states, 'A future event, occurrence or action relating to the sustainability matters may be subject to greater uncertainty, and therefore ordinarily able to be evaluated with less precision than historical underlying subject matter(s).' We believe it would be helpful to clarify what was meant by 'precision' and to provide related examples to promote more consistent application.

8. Assurance Practitioner or Firm - Other Profession

SGS

ED-5000 134L-135R listed the detailed approach to the requirement of Estimates and Forward-looking information. However, Para.97 mentioned "The IAASB also noted that estimates and forward-looking information could be addressed further in a separate topic-specific ISSA in the future." We would urge this document to be published with ED-5000.

9. Public Sector Organizations

Office of the Auditor General (New Zealand)

The approach of dealing with estimates and forward looking information in the same way is appropriate.

The requirements in paragraph L134 do not seem to provide adequate evidence because the practitioner is not assessing the assumptions and data used. Sub-paragraph (b) should more explicitly state what other procedures would be necessary.

The requirement in R134(c) does not seem like a valid option on its own for testing an estimate or forward looking information. Matters occurring up to the date of the practitioner's report should be a general requirement for limited and reasonable assurance engagements (i.e., not a specific requirement for testing estimates and forward looking information). In terms of testing the appropriateness of assumptions, the practitioner should also think about whether the estimate is based on the best available information at the time of making the estimate and what supporting information there is. Efficiencies and more persuasive evidence could be obtained when appropriate controls are tested in combination with one or more of the approaches available to the practitioner. This link should be drawn to the requirements and guidance of ED-5000 related to internal controls.

10. Member Bodies and Other Professional Organizations

Belgian Institute of Registered Auditors

In a limited assurance engagement we would expect, to enable the practitioner to evaluate whether changes in reported estimates or forward-looking information are appropriate in the circumstances, that this should be performed by assessing the disclosures included in the sustainability report. This is currently missing in the exposure draft.

Next, it would be welcome to provide more guidance as to “consider whether additional procedures are necessary in the circumstances” by means of providing examples.

The level of assurance /type of assurance to give on forward looking-information (on the process or the outcome?) should be clarified and more guidance should be provided (eg. Assurance over the outcome of forward looking information versus assurance on the process how forward looking information has been developed).

Given the various types of practitioners and to avoid various interpretation, more guidance should be provided on the tasks to be executed regarding estimates in a reasonable assurance vs limited assurance.

Chamber of Financial Auditors of Romania (CAFR)

We agree with the decision to integrate the treatment of estimates and forward-looking information within the "Responding to Risks of Material Misstatement" section (paragraphs 134L-135R) of ED-5000. It is necessary for management to appropriately apply applicable criteria when developing such information, including selecting suitable methods, assumptions, and data.

We suggest that separate considerations for estimates and forward-looking information might be more relevant, given the potential differences in the considerations applicable to each category and therefore, we believe more guidance material is needed in these areas.

Colegio de Contadores Públicos de Costa Rica

We consider the need to create a specific standard for estimates and prospective information (forward looking) as indicated in the standard. As it is written it may lead to different practices between practitioners.

Consejo General de Economistas de España

While we agree with the approach, we believe practitioners will need additional guidance.

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

ED 5000 describes the nature of forward-looking information, however when illustrating the process that the firm must put in place to analyze both estimates and forward-looking information, it does not provide differentiated procedures for either estimates or forward-looking information. The standard states it has referred to ISA 540, which, by the way, is mainly focused on the estimates. In this standard, it would then be necessary to expand on the issue of forward-looking information.

CPA Australia

We observe that the approach to the requirements in ED-5000 related to estimates and forward-looking information is very similar to ISAE 3410, that is to address estimates and forward-looking information together, in “Responding to Risks of Material Misstatement”. We note ED-5000 does not address this in detail and this is acknowledged in the EM.

We support the IAASB in developing a separate topic-specific ISSA in the future to address estimates and forward-looking information in a more comprehensive manner. In addition to the ISA 540 (Revised), we also recommend the IAASB draw on the Australian Auditing and Assurance Standards Board's existing material on ASRE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information (ASRE 3450) when developing the separate ISSA for this topic. ASRE 3450 deals with assurance of forward-looking information and may be a useful point of reference on this topic.

While a separate ISSA is being developed, we also recommend the IAASB develop guidance material on this topic, especially to address the more challenging aspects of forward-looking information that often involves a higher degree of speculation and a longer timeframe. For example, it would be beneficial if guidance was developed on what supplementary procedures may be appropriate in evaluating:

the entity's projections or future plans which are prepared based on hypothetical assumptions

a mixture of best-estimate assumptions and hypothetical assumptions on a "what-if" scenario that may or may not take place in the future date.

CPA Ireland

Whilst there are procedures noted for both limited assurance and reasonable assurance, greater clarity is required in designing procedures for the same. Limited assurance requires evaluations of appropriateness of applicable criteria relevant to estimates of forward-looking information whereas reasonable assurance requires testing of these, it is CPA Ireland's view that one would have to test the said information in order to evaluate its appropriateness as such these are not sufficiently distinct and as such contradictory to the level of assurance to be provided.

European Federation of Accountants and Auditors for SMEs (EFEAA)

While we agree with the approach, we believe the guidance for estimates and forward-looking information could be improved by being more clearly described—considering separately what would be relevant for estimates and forward-looking information as we believe there may be different considerations relevant for each.

EXPERTsuisse

Performing assurance procedures on forward-looking information

Due to the uncertainty associated with forward-looking information that could possibly extend to many years in the future, we feel that it may not be possible to provide reasonable assurance on this information. We suggest that it be explicitly stated in the standard what is achievable with respect to forward-looking information, including the differences between limited and reasonable assurance. Further, we suggest adding guidance related to testing forward looking information, including assumptions, projections and forecasts. For Switzerland this is especially relevant regarding the Swiss legal requirements as starting 2024 companies subject to mandatory reporting will have to report climate-related disclosures based on the TCFD-framework.

Institut Akuntan Publik Indonesia

The current draft represents a reasonable starting position with respect to . given the challenges and forward-looking information, nature of evidence that deemed sufficient and appropriate.

Institute of Chartered Accountants of Sri Lanka

We believe the application of paragraph 134R of ED-5000 could be very challenging for practitioners as it will involve evaluation of various scenarios. Additional guidance is needed related to procedures and testing of estimates and forward-looking information.

Since the estimates and forward-looking information will be based on forecasts, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information. ED-5000 could also encourage the practitioner to include “additional information” in the assurance report on forward-looking information (as suggested in Paragraph A490 (a)) or an emphasis of matter paragraph (reference to forward-looking information may be added to Paragraph A499).

We welcome the introduction of material from ISA 540R in respect of estimates, which we consider will be beneficial to practitioners in addressing this area. However, we note that the material included is high-level, with a number of requirements of ISA 540R addressed within the application material of ED-5000, and much of the application material from ISA 540R, which provides greater context and helpful considerations, is not included at all. As a result, whilst we consider that this approach is appropriate to a principles-based, foundational standard, we recommend that the IAASB address this area as a priority on issuance of the standard, with a view to developing a separate standard focused on this area, with expanded requirements and application material, adapted to the specific circumstances of a sustainability assurance engagement.

More guidance, including giving examples trends, factors, and relationships, as well as related leading indicators that would support investors' understanding of the financial implications.

Institute of Chartered Accountants of the Maldives

Approach to the requirements in ED-5000 in relation to the estimates and forward looking information is sufficient as it requires the practitioner to evaluate the information.

Institute of Singapore Chartered Accountants (ISCA)

We agree with the approach to the requirements but have further comments.

The following would be helpful to support implementation:

Providing examples of types of forward-looking sustainability information and estimates that would or would not meet the requirements under paragraph 134L/R, to drive consistency in establishing the types of information that can fall within the scope of assurance.

There are concerns raised by practitioners that “subject matter information” in the context of forward-looking information can be misinterpreted to include forward-looking outcomes (i.e. practitioners are providing assurance that outcomes will be achieved as disclosed). ED-5000 should clarify that forward-looking outcomes cannot be assured because of their nature.

Practical guidance on the assessment of appropriate method under paragraph 134L(a)(ii)/134R(a)(i) would be helpful.

Instituto de Auditoria Independente do Brasil - Ibracon

Due to the uncertainty associated with forward-looking information that could possibly extend to many years in the future, we feel that it may not be possible to provide reasonable assurance on this information. We suggest that this should be addressed in a separate standard in the working plan of the IAASB, including how to test forward-looking information, as well as assumptions, projections and forecasts.

Instituto Mexicano de Contadores Publicos (IMCP)

Having practitioners with an audit background in our Institution, we agree with the approach taken to respond to the estimates and forward-looking information. We also have used EER guidance as reference to this topic because of the variety of information included in such document; therefore, we consider that the Board could take a second look and revisit those material to decide if any additional application material could be added into the proposed standard or either as an appendix, taking into account that forward looking information is one of the most judgmental topics within a sustainability report. This could also be an item that may need to be developed as a separate standard within the 5000 series.

International Federation of Accountants (IFAC)

The guidance for estimates and forward-looking information given within paras 134 L&R is appreciated, but could be enhanced by being more clearly described—considering separately what would be relevant for estimates and forward-looking information as we believe there may be different considerations relevant for each. For instance, when considering forward-looking information an assurance provider would need to assess whether financial forecasts take into account the entity's financial capability to undertake their stated intentions. The same would not be relevant for estimates of historic activity. Comingling guidance for these two distinct areas could lead to such considerations being missed. We understand this is an overarching standard and expect further guidance in this area, but making this distinction clear within ISSA 5000 would be beneficial considering the sensitivity and inherent uncertainty surrounding such disclosures.

Malaysian Institute of Certified Public Accountants

With regard to the subsequent event, we suggest the IAASB to provide guidance on work to be performed for forward-looking statement up to date of assurance report.

Malta Institute of Accountants (MIA)

This would depend on the extent of forward-looking information that there will be. We note that this is the first time that the forward-looking concept is involved to this extent in an assurance standard, and it is thus very likely that this will present more challenges from an assurance perspective. The question of limitation of scope might be even more frequent as a result of this.

One further comment is in relation to the fact that ISA 540 is quite detailed on the subject-matter and it is currently not clear as to what the equivalent of this would be.

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

We recommend that specific guidance is provided in the standard on generally acceptable methods, assumptions, data, and the evaluation of any significant deviations/misstatements on the practitioner's report. Doing so will assist SMPs in implementing the standard.

Pan African Federation of Accountants

We recommend that specific guidance is provided in the standard on generally acceptable methods, assumptions, data, and the evaluation of any significant deviations/misstatements on the practitioner's report.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

SOCPA agrees with the approach to the requirements in ED-5000 related to estimates and forward-looking information. However, we believe that more specific examples could enhance the clarity of requirements. This is important taking into consideration that estimates and looking-forward information comprise a

significant percentage of the sustainability reporting. This places assurance practitioners in a challenging position in order to secure persuasive evidence and develop their conclusion regarding such information involving a level of uncertainty. For example, accounting estimates have been considered a challenging area for auditors while they are more concrete if compared to sustainability information which deals with different economic, social and cultural aspects of an entity.

Securities Analysts Association of Japan

We agree with the proposal on estimates and forward-looking information. Some comments are provided below.

Estimates and forward-looking information are often presented using processed data, such as graphs and charts. Paragraph 134 provides the procedures for estimates and forward-looking information. We believe that ISSA 5000 should include a requirement for the assurance practitioner to consider the appropriateness of these presentations of processed data.

Estimates and forward-looking information are often presented with the base dates, measurement methods, assumptions, reasoning processes, and other information in accordance with the disclosure criteria. We believe that ISSA 5000 should include a requirement for the assurance practitioner to consider the appropriateness of these presentations in confirming that there are no material misstatements.

South African Institute of Chartered Accountants (SAICA)

SAICA recommends that specific guidance is provided in the standard on generally acceptable methods, assumptions, data, and the evaluation of any significant deviations/misstatements on the practitioner's report.

11. Academics

Monash University

Reporting entities are expected to make adjustments and revalue their long-term assets considering the impact of climate change and other risks on their operations and future cashflows (Scholten et al., 2019). Since climate science predicts an increase in the frequency and severity of extreme weather events as a result of climate change caused by anthropogenic greenhouse gas (GHG) emissions, the loss and damage arising from natural disasters is likely to rise in the future (e.g., IPCC, 2012; Van Aalst, 2006). These events could impact an entity's future cash flows associated with their production assets, therefore, impacting their reported assets and accumulated depreciation and amortization. However, the estimation of asset values and providing forward-looking information can be subject to scrutiny. In light of the high cost of audit and shortage of appropriate skills, the findings of our study suggest that auditors may only be able to provide limited assurance considering increased qualifications if reporting entities are pushed too hard and too early. Climate-related litigation cases have more than doubled from 884 in 2017 to 2,180 in 2022 in the U.S. alone (UN Environment program, 2023).

12. Individuals and Others

We Mean Business Coalition

We agree with this approach but would also like to raise a concern that "Key Audit Matters" (KAM) is apparently not intended to be used for this purpose (see Ex Memo §§ 121-123). However, KAM does

appear to be useful for informing report users of assurance of significant forward-looking information and the quality of this information, especially when the assurance of this information is made to a reasonable level. We do recognize however, the KAM-hesitant from IAASB as primarily related to limited assurance.

World Wide Fund for Nature

Overall, WWF acknowledges that while forward-looking information is absolutely critical, it carries some uncertainty and that this should be considered when providing assurance for sustainability-related disclosures. The current formulation of ED-5000 addresses some key issues inherent to forward-looking sustainability information :

Application of the criteria relevant to such information;

Methodology appropriateness and consistency;

Evolutions in estimations and/or forward-looking information.

Further elements should be provided about how practitioners can assess and consider that a methodology for sustainability-related estimations and projections are correct and relevant to the reporting exercise. Notably, it seems important to set certain guardrails around misuse of different scenarios and/or information to create positive bias in the narrative provided by an entity around its sustainability actions.

This also relates back to the importance of considering as well qualitative information and how these elements inform a broader narrative published by the entity around its sustainability action.

16.3 Neither agree or disagree

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee acknowledges that sustainability reporting will contain significant and complex estimates, and forward-looking information (eg resilience/scenario analysis) and these unique considerations are important to address in ED-5000. As such, we support the IAASB's approach of considering the requirements and application material in ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures.

We have also noted that some valuable guidance of ED-5000 should be moved up to the body of the standard to strengthen it:

The Committee considers the application guidance provided in paragraphs A393R on methods, A394R on assumptions and A395R on data, of ED-5000 very relevant to address these considerations and should be elevated to the standard level to ensure they hold the same level of prominence as the requirements in ISA 540 (Revised).

The Committee considers estimates and forward-looking information to be a key area of judgment where practitioners should exercise professional judgment and professional skepticism. In particular, application guidance paragraph A423 (where the practitioner considers whether there are indicators of possible management bias in assumptions, methods or data) and in the practitioner's evaluation (A393R(a) and A394R(a), 395R(a)) are important aspects to elevate to the standard level.

In addition, ISA 540 (Revised) contains several obligations relating to methods, assumptions and data expressed by the use of the word "shall". ED-5000 only contains further procedures that may address the

practitioner's evaluation in A393R to A395R, while ISA 540 (Revised) establishes what the practitioner shall address. The Committee suggests aligning the use of "shall" with ISA 540 (Revised) to strengthen the requirements where relevant.

International Association of Insurance Supervisors (IAIS)

The IAIS suggests that the IAASB consider elevating application guidance on significant data, methods and assumptions to the standard level (as in ISA 540 (revised) Auditing accounting estimates and related disclosures) to ensure that the standard places appropriate requirements on assurance practitioners and ensures they are held to a standard equivalent to that of an auditor under ISAs.

In addition, the IAIS suggests aligning the use of "shall" with ISA 540 (revised) to strengthen and more closely align the requirements where relevant.

2. Preparer and Users of sustainability information

American Bankers Association

Recognize that in many cases, tipping points and other climate change expectations may refute the widely-accepted assumption that historical experience provides a good starting point for forecasting. (Responding to Question #16)

In guidance related to Estimates and Forward-Looking Information within the Proposed ISSA, certain historical data will likely need a more extensive review of relevance of the data to the forecast at hand. Considering how many risks and measurements can vary based on specific geospatial characteristics, this may necessitate an audit (and governance) process that evaluates granularity as well as metrics such as medians and ranges to assess the reasonableness of certain measurements.

Recognize that underlying data within many existing third-party databases were often not subject to the established economic framework (noted above, which would provide a compelling interest in accurate reporting). (Responding to Question #16)

Use of third-party databases is expected to be widespread, indicating that "SOC-1 type" reporting may often be needed. Such data may often be the basis for company-specific estimates and forecasts. With this in mind, in substance, estimates performed in this environment may often be based on a database of estimates and not of actual underlying transactions. Implementation guidance should reflect this when addressing assessments of measurement uncertainty. Further, specifically addressing the need for SOC-1 type reporting should be discussed.

French Insurance Federation (France Assureurs)

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

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

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

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

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

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

7. Accounting Firms

Baker Tilly International

Forecasts, forward-looking information, and projections are currently treated together - it would be helpful to define these items in a differentiated way which is consistent with existing ISAs.

Grant Thornton International

We agree with the approach in ED-5000 to address estimates and forward-looking information together in the "Responding to Risks of Material Misstatement" section and the IAASB's consideration of requirements and application material in ISA 540 (Revised). Professional accountant practitioners will likely use their experience applying ISA 540 to address estimates and forward-looking information; therefore, the IAASB should review ED 5000 alongside ISA 540 for requirements and guidance that may need to be added to prevent inconsistency in application as compared to non-accountant practitioners. We propose the IAASB:

Add a requirement in ED-5000, paragraph 134 for limited and reasonable assurance engagements to evaluate alternative approaches and the work performed by management to determine the appropriateness of the alternate selected.

Add a requirement in ED-5000, paragraph 134 for limited and reasonable assurance engagements to evaluate indicators of possible management bias from ISA 540 (Revised), paragraph 32 and related application material in A133-A136.

Add a requirement in ED-5000, paragraph 134 for limited and reasonable assurance engagements to perform an overall evaluation based on audit procedures performed from ISA 540 (Revised), paragraphs 33-34 and related application material in A137-A138.

Add an example in ED-5000 of an estimate or forward-looking information that does not have a risk of material misstatement to demonstrate when it is appropriate for the practitioner to not perform any procedures over the estimate or forward-looking information.

Add requirements and application material to ED-5000 for limited assurance engagements to evaluate the data and assumptions associated with estimates and forward-looking information:

Add a formal definition of significant assumptions within ED-5000, paragraph 17 where other terms relevant to the standard are defined.

Revise the first sentence in ED-5000, paragraph 134L to change “If designing and performing further procedures...” to “In designing and performing further procedures...” We believe the use of “if” in describing the requirement could lead to inconsistencies in application as practitioners may not be able to evaluate how good management is at developing estimates and forward-looking information related to sustainability information in the early years of sustainability assurance.

Add a requirement to ED-5000, paragraph 134L to evaluate whether the method of measurement used is appropriate in the circumstances.

Add a requirement to ED-5000, paragraph 134L to evaluate whether significant assumptions are reasonable.

Add a requirement to ED-5000, paragraph 134L to evaluate whether the data on which the measurement is based is sufficiently reliable for the practitioner's purposes.

Add additional requirements and application material for reasonable assurance engagements to better align with ISA 540 and ensure consistency in application of ED-5000 among practitioners. We propose the IAASB add the following requirements and related application material to ED-5000:

ISA 540 (Revised), paragraph 21 and related application material in A91-A93 related to obtaining audit evidence from events occurring up to the date of the practitioner's report

ISA 540 (Revised), paragraph 22(b) and 26-27 and related application guidance in A109-A117 related to how management selected the point estimate and developed related disclosures about estimation uncertainty.

ISA 540 (Revised), paragraphs 23-25 and related application material in A95-A108 related to the methods, significant assumptions, and data used when testing how management developed the estimate or forward-looking information and when developing a practitioner's point estimate or range.

Due to the prevalence of estimates and forward-looking information in sustainability assurance reports (some engagements will be almost exclusively related to estimates), we believe the IAASB should prioritize clarifying the related requirements and application material before ED-5000 is issued to avoid inconsistencies.

Nexia International

While we agree with the inclusion of elements of ISA 540, given the evolving nature of sustainability information, extensive application guidance and development of separate topic-specific ISSA for estimates and forward-looking information are likely appropriate.

10. Member Bodies and Other Professional Organizations

Chartered Professional Accountants of Canada (CPAC)

There is a need for further details in the standard and guidance to help develop a common understanding of the risks and related work to be performed. Sustainability information often involves more forward-looking information (FLI) and use of estimates than traditional financial reporting and it is typically more susceptible to uncertainty (e.g., may have longer time frames for FLI spanning 10 or 20 years under scenarios analysis and transition plans). FLI and estimates in this context could also be susceptible to higher risk of fraud.

We suggest the IAASB consider separating what would be relevant for estimates and FLI as we believe there may be different considerations relevant for each. We also question the procedures required for estimates and FLI for both limited and reasonable assurance engagements in a few instances. For example, in paragraph 134L, it is unclear whether practitioners would be required to evaluate the assumptions used in a scenario analysis for a limited assurance engagement.

We also note that there are important concepts in ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures (ISA 540) that should be referenced or brought into ISSA 5000. For example, would the assurance provider be expected to develop their own expectation for the estimate in all cases?

European Federation of Financial Analysts Societies (EFFAS)

The forward-looking information provided by the entity should be reviewed and discussed by the engagement team and practitioner. For investors and financial analysts it is very important that this information is as accurate as possible and based on a realistically achievable scenario.

Institute of Chartered Accountants of Ghana

This is a fundamental change to the ethos, mindset and approach accountants have hitherto been applying and therefore requires an investment in 're-wiring' the mindset and outlook of practitioners, and therefore welcome the IAASB's intention to address estimates and forward-looking information further in a separate topic-specific ISSA in the future.

12. Individuals and Others

International Accreditation Forum (IAF)

The approach for estimates and forward-looking data are very different and should be considered separately as approaches with examples of what estimates hierarchy might be appropriate. For example, robust source data can be used for estimates such as proxy data, surrogate data, etc., whereas there will always be inherent uncertainties with forward looking information. (Ref 134L/R)

ED-5000 does not specifies how the confirmation of plausibility of assumptions regarding a plan must be evaluated.

IAF recommends IAASB to require practitioners to evaluate:

the consistency of the objectives and their coherence with the material topics

the suitability of planned actions to achieve the objectives

the availability of resources to provide stakeholders with confidence that an objective is achievable

the risk that one or more action planned shall not be implemented

the approach to monitor the action plan implementation

Furthermore ISSA 5000 does not specifies how to evaluate the likelihood and consequence (gravity, scale, irremediability) of potential events and impacts.

In addition ED-5000 134L-135R listed the detailed approach to the requirement of Estimates and Forward-looking information. However, Para.97 mentioned "The IAASB also noted that estimates and forward-looking information could be addressed further in a separate topic-specific ISSA in the future." We would urge this document to be published with ED-5000.

16.4 Disagree with comments

4. Regulators and Audit Oversight Authorities

Committee of European Audit Oversight Bodies (CEAOB)

Forward looking information

More emphasis should be placed, in the requirements, on forward looking information (and the differences between forward looking information and estimates), which is more prominent in sustainability reporting, where entities' impacts, risks, targets and plans (etc.) are to be disclosed. Requirements for practitioners on the assumptions used by the entity for setting targets or planning and the actions to take when hypothetical assumptions are influenced by very high levels of uncertainty (for example with respect to climate scenarios and emission reduction targets) need to be enhanced in ED 5000 (ref par 134L).

More information on what should be done and when estimates should be assessed are also needed to foster convergence and consistency.

Independent Regulatory Board for Auditors (IRBA)

The IAASB acknowledges the importance of estimates and forward-looking information in its EM. While we appreciate the topic being addressed further in a separate topic-specific ISSA in the future, we are of the view that ED-5000 should provide detailed requirements now for the practitioner. The current requirements (paragraphs 134L and 134R) and the related application material (A390 to A392) need clarification and expansion. The standard warrants a stronger emphasis on the nature of estimates and forward-looking information in the context of sustainability reporting and assurance on sustainability information, to achieve a common understanding by all practitioners. This includes deliberations by the IAASB as to whether sustainability information is likely to be more susceptible to uncertainty than financial information; and if so, to include specific requirements that address the issue.

Further, we suggest that it is necessary that judgements and assumptions be assessed for reasonableness and appropriateness, irrespective of the level of assurance being expressed by the assurance practitioner.

Finally, while ED-5000 discusses potential management bias in relation to estimates and forward-looking information in the "Evaluating the Evidence Obtained" section, this is not mentioned in the "Estimates and Forward-Looking Information" part of the requirements. The IRBA recommends that the IAASB integrates further requirements to encourage the practitioner's attention to and professional scepticism on this potential bias when assessing the estimates and forward-looking information.

5. National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

The current requirements and application guidance in ED- 5000 regarding estimates and forward-looking information, which are part of the reporting requirements of certain required sustainability frameworks, are vague and too high-level. Clarification that takes into account the characteristics largely unique to sustainability reporting, including a high degree of measurement uncertainty and a focus on the process of developing forward looking information, is needed to promote consistent application by all assurance providers and enhance quality in this area.

Making estimates may likely be subject to more established criteria or measurement methods while forward-looking disclosures may likely be more subject to entity-developed criteria or approaches. Assumptions for

forward-looking disclosures may be best-estimate or hypothetical, as noted in the explanatory memorandum. Consequently, while we do not conceptually disagree with the proposed approach of combining the requirements for estimates and forward-looking information, we believe that further application guidance is needed to explain relevant considerations for the practitioner regarding the nature and extent of evidence that may exist for forward-looking disclosures. We also believe that the standard needs to address how the practitioner would determine the appropriate response to the risk identification or risk assessment procedures. For example, the evidence obtained may support a conclusion that the disclosure has been developed using a “reasonable” process in accordance with the applicable criteria. However, a practitioner is not able to assure that the outcome described in such hypothetical or aspirational disclosures will be achieved.

We suggest adding guidance from ISAE 3400, The Examination of Prospective Financial Information, or 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus. This guidance could clarify that, for forward-looking information, the practitioner is obtaining evidence that the process to compile the forward-looking information has been applied by management in accordance with the applicable criteria, and the practitioner is not expressing an opinion or conclusion on the outcome of the forward-looking information. We think that a separate standard addressing estimates and forward-looking information within a suite of standards under ISSA 5000 would best provide the needed specificity and would be in the public interest; however, the timing of additional standards in this suite seems rather far in the future. Accordingly, we suggest that application material be added to ED-5000 or non-authoritative guidance on this topic be issued.

Auditing and Assurance Standards Board Canada (AASB)

We agree that the requirements and application material in ED-5000 related to responding to risks in estimates and forward-looking information are appropriate. However, we do not agree that the requirements and application material related to risk procedures are robust enough to assist the practitioner in designing and performing further procedures to obtain evidence that are responsive to the risks of material misstatement/where material misstatement is likely to occur.

Suggest:

Adding a risk procedure requirement “When obtaining an understanding of the entity and its environment, the applicable criteria and the entity’s system of internal control, the practitioner shall obtain an understanding of the following matters related to the entity’s estimates and forward-looking information:”

Include appropriate concepts from ISA 540, such as paragraphs 13(a), (h)(i), (h)(ii), and (j), contextualized for estimates and forward-looking sustainability information.

For reasonable assurance engagements, include application material (based on paragraphs 14 and 15 of ISA 540) to the new requirement suggested above, that the practitioner may consider:

The outcome of previous estimates to assist in identifying risks; and

Whether specialized skills or knowledge are needed to obtain assurance on the estimates and forward-looking information.

Adding a definition. If a requirement is added in the risk procedures section of the standard, and the requirement refers to estimation uncertainty (as paragraph 13(h) in ISA 540 does) a definition is needed.

The definition of estimation uncertainty in the glossary refers to accounting estimates and only refers to measurement and not evaluation. Therefore, it may need to be adapted for sustainability assurance.

Exploring a future standard-setting project on estimates and forward-looking information.

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB considers that the high-level requirements regarding work required to be performed on estimates and forward-looking information are appropriate for an overarching standard however, practitioners have indicated that assurance conclusions over forward looking information can be challenging. They refer to the relative immaturity of reporting by many entities, the lack of established systems and processes, and availability of data from value chains.

The IAASB should highlight the importance of disclosures about estimation uncertainty and key assumptions, as well as reporting on significant limitations on scope. Where the reporting framework focuses on investors and creditors as the primary users and the assurance report covers the financial report and sustainability information as a whole, reasonable assurance that reports are free of material misstatement may be more achievable than where individual pieces of information are subject to assurance or of particular interest to particular users. Where reasonable assurance cannot be given for the reports as a whole due to issues with forward looking information in the sustainability report, this may also affect forward looking information affecting asset values in the financial statements and going concern assessments.

The AUASB suggests that application material in dealing with forward looking information (paragraph A178), needs to draw together and highlight the importance of the preconditions of the engagement, including rational purpose and a meaningful level of assurance in a limited assurance engagement as well as the importance of the entity's disclosures.

For limited assurance engagements, paragraph 134L related to estimates and forward-looking information does not require an independent evaluation of the assumptions and judgments of management. Given the potential significance of estimates and/or forward-looking information to users of sustainability information, the AUASB suggests that the requirements for performing limited assurance include some consideration by the practitioner of the appropriateness of the assumptions used by the entity.

Since estimates and forward-looking information can be highly subjective with a high degree of estimation uncertainty and can be heavily subject to management bias, the AUASB suggests the IAASB develop support materials including examples and considerations for the practitioner, particularly in understanding what would be considered sufficient appropriate evidence to assure such information. The current application material associated with paragraphs 134L and 134R is very limited.

The AUASB would support the IAASB's considerations of a topic specific ISSA for forward looking information in the future.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

We concur with the overall response and the detailed comments of Accountancy Europe. For the convenience of the reader, we have included the comments of Accountancy Europe in our letter as follows:

No, we believe that forward-looking information and estimates deserve different treatment. Although certain forward-looking information may involve estimates, it tends to be more narrative in nature, while estimates tend to be more quantitative. The requirements and application material derived from ISA 540 can be used for the estimates, the practitioner will need to design and perform different type of procedures for qualitative forward-looking information. This need is recognised in different parts of the application material (e.g., A228) and the requirements should also reflect this distinction more clearly.

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

Estimates

With respect to the treatment of estimates under limited assurance, we refer to our response to Question 7 on paragraph 134L.

With respect to estimates, we believe that some of the requirement set forth in paragraph 134R needs revision. There may need to be a definition of an estimate included in the definitions section to clarify that estimates refer to only quantitative information because many of the requirements in paragraph 134R would not really be implementable for qualitative estimates. This would also imply that a definition of measurement uncertainty ought to be included as well. We are not convinced that seeking a range for some estimates as set forth in paragraph 134R (b) is a viable option, such as when an entire statement (such as a GHG statement) can be viewed as an estimate. Some clarity needs to be given that in some circumstances, only point estimates are a reasonable alternative. With respect to paragraph 134 (b) (i), we believe that the connector needs to be “and” rather than “or” because evaluating the methods, assumptions or data is not optional.

We also note that the term “significant assumptions” is used in paragraph A394R (a). Without the description of what these are (which can be taken from ISA 540, paragraph A42), it would be difficult to apply this guidance, so we suggest that the guidance from that paragraph be included.

Forward-Looking Information

We do not believe that, even though the nature of the procedures for forward-looking information may be similar to that for estimates, estimates and forward-looking information can be dealt with together because they are fundamentally different (e.g., the derivation of the forward-looking information from the assumptions and reporting framework as set forth in ISAE 3400). For example, the requirements in paragraph 134L and 134R speak about evaluating the assumptions, when that would only be done for forecasts. Projections would involve considering whether the assumptions meet the purpose of the projection and are not unrealistic. None of these may apply to some plans or targets. Furthermore, the assurance report would need to be different when forward-looking information is involved because practitioners would not be providing an opinion on, for example, the forecast or projection, but only upon the reasonableness of the assumptions (for a forecast) and on whether the forecast or projection has been appropriately prepared in accordance with the criteria on the basis of the assumptions. At the very least the responsibilities section of the practitioner's report would need to explain this.

The nature of the work effort regarding forward-looking information, though similar to that for certain types of estimates is, in some respects, fundamentally different (e.g., the derivation of the forward-looking information from the assumptions and reporting framework as set forth in ISAE 3400) and therefore forward-looking information needs to be treated separately from the treatment of estimates.

Royal Dutch Institute of Chartered Accountants

In our assessment, estimates are typically more quantitative than forward-looking information which includes much more narrative and qualitative information. This difference should also lead to different procedures being necessary, whereby an estimate requires more attention to matters like accuracy and support by underlying information/evidence, and forward-looking information will require more attention to consistency of the information with the actual and planned activities of the entity, as well as the possibility of execution of the intentions/plans. Furthermore, we suggest that the standard should also distinguish the work effort between reasonable and limited assurance for each of the two.

6. Global Standard Setter

Social Value International

While what is set out in the proposed standard is sound, it is important for the IAASB to recognize that increasingly entities are beginning to monetise impacts by applying a value factor (or price) to the quantity of externalities – e.g. multiplying the quantity of carbon by the social cost of carbon to determine an overall estimate of the costs that have been externalised. There is significant variation in value factors depending on geography and other factors so it is an area that deserves more consideration on what role the practitioner needs to play in evaluating what the entity has reported and the basis for its calculation. Some examples here would be helpful to illustrate the point given these methodologies are still maturing.

7. Accounting Firms

Deloitte LLP

We are supportive of inclusion of the practitioner's consideration of estimates and forward-looking information in ED-5000. However, we believe that the two concepts should be dealt with differently within ED-5000.

In recognition of the evolving maturity of sustainability disclosures, certain sustainability reporting standards (e.g., IFRS S2) provide relief in the preparation of disclosures about anticipated or forward-looking information (e.g., the entity shall “use all reasonable and supportable information available...without undue cost or effort” or use approaches “commensurate with the skills, capabilities, and resources available to the entity...”). It would be helpful for ED-5000 to clarify the assurance practitioner's responsibilities in such circumstances and to provide examples of how the practitioner may evaluate whether cost or effort is “undue”.

In addition, the Explanatory Memorandum notes, “A future event, occurrence or action relating to the sustainability matters may be subject to greater uncertainty, and therefore ordinarily able to be evaluated with less precision than historical underlying subject matter(s).” We recommend that the IAASB consider bifurcating requirements and application material to recognize what is acknowledged in the Explanatory Memorandum: that is, that certain future or forward-looking information related to sustainability subject matter has such high estimation uncertainty that it may not be practicable to apply the level of precision assumed in existing professional literature for historical financial information or other subject matters.

For certain estimates and forward-looking information, ISA 540 may be an appropriate guide for work effort. For others, it may not be practicable to do so. For both limited and reasonable assurance engagements, we suggest the IAASB (1) provide application material to evaluate the nature of the

information and its estimation uncertainty and (2) provide application material on the appropriate nature, timing and extent of procedures that can be performed based on the nature of the information.

Guidance in ISAE 3400, The Examination of Prospective Financial Information or other concepts from existing professional literature may be relevant to include in ED-5000 with regard to forward-looking information for which applying ISA 540 concepts may be impracticable. For example, ISAE 3400 paragraph 2 requires the practitioner to obtain evidence as to whether assumptions are “not unreasonable” and “consistent with the purpose of the information”, as opposed to evaluating whether assumptions are appropriate (as currently proposed in ED-5000 paragraphs 134R(a)(ii) and A394R).

Estimates

The requirements in paragraph 134L do not require an evaluation of management's assumptions. Given the potential significance of estimates to users of sustainability information, we recommend that the requirements for performing limited assurance include consideration of the appropriateness of the assumptions used by the entity. Additionally, we would consider the procedure in paragraph 134R(c) to also be applicable to limited assurance engagements and thus suggest revising paragraph 134L(b) as follows: "Consider whether other procedures are necessary in the circumstances, including obtaining evidence from events occurring up to the date of the practitioner's report".

KPMG International

Detailed comments (if any): We welcome the IAASB's efforts to address estimates and forward-looking information in the proposed standard, recognising that many assurance engagements are likely to include sustainability information of this nature, and that these may be challenging aspects of an assurance engagement. However, we have a number of significant concerns in this area, which we describe below along with our recommendations.

Whilst somewhat similar, forward-looking information is sufficiently distinct from estimates to warrant being addressed separately in ED-5000

We are concerned that the section of the standard beginning at paragraph 134L combines estimates and forward-looking information when setting out requirements and related guidance as to how the practitioner should address these. Whilst we recognise that there are several similarities in respect of estimates and forward-looking information (e.g., that both involve inherent uncertainty) and that there may be some overlap (e.g., forward-looking information may include estimates) we highlight that these are distinct matters, and we recommend that they be addressed separately within the standard, with specific requirements and guidance in respect of each. For example, certain aspects of the requirements relating to estimates, such as evaluating the selection and application of the method used and developing a point (estimate) or range to evaluate management's estimate, may not be applicable for forward-looking information in respect of a longer-term timeframe. Additionally, forward-looking information is likely to be included in respect of a considerably longer time horizon, involve a highly significant degree of uncertainty, and include predictions about future events or conditions. Information may also involve targets or goals, with related management actions to achieve these falling mainly towards the end of long-term horizons. As a result, such information would require a different practitioner response to risks arising from estimates, such as evaluating whether such risks, and potential mitigating factors/actions, have been appropriately identified and described within the sustainability information, as well as critical dependencies, which, in many cases may be outside the control of the entity (e.g., these may relate to government actions, or industry innovations/solutions). We recommend that ED-5000 also include requirements and application material to address targets and goals, perhaps drawing on material from ISA 570 regarding the evaluation of management's plans for future actions. However, given the time horizons involved, additional guidance may be needed with respect to evaluating management intent and ability over longer time horizons, particularly when planned actions may necessarily need to be flexible to adapt to unforeseen events and conditions.

Considerations when evaluating management's process versus the estimate or forward-looking information itself

Additionally, we recognise that certain sustainability reporting frameworks set out requirements that focus on management's process to develop the estimate/forward-looking information to include in the sustainability information, rather than the outcome of that process, and we recommend that ED-5000 include

requirements and application material that are more specific to the practitioner's evaluation as to whether management has appropriately applied the framework criteria in this regard. The IAASB may consider drawing on content in ISAE 3420 and ISAE 3400 in this regard. This would include evaluation by the practitioner as to whether the sustainability information is a "faithful representation" of the process and is in accordance with the characteristic of "neutrality" in terms of the description of the process. We recommend that the proposed standard set out factors to consider in making this evaluation, including considering the information needs of the intended users and whether the description would constitute "useful information" in terms of supporting their decision-making. This may involve alerting intended users via the assurance report if the practitioner does not consider the process to be fit for purpose (e.g., if this is "reckless" as described in certain sustainability reporting frameworks). In connection with this, it would be important for the application material addressing reporting matters, such as the description of inherent limitations, to guide practitioners to explain that in performing the assurance engagement, the practitioner is concluding specifically on the process itself, as to whether the description of the process is fairly stated in accordance with the criteria, and does not provide assurance regarding the outcome of that process. Please refer to our response to Question 21 for further details regarding reporting considerations.

Disclosure of inherent limitations relating to assumptions and data

Other sustainability reporting frameworks encompass the outcome from management's process, and in such circumstances, we consider it critical that the assurance report clearly describe the inherent limitations in terms of data and assumptions used, and/or point (estimates) or ranges applied, and the fact that these are significantly more likely to be subject to change over an extended timeframe (or cross refer to where this is explained in the sustainability information). Please refer to our response to Question 21 for more detail regarding our concerns and recommendations in connection with the clarity of the assurance report. In connection with the above, we consider that the proposed standard does not sufficiently emphasise the importance of clear and appropriate disclosure in respect of estimates and forward-looking information, including regarding related assumptions and judgements, in the sustainability information, and the factors that the practitioner would consider in evaluating whether such disclosures are appropriate. Although paragraph A392 makes reference to "disclosures", we believe the term "disclosures" is in respect of "specific sustainability information related to an aspect of a topic" as defined in the standard, rather than in terms of additional information necessary to the intended users' understanding, as envisaged by the term "disclosure" in the context of financial statements, and in which context we

believe would be critical to intended users in terms of their understanding of estimates and forward looking information. We highlight that certain sustainability reporting frameworks may establish criteria in terms of including supplementary "disclosures" about key aspects of estimates, including assumptions and judgements, and we consider it critical and recommend that the proposed standard refer to these, both as a feature of determining the suitability of the criteria, as well as at the planning stage to ensure that practitioners design procedures to appropriately assess the proper application of the criteria by management in developing the sustainability information. We note that this is particularly important for sustainability assurance engagements when the criteria may allow management some flexibility in making assumptions and judgements, or in selecting methods and models, and therefore it is all the more important that these are fully transparent to users to enable their informed decision-making.

Linkage of material relating to susceptibility to management bias

Furthermore, we welcome the recognition in the application material that estimates and forward-looking information may be susceptible to management bias. To strengthen the standard in this area, we recommend that the application material be linked to other sections of the standard that discuss examples of

sustainability-specific fraud-risk factors, such as incentives and pressures to misstate information (e.g., pressure to meet a specific green target, or market expectations that a trend will continue in a particular direction).

Requirements for estimates on limited and reasonable assurance engagements

In terms of the differentiated requirements for reasonable and limited assurance engagements in respect of estimates and forward-looking information, we are supportive of the approach taken to make such a differentiation. However, we highlight that the proposed requirements for limited assurance engagements do not address the appropriateness of the assumptions used or of the data. Whilst the standard does require the practitioner to consider whether other procedures are necessary in the circumstances, we recommend that the IAASB make specific reference to the practitioner's evaluation of the appropriateness of the assumptions used, and of the data, for limited assurance engagements, as we believe that for many sustainability assurance engagements, including those which address GHG information, the selection of assumptions and data by management are areas where material misstatements, whether due to fraud or error, are likely to arise.

We also note that the proposed requirements for reasonable assurance engagements do not address the practitioner's evaluation as to whether management has appropriately applied the requirements of the applicable criteria relevant to estimates and forward-looking information, which are included at paragraph 134L. We recommend that an equivalent requirement be included for reasonable assurance engagements at paragraph 134R.

Development of a separate ISSA to address estimates and forward-looking information

Whilst we welcome the introduction of material from ISA 540 (Revised) in respect of estimates, which we consider will be beneficial to practitioners in addressing this area, we note that the material included is high-level, with a number of requirements of ISA 540 (Revised) addressed within the application material of ED-5000. Furthermore, much of the application material from ISA 540 (Revised), which provides greater context and helpful considerations, is not included at all. As a result, whilst we consider that this approach is appropriate to a principles-based, foundational standard, we recommend that the IAASB address this area as a priority on issuance of the standard, with a view to developing a separate ISSA focused on this area, with expanded requirements and application material, adapted to the specific circumstances of a sustainability assurance engagement.

Mazars

Profession agnostic standard

The requirements in ED-5000 relating to estimates and forward-looking information are based on ISA 540. We are concerned that taking aspects of the ISAs, along with some of the application guidance, may make the standard difficult to apply, especially for those practitioners without in depth knowledge of the application of the ISA. Further guidance may be required to support the consistent application of a profession agnostic standard.

Limited assurance engagements

We are concerned that, for limited assurance engagements, it is possible to assess the method used by management without considering the assumptions which are critical to the development of the estimate. We believe that practitioners should be required to evaluate the assumptions underpinning estimates in limited as well as reasonable assurance. Indeed, we do not consider that there should be a significant difference in work effort between limited and reasonable assurance for estimates and forward-looking information given

the sensitivity of such disclosures, the risks associated with them and the likely level of interest of users in many estimates and forward-looking disclosures.

Procedures required when assessing estimates and forward-looking disclosures

ED-5000.134 sets out the three options available to the practitioner when assessing management estimates, namely, to evaluate or test how management developed their estimate, develop a point estimate or range and to obtain evidence up to the date of the practitioner's report. We do not believe that it will be possible in most cases for the assurance practitioner to develop an appropriate point estimate or range for sustainability information and do not anticipate that this procedure will be used often. The IAASB may wish to consider whether it should mandate that assurance practitioners test how management developed their estimate and consider whether other procedures are necessary. For reasonable assurance, practitioners may also be required to obtain evidence up to the date of the report. Furthermore, in our view there should be a requirement for practitioners to consider the outcome of prior year estimates to assist with assessing whether management estimation processes are appropriate and reasonable.

If the IAASB concludes that there should be a differentiation in work effort for estimates, we urge the IAASB to consider whether such differentiation is appropriate in year one of a limited assurance engagement. Indeed, the IAASB may wish to consider a section in ED-5000, or a separate ISSA 5000 series standard, on Initial Engagements section.

We note that the requirement in 134L (a)(i) to evaluate whether "Management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information" is not replicated in the requirements for reasonable assurance engagements in 134R. It is not clear why this requirement would not be applicable in reasonable assurance engagements, and we suggest that the requirement should be added to 134R.

Forward-looking information guidance

With regard to forward-looking information, further, practical guidance on how practitioners can assess the credibility of forward-looking information would be helpful, perhaps focusing as an example on transition plans which are increasingly required. Practical guidance in this regard could usefully include matters such as:

Whether transition plans are supported by an appropriate budget and have been approved by the Board

Whether a science-based approach has been used in developing plans

Ensuring that Scope 3 emissions are included in transition plans

Whether assumptions in the transition plans are reflected in and/or consistent with the disclosures in the financial statements.

MNP LLP

While we agree with the approach to the requirements in ED-5000 related to risk response procedures over estimates and forward-looking information, we believe that there needs to be additional requirements and application guidance over identifying and assessing the risks of material misstatement. ISA 540 contains important risk assessment procedures that should be included in ISSA 5000. Estimates and forward-looking information related to sustainability information may be more susceptible to management bias and should be specifically considered when performing risk assessment procedures, in addition to estimation uncertainty, complexity and other inherent risk factors.

PKF International Limited

The need for entities to use estimates and forward-looking information is likely to be a common feature of most sustainability frameworks and, in our view, the extent and frequency of their use is likely to cause considerable complexity resulting in higher risks of material misstatement for sustainability assurance engagements. In response, the requirements in ED-5000 on estimates and forward-looking information should be enhanced by including related risk procedures. For example, the risk procedures in ED-5000 could benefit from including the following:

procedures similar to those in para 16 – 17 of ISA 540 (Revised), and

procedures requiring the practitioner to obtain an understanding of the nature of the estimates and forward-looking information used by the entity within the sustainability information. The understanding could include the extent to which the entity uses estimates where it is unable to obtain necessary information relevant to its sustainability disclosures from other entities within its value chain.

8. Assurance Practitioner or Firm - Other Profession

ERM Certification and Verification Services Limited

The practitioner is expected to only 'evaluate' the aspects listed in 134L related to designing and performing further procedures on estimates and forward-looking information for Limited Assurance, whereas for Reasonable Assurance the practitioner is expected to also test the aspects listed in 134R. As noted in our response to Question 7, Limited Assurance requirements cannot be reduced to evaluation without testing, this is especially relevant when a substantial part of sustainability information is based on estimates. Given the prevalence of estimates in the calculation and reporting of sustainability information, 134L should reference the same Ref Para. as 134R to better align with current practices. As such, please remove the R reference from A393R, A394R, A395R (to refer to both Limited and Reasonable Assurance), and then reference the A393 – A396 (already applicable to both levels) in 134L.

Note – potential nomenclature error in 134R (a)(ii) A394R – A388R. We could not find a reference to A388R within ED-5000. If the intended A388R reference also refers to R, and is applicable to the above comment, the updated reference should also have the R removed, and should be included in the reference list above.

TIC Council

While agree that many aspects of the approach for estimates and forward-looking data, the two are very different and estimates and forward-looking data and should be considered separately as approaches with examples of what estimates hierarchy might be appropriate. For example, robust source data can be used for estimates such as proxy data, surrogate data, etc., whereas there will always be inherent uncertainties with forward looking information. (Ref 134L/R)

ED-5000 134L-135R listed the detailed approach to the requirement of Estimates and Forward-looking information. However, Para.97 mentioned "The IAASB also noted that estimates and forward-looking information could be addressed further in a separate topic-specific ISSA in the future." We would urge this document to be published with ED-5000.

9. Public Sector Organizations

Office of the Auditor General of Alberta

There are estimates needed throughout many (most) sustainability topics and aspects of topics. More material from ISA 540 should be included in the standard. It doesn't matter if ISSA 5000 is an overarching standard or not; what matters is that these engagements are currently being performed, they require complex and difficult estimates, and additional requirements would improve the assurance provided.

Additional guidance on qualitative forward-looking information is needed. The draft requirements are too focused on numerical information (data, point estimates or ranges don't easily apply to qualitative information), but qualitative forward-looking information could be, for example, "Management expects these actions will result in a significant reduction in water usage." There are several assurance considerations involved, including whether the expectation that the actions will result in reductions is reasonable, and what "significant" reduction may be, and whether other sustainability information is also consistent with the statement (e.g. if the reduction in water usage requires a much higher use of energy, is the forward-looking information for "energy" usage consistent).

10. Member Bodies and Other Professional Organizations

Accountancy Europe

No, we believe that forward-looking information and estimates deserve different treatment. Although certain forward-looking information may involve estimates, it tends to be more narrative in nature, while estimates tend to be more quantitative. The requirements and application material derived from ISA 540 can be used for the estimates. The practitioner will need to design and perform different type of procedures for qualitative forward-looking information. This need is recognised in different parts of the application material (e.g., A228) and the requirements should also reflect this distinction more clearly.

ACTEO AFEP MEDEF

We agree that estimates and forward-looking information are subject to greater uncertainty as stated in the exposure draft. However, we consider that addressing this topic in the section "Responding to Risks of Material Misstatement" introduces a bias which could result in requiring excessive due diligence. The exposure draft indicates that estimates and forward-looking information could be addressed further in the future in a specific ISSA. We are not sure that it is necessary to develop a separate standard for estimates and forward-looking information but consider that it would be more appropriate to address the issue in a specific separate section of draft ISSA 5000. Moving forward, the IAASB may consider the opportunity to complement draft ISSA 5000 to address specifically disclosures related to transition plans. Indeed, we believe that in the future transition plans will become key for preparers and their stakeholders.

As regards the due diligence to perform to obtain a limited or reasonable assurance we agree with the due diligence required under limited assurance. We have reservations about the approach described for reasonable assurance in paragraph 134R and in particular under subparagraph (b). The due diligence required under this subparagraph is not further detailed in the application section of the exposure draft, as is the case for paragraph (a), and rather difficult to understand. At the very least, the IAASB could provide examples to illustrate the due diligence expected from practitioners. This said we question whether it is appropriate to perform detailed quantitative testing on estimates and forward-looking. The due diligence in this regard should be limited to the tests described in subparagraph (a) supplemented by tests to ensure that calculations are accurate.

ASSIREVI – Association of the Italian audit firms

ED-5000's approach is that estimates and forward-looking information have similar characteristics. Therefore, it uses the requirements for the methods, data and assumptions established by ISA 540 for the audit of accounting estimates, in line with the approach adopted in ISAE 3410 for estimates. While this approach is reasonable for accounting estimates, the repetition of the approach provided for in ISA 540 could be problematic for forward-looking information, including in regard to the assurance procedures to be performed.

Forward-looking information may include forecasts, projections or future plans of the entity. It may be prepared using scenarios based on best-estimate assumptions or hypothetical assumptions, which are affected by management's judgment. A future event, occurrence or action relating to the sustainability matters may be subject to greater uncertainty, and therefore ordinarily able to be evaluated with less precision than historical underlying subject matter(s). Regardless of the source or degree of estimation uncertainty, or the extent of management's judgment, it is necessary for management to appropriately apply the applicable criteria when developing estimates and forward-looking information and the related disclosures, including selecting and using appropriate methods, assumptions and data.

Unlike historical information, it is often not possible for the practitioner to determine whether the results or outcomes have been or will be achieved. The practitioner may obtain evidence about whether the forward-looking information has been prepared in accordance with the applicable criteria based on the assumptions used by the entity.

Evidence may be available supporting the assumptions on which the forward-looking sustainability information is based, but such evidence itself may also be forward-looking and, therefore, speculative in nature. The nature and availability of evidence for forward-looking information and what constitutes sufficient appropriate evidence will likely vary by topics, aspects of topics and disclosures. In some circumstances, the evidence available may support a range of possible outcomes with the disclosure falling within that range. Accordingly, the practitioner may need to exercise significant professional judgment in determining whether the evidence is sufficient and appropriate.

In particular, it could be difficult to provide reasonable assurance about the appropriateness of the assumptions underlying forward-looking information, also due to the lack of suitable applicable criteria.

Moreover, with respect to the three types of procedures set out in paragraph 134R for forward-looking information:

The one provided for in point c) "obtain evidence from events occurring up to the date of the practitioner's report" is not applicable for obvious reasons;

The one provided for in point b) requiring the practitioner to develop a point estimate or a range would be difficult to apply given the ordinarily long timeframe over which forward-looking information is calculated and the generalised unavailability of suitable criteria to prepare such information.

The only procedure applicable in the majority of the cases is the one stated in point a) (i.e., test how management developed the forward-looking information).

In this respect, paragraph 9 of ISAE 3400 - The Examination of Prospective Financial Information (still in force) could be considered:

"Further, given the types of evidence available in assessing the assumptions on which the prospective financial information is based, it may be difficult for the auditor to obtain a level of satisfaction sufficient to

provide a positive expression of opinion that the assumptions are free of material misstatement. Consequently, in this ISAE, when reporting on the reasonableness of management's assumptions the auditor provides only a moderate level of assurance. However, when in the auditor's judgment an appropriate level of satisfaction has been obtained, the auditor is not precluded from expressing positive assurance regarding the assumptions."

Paragraph 27 of ISAE 3400 establishes that the report shall include:

- a statement of negative assurance as to whether the assumptions provide a reasonable basis for the prospective financial information;
- an opinion (reasonable assurance) as to whether the prospective financial information is properly prepared on the basis of the assumptions and is presented in accordance with the relevant financial reporting framework.

We believe that the approach proposed for forward-looking information should be differentiated from that to be used for estimates, with the specific requirement to perform procedures on the assumptions underlying forward-looking information solely when performing procedures aimed at expressing a limited assurance conclusion.

Therefore, adoption of this approach to forward-looking information would result in the issue of a limited assurance report in the case of limited assurance engagements or a combined reasonable and limited assurance report in the case of a reasonable assurance engagement.

While awaiting the issue of a specific ISSA on this matter, ISSA 5000 should provide greater guidance and specifically clarity about the meaning of the verb "evaluate" used both in paragraph 134L for a limited assurance engagement and paragraph 134R for a reasonable assurance engagement. It could be specified that, in the case of a limited assurance engagement, the term "evaluate" solely covers enquiries and analytical procedures in line with the activities normally performed for this type of engagement.

Center for Audit Quality

To enable practitioners to perform consistent, high-quality assurance over estimates and forward-looking information, we believe that additional clarification which takes into account the characteristics of sustainability information, including measurement uncertainty, is necessary.

Estimates are often made using historical information and may be subject to more established criteria or measurement methods (e.g., the applicable reporting framework may establish how such estimates are to be measured or evaluated) while forward-looking disclosures may be more subject to entity-developed criteria or approaches. Assumptions for forward-looking disclosures may be best-estimate or hypothetical, as noted in the explanatory memorandum. Consequently, we recommend that ED-5000 distinguish the requirements for estimates from the requirements for forward-looking information as they are different in nature, the latter being subject to greater uncertainty such that applying concepts from ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, may not be practicable. Further, we believe additional application guidance is needed to explain relevant considerations for the practitioner as to the nature and extent of evidence that may exist for forward-looking disclosures. We also believe that the standard needs to address what the nature of assurance over such disclosures should be in practice; that is, how the practitioner would determine the appropriate response to the risk identification or risk assessment procedures. For example, the evidence obtained may support assurance that the disclosure has been developed using a "reasonable" process in accordance with the applicable criteria. A practitioner is not able to assure that the outcome described in such hypothetical or aspirational disclosures will be achieved.

We suggest adding guidance from ISAE 3400, The Examination of Prospective Financial Information, or 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus. This guidance could clarify that, for forward-looking information, the practitioner is obtaining evidence about whether the process to compile the forward-looking information has been applied by management in accordance with the applicable criteria, and the practitioner is not expressing an opinion or conclusion on the outcome of the forward-looking information.

When highly complex estimates and forward-looking disclosures involve third-party data provided by external management experts, the points noted in Question 15 on access to proprietary models apply and could result in limitations on scope of the practitioner's ability to evaluate the appropriateness of the method, assumptions and data used. We recommend that additional clarity be provided for such situations.

We believe that a separate standard on estimates and forward-looking information within a suite of standards for assurance on sustainability reporting that provides more specificity than an overarching standard would be in the public interest; provided it could be developed in a timely manner as a high priority. In the meantime, we suggest that application material be added to ED-5000 or that non-authoritative guidance on this topic be issued to provide greater clarity on the matters raised above.

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

Our stakeholders expressed views that ED-5000 is incomplete when it comes to dealing with assurance of forward-looking information. There is a need for more clarity around the nature of assurance that is appropriate to provide, the scope of the work given the differences between the kinds of forward-looking information that may be reported in a sustainability report (which may involve timeframes much longer than would be considered in a financial statement audit and may also involve hypothetical scenarios and/or assumptions). The board should prioritize this topic for further standards/guidance or additional requirements in ISSA 5000. ISAE 3400 The Examination of Prospective Financial Information provides some clear demarcation on the scope of work and nature of conclusions that can be expressed on prospective information (limited assurance only and reports that include appropriate disclaimers).

Given the nature of sustainability information there may also be a need for more guidance on the point at which an estimate becomes forward-looking information.

Chartered Accountants Ireland

Paragraph 134L (a)(i) and (ii) requires an evaluation of the appropriateness of the application of the requirements of the applicable criteria relevant to estimates/forward looking information. We believe that the reference to evaluating appropriateness brings the assurance provider into procedures akin to a reasonable assurance engagement. Therefore, further clarity is required in relation to the level of work effort required in a limited assurance engagement.

Paragraph 134L (b) requires a practitioner to "Consider whether other procedures are necessary in the circumstances.". We believe that this could be seen as an open-ended instruction to carry out additional work and suggest that it is supplemented with additional application material and specifically linked to paragraph 133L.

Professional accountants and auditors have a level of experience and practical application of estimates and how to address them when they arise. Therefore, the industry has accumulated experience of how to stress test and challenge estimates. There is a distinct lack of application guidance relating to estimates in the draft ED which could make this subject very difficult for other providers who don't have the same experience. We

would recommend supporting paragraph 134 with significantly more application guidance to address this issue.

Institute of Chartered Accountants in England and Wales (ICAEW)

We do not agree with the approach to the requirements related to estimates and forward-looking information. These are two distinct concepts and should be addressed separately in the standard.

Additionally, we have concerns about the ease of application of ISA 540 requirements to sustainability assurance engagements, in particular testing approach 'Option B' - the development of a point estimate or range. These concerns relate to both applicability and understandability for non-auditor practitioners who may not have encountered these concepts before, as well difficulties in applying well established audit concepts to more complex estimate approaches in sustainability reports.

We encourage the IAASB to consider whether it might be more appropriate for reasonable assurance engagements to require testing how management made the accounting estimate and then determine whether more work (ie, Options B or C) is needed in the circumstances of the engagement.

As noted above, we have concerns that non auditor practitioners may lack a familiarity with ISA 540 that is realistically implicitly required by ED 5000. At the least, to fulfil the professionally agnostic remit of the standard, cross references or, in an electronic document, hyperlinks, will be necessary. However even then, additional practical guidance material may be necessary given the nature of sustainability-related estimates.

We note that paragraph 134L requires the practitioner to evaluate criteria, methods, and changes with no requirement for consideration of assumptions and data used. We question whether this is sufficient. We also note that neither paragraphs 134L nor 135L/R include an option to consider any further procedures if necessary, and we suggest that the IAASB considers whether this option should be included. We also note the lack of a requirement to evaluate the outcome against prior year estimates for limited assurance engagements and suggest the IAASB reflects on whether in fact there should be such a requirement.

We appreciate that providing assurance over forward-looking information is challenging and that this is likely to be an area that evolves over time. However, we have concerns as to whether the ED 5000 requirements as they stand are sufficiently robust, including understandability for other assurance practitioners. The IAASB should consider whether further practical guidance or possibly a separate standard in the ISSA 5000 series; is required.

We note that in some nascent reporting frameworks, such as IFRS S1 and S2, there are certain reliefs on estimates and/or forward-looking information taking into consideration that these disclosures are immature. We believe that there should be clarification as to how a practitioner should react to such reliefs.

We would also welcome an Initial Engagements section in the standard, or a separate standard for Initial Engagements in the 'ISSA 5000 series'.

Institute of Chartered Accountants of Scotland (ICAS)

As IAASB is aware this is one of the more challenging areas for assurance practitioners. However, we believe IAASB has to revisit its approach to this area as it is rather weak and appears to recognize this by its statement in the explanatory memorandum that this matter could be addressed further in a separate topic-specific ISSA in the future. Whilst we recognise that there will undoubtedly be a need to revisit this area in the future, the current content is not yet at a satisfactory stage and more work is required.

Estimates are generally quantitative in nature and therefore are well served by the requirements and application material of ISA 540. However, forward looking information is more qualitative in nature and not

readily applicable to the approach adopted in ISA 540. We note that the application material in ED-5000 recognises this distinction. Therefore, the approach adopted at paragraphs such as A228 needs to be better reflected in the requirements to ensure that this distinction is more clearly highlighted.

In summary, separation is needed between the procedures required for estimates and those needed for forward-looking information. In both cases, the requirements related to those topics need to be aligned and consistent with existing IAASB standards.

Instituto de Censores Jurados de Cuentas de España (ICJCE)

Agree with ISSA 5000 approach with reference to estimates.

Not agree that ISSA 5000 approach is appropriate for forward looking information. For such forward looking information, considering that they refer frequently to circumstances very far in the future and that very frequently clear methodologies are not available, applying ISA 540 approach seems not reasonable. We think that a more appropriate approach would be the one that the IAASB considers now appropriate for the examination of forecast information, that is the guidance included in ISAE 3400.

For forward looking information ISSA 5000 should apply an approach based on the guidance included in ISAE 3400 instead of the approach used in ISA 540.

Further guidance maybe needed for the nature of evidence that may be deemed sufficient for the challenges posed by qualitative and forward-looking information.

Instituto Nacional de Contadores Públicos de Colombia (INCP)

In this regard, we consider that the minimum requirements to perform a limited assurance engagement should be included, establishing what would be appropriate for the assumptions used by the entity and what the indicators would be to reasonably establish a deviation.

New York State Society of Certified Public Accountants (NYSSCPA)

Response: No, the proposal needs to add the equivalent of what is referred to in the United States as “safe harbor” language. “Safe harbor” language utilizes the “safe harbor” provisions provided under the Private Securities Litigation Reform Act of 1995 (PSLRA). Those provisions offer companies, and their assurance practitioners, some protection from private securities litigation if they make forward-looking statements accompanied by meaningful cautionary statements.

By including meaningful cautionary statements that are obvious to the reader with each management forecast or estimate, companies shield themselves, and their assurance practitioner, from potential legal actions or investor claims if the actual results turn out differently from what was predicted. The intent is to provide the reports’ users with a fair warning that the forecasts and or estimates are inherently subject to risks and uncertainties.

Nordic Federation of Public Accountants (NRF)

We believe that forward-looking information and estimates deserve different approaches. Forward-looking information is based on assumption for future events and tend to be more narrative in nature and less based on present/current circumstances, while estimates are based on present/current circumstances (to some extent known) for which a quantitative prediction is possible. Accordingly, we recommend that the topics are split up and IAASB consider whether there are materials in ISAE 3400 The Examination of Prospective Financial Information that would be relevant to include in ED-5000.

Given the potential significance of estimates to users of the sustainability information, we recommend that the practitioner shall consider the appropriateness of the assumptions used by the entity when performing limited assurance (paragraph 134L).

Further, we recommend IAASB to consider including a requirement for limited assurance engagements of obtaining evidence from events occurring up to the date of the practitioner's report similar to the requirement for reasonable assurance.

NOREA - Dutch Professional Association of Registered IT Auditors

In practice, estimates and forward-looking information may be prepared by the use of IT systems. It may be relevant to consider whether evaluation of the systems used to prepare these estimates or forward looking-information are designed appropriately and whether there are any additional risks (such accuracy of estimates and forward-looking information) present from the use of IT systems. We further recommend differentiating between limited and reasonable assurance engagements.

We recommend considering reflecting these possibilities in the A paragraphs of ED-ISSA5000.

Pennsylvania Institute of Certified Public Accountants (PICPA)

The committee is concerned that proposed standard does not contain sufficient guidance for providing assurance on forward looking information. This is clearly a high-risk area prone to misstatements. The committee notes the following areas of concern:

The proposed report does not include verbiage separately addressing forward-looking information or providing any qualifying language about limitations (e.g., the results may not be achieved, the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report, etc.) or restrictions as to use.

The guidance does not have a requirement that key assumptions be included with the forward-looking information to ensure that the reader is aware of the uncertainty of the possible outcomes.

There does not appear to be any limitations on providing limited assurance on the forward-looking information. This is a major change from the current assurance standards for which there is no review engagement of prospective financial information.

Wirtschaftsprüferkammer (WPK)

The WPK welcomes that the requirements on estimates and forward-looking information are addressed in the standard. Both topics are of considerable importance in financial reporting. Similarly, estimates and forward-looking information are also expected to play a significant role in sustainability reporting in the future.

Recommendation:

Against this background, we consider the requirements to be somewhat concise and recommend to provide additional application material.

In the context of financial statement audits, estimates as dealt with in ISA 540 relate mainly to "historical financial information". On the other hand, forward-looking information pertains to prospective financial data and is characterized by a notably higher level of uncertainty (refer to ISAE 3400). Similarly, we recommend that the IAASB provide distinct and comprehensive guidance on both subjects in relation to sustainability assurance engagements.

11. Academics

Accounting and Finance Association of Australia and New Zealand

We do not agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information in that the extant research would suggest that the current requirements and associated application material may not be sufficient to achieve limited (paragraph 134L) or reasonable (paragraph 134R) assurance in many circumstances. Specifically, we encourage the IAASB to incorporate a consideration of management bias when providing limited assurance over estimates and forward looking information, provide a balanced coverage of the estimation uncertainty and management bias, require all three approaches to reaching reasonable assurance (rather than just one of the three), and to require evaluation of not only the appropriateness of changes to management's method, assumptions and data, but also the appropriateness of any method, assumptions and data retained from a previous period.

While we acknowledge the possibility of the IAASB drafting a topic specific ISSA on estimates and forward-looking information in the future (and given the significance of this aspect of sustainability assurance would strongly support this being high on the IAASB's list of priorities), we believe that this topic needs to be more comprehensively addressed in the overarching standard.

The requirements and application material reflect current approaches presented in ISA540 (Revised). Research across audit and other disciplines (to date primarily climate science) suggests that the approach adopted in auditing accounting estimates may not be sufficient when providing assurance on future oriented sustainability information.

Future oriented sustainability information will often be characterised by significantly higher levels of estimation uncertainty than is the case for estimates covered by ISA540 (by way of illustration, see Wu et al. 2022 for a discussion on uncertainty in climate projections). We believe that the assurance practitioner's work will need to be more extensive in order to achieve limited or reasonable assurance. Research in the audit literature points to areas where that increased work effort may be needed.

Research highlights the extent to which management bias may consciously and subconsciously intrude on the determination and reporting of complex estimates (e.g., Seidel, Simon and Stephens 2020), with the potential for bias increasing as complexity and subjectivity increases. Given the inherent subjectivity and estimation uncertainty characterising sustainability estimates and forward-looking information, we are concerned that the application material relating to management bias in estimates and forward-looking information (i.e., paragraphs A393R, A394R and AA395R) is concerned only with reasonable assurance (i.e., paragraph 134R). We encourage the IAASB to broaden the applicability of application material around management bias to the requirements for the provision of limited assurance and not exclusively to reasonable assurance (or otherwise risk giving the impression that management bias is not a factor for the provision of limited assurance).

We further note that while management bias is emphasized in application material relating to an assessment of management's method, assumptions and data, estimation uncertainty is discussed as an overarching consideration in paragraphs A390 to A392. We note research (Van Landuyt 2021) highlighting that emphasis on management bias can have the unintended consequence of reducing sensitivity to measurement imprecision (i.e., estimation uncertainty). Given the significance of estimation uncertainty in sustainability assurance, we encourage the IAASB to reflect on whether there is sufficient balance in the coverage of estimation uncertainty and management bias in the application material supporting paragraphs 134L and 134R.

We also note that paragraph 134R requires only one, but optionally more, of the three approaches to reaching reasonable assurance over estimates and forward-looking sustainability information. We note research highlighting that auditors overwhelmingly follow a verification frame and test management's model rather than develop their own independent estimate (Griffith Hammersley and Kadous 2015). To the extent that this preference translates to a sustainability reporting setting, there is a risk that the assurance practitioner will overlook evidence contradictory to management's models and assumptions as well as overlook pertinent information that has not been considered in management's modelling. Glover, Taylor and Wu (2017) highlight that auditors increasingly use a combination of the three approaches as complexity increases. We encourage the IAASB to consider requiring that all three approaches be undertaken (rather than just one) or, as an alternative, provide application material speaking to the impact of complexity and estimation uncertainty on the number of approaches that should be applied.

Finally, we are concerned by the focus on testing the appropriateness of any changes to the method, assumptions and data used by management (i.e., paragraphs 134L(a)(iii) and 134R(a)). In a sustainability setting, methods, assumptions and data may appropriately (and sometimes significantly change) (see Eyring et al 2021 for an illustrative discussion of the developments in climate science over the last decade). The deferral of any appropriate change/update is just as likely to threaten the achievement of limited or reasonable assurance as an inappropriate change. We encourage the IAASB to require evaluation not only of any changes but also the retention of what was done in previous periods.

12. Individuals and Others

Capitals Coalition

While what is set out in the proposed standard is sound, it is important for the IAASB to recognize that increasingly entities are beginning to monetise impacts by applying a value factor (or price) to the quantity of externalities – e.g. multiplying the quantity of carbon by the social cost of carbon to determine an overall estimate of the costs that have been externalised. There is significant variation in value factors depending on geography and other factors so it is an area that deserves more consideration on what role the practitioner needs to play in evaluating what the entity has reported and the basis for its calculation. Some examples here would be helpful to illustrate the point given these methodologies are still maturing.

Japan Accreditation Board (JAB)

In addition to ISA 540, it is necessary to set requirements and guidance's of the estimate and forward-looking information for sustainable information. The current A 391 provides the framework only, that will not able to demonstrate the support for Paris agreement and related transition for forward-looking information.

JAB recommends IAASB to require:

the consistency of the objectives and their coherence with the material topics

the suitability of planned actions to achieve the objectives as baseline

the availability of resources to provide stakeholders with confidence that an objective is achievable

the risk that action planned not be implemented

the approach to monitor the action plan, and the appropriateness of the trajectory for carbon neutrality

ED 5000 also needs to specify how to evaluate the likelihood and consequence (gravity, scale, irremediability) of potential events and impacts.