

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 8

Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

### 8.2 Agree with comments

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

##### Ceres, Inc.

Paragraph A199 states that in determining whether the sustainability information within the scope of the engagement is appropriate the practitioner may consider whether the information “is likely to meet the information needs of intended users.” It is not clear to us how the practitioner will go about doing this, and further guidance might be useful.

##### Link Asset Management Limited

ED-5000 needs clearer guidance on the practitioner's responsibility for understanding sustainability information and the assurance engagement's scope. We recommend specifying the required competencies and knowledge areas, including familiarity with sustainability frameworks and materiality processes, to ensure practitioners are adequately prepared for effective assessment.

##### Philip Morris International INC.

We consider that a degree of flexibility should be embedded when the practitioner is forming the preliminary understanding of the sustainability information expected to be reported. Particularly in the first years of regulatory driven sustainability reporting, entities subject to assurance might need to fine-tune the sustainability information to be reported, post engagement acceptance. Further guidance on how to treat such modifications on scope would be helpful in managing engagements on both practitioner and auditee side.

#### 4. Regulators and Audit Oversight Authorities

##### Accounting and Auditing Board of Ethiopia

There should be a further guidance on defining the preliminary knowledge required by the engagement team or the mandatory engagement of an expert in the standard before accepting the engagement.

##### Accounting and Corporate Regulatory Authority

Sustainability assurance may be carried by parties who are not statutory auditors of the company. These parties could also be non-accounting assurance firms. The assurance scope may be limited such as ‘limited assurance’ on Scopes 1 and 2 GHG emissions, which is one of many disclosures in climate reports.

For such circumstances, the requirements in paragraph 69 and A154-A159 appear to demand a level of understanding that exceeds what is typically conducted for limited assurance engagement at pre-acceptance stage.

For instance, an in-depth understanding of the entire entity at pre-acceptance stage can be dispensed with if the assurance provider is only engaged to provide 'limited assurance' on Scopes 1 and 2 GHG emissions. Instead, the assurance provider should be required to identify underlying incentives, pressures, and opportunities (and likelihood) for misstating those disclosures, for example, whether ambitious net-zero targets have been publicly communicated or a high percentage of directors' remuneration is tied to those targets.

The IAASB could consider introducing similar requirements to those outlined in paragraph A303, where the practitioner may use professional judgment to determine the characteristics of the entity and its environment that are relevant to the sustainability information. This will enable practitioners to apply requirements proportionate with the scope and extent of assurance.

#### **Botswana Accountancy Oversight Authority**

ED 5000 is sufficiently clear about the practitioner's responsibility. This will assist the practitioner to provide an appropriate basis for determining whether the preconditions for an assurance engagement are present in order to accept or continue with the assurance engagement.

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

Overall response: Yes, with comments below

Detailed comments (if any):

See response to Question 10.

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

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

While paragraph 69 itself is clear as to the need for preliminary knowledge of the engagement circumstances, the extent of that knowledge is unclear. We have the following comments and recommendations in this regard.

- The extent to which the practitioner is expected to obtain a detailed understanding of the entity's reporting/materiality process is not clear. It may be unlikely, at pre-acceptance, for the practitioner to obtain detailed information about the entity's reporting process and reporting boundary. Paragraphs A156-A157 imply a level of understanding that may be more commonly associated with the detailed understanding of the entity and its environment that the practitioner obtains as part of risk identification or risk assessment procedures, after having accepted the engagement. Accordingly, paragraphs A156-A157 should be moved to be application material linked to paragraph 97.
- The Explanatory Memorandum further states: "The extent of the preliminary knowledge needed in paragraph 69 of ED-5000 would be limited to what is sufficient for acceptance or continuance of the engagement." While the standard should not impose requirements on the practitioner that may be unnecessarily onerous prior to acceptance or continuance of the engagement, the standard should include examples of different ways to obtain this knowledge in the context of existing frameworks as compared to entity-developed criteria.
- Paragraph 70(a) requires the practitioner to determine whether management, or those charged with governance, as appropriate, have a reasonable basis for the sustainability information. We recommend rephrasing this requirement to state that the practitioner should use professional judgment in determining

whether management, or those charged with governance, as appropriate, have a reasonable basis for the sustainability information. Paragraph A162 indicates that the practitioner may do so by considering whether management has a formal process with robust controls to enable the preparation of the sustainability information that is free from material misstatement. Given the level of immaturity in sustainability information reporting, this is a very high bar. We recommend deleting the words formal and robust (note that these adjectives are subjective and not consistent with the IAASB's Complexity, Understandability, Scalability and Proportionality: Drafting Principles and Guidelines [Draft] ("Draft CUSP Guidelines")).

Paragraph A163 states that if the practitioner becomes aware that there are deficiencies in management's process to prepare the sustainability information that is not within the proposed scope of the assurance engagement and is therefore other information, this may indicate that management or those charged with governance, as appropriate, does not have a reasonable basis for the sustainability information. Obtaining this information would require a detailed understanding of the entity's reporting and materiality processes and system of internal control that is not commensurate, in our view, with preliminary knowledge of the engagement circumstances. Paragraph A163 should be revised to clarify that this level of understanding of management's process happens during the engagement, not as part of the acceptance process.

#### Paragraph 71

Consistent with the Draft CUSP Guidelines, we suggest moving the second sentence of paragraph 71 to application material.

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

We believe ED-5000 is clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement.

However, we believe paragraph A156 (application material to paragraph 69(a)) should also refer to the practitioner considering controls over the entity's process to identify topics and aspects of topics to be reported.

Management's process to identify topics and aspects of topics to be reported, even in simpler cases where the disclosures are prescribed or selected for a special purpose or use, is a process relevant to sustainability reporting. Therefore, the practitioner may consider the controls over that process when obtaining a preliminary knowledge of the sustainability information expected to be reported.

Suggest:

Revising paragraph A156 as follows:

"In obtaining a preliminary knowledge of the sustainability information expected to be reported, the practitioner may consider whether the topics and aspects of topics to be reported, and the reporting boundaries, have been or will be determined by management through an appropriate process. This may include whether there are controls that enable and support the preparation of the sustainability information".

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

We agree that generally the practitioner should obtain a preliminary knowledge of the engagement circumstances as a basis for determining whether the preconditions for an assurance engagement are present, we believe that the work effort for this would be considerably less in cases where laws and regulations (or local authorities) determine the sustainability information to be reported, the set of criteria,

the scope of the assurance engagement and the roles and responsibilities of management and those charged with governance.

In other words, in the EU and therefore, practitioners in EU Member States would not need to perform detailed procedures to evaluate whether:

the sustainability matters within the scope of the engagement are appropriate

the criteria (except entity-developed criteria) are suitable for the engagement circumstances

the engagement exhibits a rational purpose

While we understand the need to obtain some understanding about the company's materiality process in order to ensure that the reporting will likely include all material matters as a precondition for an assurance engagement during the acceptance process, we recognise that obtaining this information in practice may be very complex especially with regard to the (full) value chain.

Therefore, we recommend clarifying that the preconditions should be met before starting the risk assessment and planning process and not at the level of the acceptance process.

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

Additionally, we suggest expanding the guidance in ED-5000 paragraph A155, which mentions examples of information that may be relevant in the understanding process, but it is not clear which level of understanding and possible impacts on the acceptance or continuance of the engagement.

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

We note that some aspects of this preliminary knowledge may be difficult to obtain before the acceptance of the engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. As an example, it may be difficult in these circumstances to obtain a preliminary knowledge of the:

Reporting boundaries: for example, the practitioner may understand that reporting boundaries will include value chain information but may not know at this stage the identity of all the entities for which information will be included in the sustainability information.

Materiality process: for example, the practitioner may not be able to obtain a detailed understanding of the materiality process that the entity will apply, as this materiality process may still be under development.

Suitability of the criteria: evaluating the suitability of criteria may require significant effort from the practitioner, particularly where the sustainability information covers a wide range of topics and the framework criteria embodied in law or regulation need to be supplemented by entity-developed criteria (as described in paragraph A170).

Evidence to support the practitioner's conclusion: determining whether the practitioner will be able to obtain the evidence needed may also be very challenging until the practitioner has obtained sufficient knowledge of the above matters, including the ability to obtain the evidence needed relating to the value chain information.

We therefore recommend the IAASB include an application material paragraph to explain that some detailed aspects of the scope of the proposed engagement may not be known during the preliminary understanding phase (and provide examples, similar to the examples we have provided above) and that this situation should not preclude the practitioner from accepting the engagement.

Further, additional requirements and related application material could be added to clarify that these matters would require further consideration at the planning stage, risk assessment stage and thereafter on an iterative basis in order for the practitioner to complete its preliminary understanding.

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

#### **Rational Purpose**

Given there is no mandatory requirement for assurance on sustainability information in Hong Kong, all assurance engagements are carried out on a voluntary basis (unless specifically requested by a particular party). Therefore, entities may select certain sustainability information for the purpose of obtaining assurance.

Theoretically, ED-5000.74 may help ensure assurance engagements serve a rational purpose in the future as practitioners are required to assess, as part of the preconditions for accepting an assurance engagement, the reasons for excluding certain parts of the reported sustainability information from the scope of the assurance engagement.

Nevertheless, in jurisdictions where there is no mandatory requirement for obtaining assurance on sustainability information, applying ED-5000.74(c) may be challenging and require judgement. This is particularly the case when evaluating the adequacy of justification provided by an entity for excluding certain material sustainability information from the assurance scope. The judgement to be exercised will depend on, among other factors, the qualification and expertise of the assurance practitioner(s) for the engagement. For instance, certain practitioners may consider an entity's unwillingness to pay sufficient fees to cover material areas (absent any other reasons) as legitimate justification to exclude those areas from the assurance scope, whereas others may not. To ensure effective and consistent application of ED-5000.74(c), it is important to educate stakeholders, particularly intended users and all practitioners on the benefits of having the sustainability information assured by qualified professionals. This aligns with our response in Question 1. Stakeholders should recognize the fee associated with an assurance engagement is influenced by various factors, such as the scope and complexity of the engagement, expertise and experience of the assurance practitioners, and the time and effort required for the engagement, etc.

The HKICPA reiterates the importance of upholding the quality of assurance on sustainability information in Hong Kong through consistent application of ED-5000.

#### **Preconditions Not Present After Acceptance**

ED-5000.76 states that if it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner shall discuss the matter with the appropriate party(ies), and determine whether the matter can be resolved to the practitioner's satisfaction. If the matter cannot be resolved to the practitioner's satisfaction, the practitioner shall:

Withdraw from the engagement, if that is possible under applicable law or regulation; or

If withdrawal is not possible under applicable law or regulation, continue with the engagement and express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances. (Ref: Para. A202).

The drafting of the ED-5000.76 seems to require the practitioner to withdraw from the engagement under the aforementioned circumstances unless withdrawal is not possible (i.e. even if only one precondition among all as set out in ED-5000.69 to ED-5000.74 is not present).

A similar requirement is noted in ISAE 3000.43 (Revised) but it is worded differently which could be interpreted to provide more flexibility for the practitioner to continue with the engagement. ISAE 3000.43 (Revised) states that if it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable or some or all of the underlying subject matter is not appropriate for an assurance engagement, the practitioner shall consider withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the practitioner continues with the engagement, the practitioner shall express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances.

As such, we recommend that the IAASB clarify whether ED-5000.76 and ISAE 3000.43 (Revised) should be interpreted the same way, or only when the respective preconditions set out in ED-5000.76 and ISAE 3000.43 (Revised) regarding suitable applicable criteria or appropriate underlying subject matter are not present, and that the IAASB consider revising the drafting of ED-5000.76 to avoid the unintended consequences of practitioners being required to withdraw subsequent to acceptance in those circumstances when there is no such restriction under ISAE 3000 (Revised).

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

We believe that the draft is sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement. We have only one comment in relation to paragraph 70 (a). We do not believe that a practitioner is able to evaluate whether the entity has a reasonable basis for the sustainability information as part of the preliminary knowledge – rather, the practitioner can evaluate whether management, or those charged with governance, when appropriate are expected to have a reasonable basis for the sustainability information. We suggest that this paragraph be changed accordingly.

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

We have a suggestion to paragraph A161 of ED-5000, which states, “If the engagement does not have at least three parties, it is unable to satisfy all of the elements of an assurance engagement under the International Framework for Assurance Engagements. The practitioner’s responses may include: (...) conducting the engagement as a consulting engagement. (...)” (underline added)

Since jurisdictional independence rules, law or regulations may prohibit such a consulting engagement, we suggest adding an underlined phrase in paragraph A161 of ED-5000 as follows:

Conducting the engagement as a consulting engagement, unless otherwise prohibited.

Similar to paragraph A161, paragraph A189 also refers to a consulting engagement and may need similar revisions.

We also recommend that the IAASB ensure consistency between paragraphs A161 and A189 of ED-5000 and the IESBA Code’s ethical and independence requirements for sustainability assurance, when finalizing the ED-5000.

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

We agree that the practitioner needs to obtain a sufficient level of information to determine whether the scope of the assurance engagement is appropriate (i.e., that there is a rational purpose). While paragraph 69 itself is clear as to the need for a preliminary understanding, the extent of that understanding and, specifically, the extent to which the practitioner is expected to obtain a detailed understanding of the entity's reporting/materiality process is not clear.



It may be unlikely, at pre-acceptance, for the practitioner to obtain detailed information about the entity's reporting process and reporting boundary. Paragraphs A156-A157 imply a level of understanding that may more commonly be associated with the detailed understanding of the entity and its environment obtained as part of risk assessment procedures having accepted the engagement.

In addition, A158 remains unclear as to the circumstances for which a narrower scope assurance engagement that covers only certain jurisdictions, entities, operations or facilities within the reporting boundary, may be determined as having a "rational purpose" at the pre-acceptance stage.

While we agree with ED-5000 should not impose requirements which may be unnecessarily onerous prior to acceptance or continuance, we believe the requirements and guidance need to be clarified as to what constitute a sufficient knowledge of entity's reporting process and reporting boundary, rather than leaving this to the practitioner's judgement.

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

The NZAuASB agrees that ED-5000 is clear that the practitioner shall obtain a preliminary knowledge of the sustainability information and scope of the engagement. We recommend that this should be more specific about what this should include and involve.

We stress the importance of context, given the wide range of information that may be reported. What is relevant is context-specific, it may be global, local, regional, or very site-specific.

We stress the importance of the need for the practitioner to obtain a preliminary and appropriate level of understanding of the sustainability matters to be reported, to ensure that there is sufficient understanding of the sustainability considerations, and knowledge needed to accept and undertake the engagement.

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

While we generally agree with the proposed approach, we suggest the following amendments:

- Firstly, we suggest that the Engagement Leader will also have a defined role in the processes regarding the preliminary circumstances of the engagement, including its scope. This seems relevant since the engagement leader will bear the ultimate responsibility for the assurance report, for which the scope is an essential element.

- Also, the preliminary knowledge of the engagement circumstances should include a high level review of the company's materiality process and whether, as a result of the company's materiality process, the relevant topics will be in scope of the sustainability reporting and the proposed assurance engagement.

## **7. Accounting Firms**

### **BDO International Limited**

The practitioner's responsibility to obtain preliminary knowledge about the sustainability information expected to be reported as part of their consideration of preconditions for assurance engagements is clear. However, ED-5000 requires that the practitioner obtain 'preliminary knowledge' about a large volume of matters (as described in A154 to A159), which may be challenging without clarity about the extent of the preliminary understanding required to appropriately conclude that preconditions for an assurance engagement have been met.

For example, as described in A156, “In obtaining a preliminary knowledge of the sustainability information expected to be reported, the practitioner may consider whether the topics and aspects of topics to be reported, and the reporting boundaries, have been or will be determined by management through an appropriate process” (emphasis added). The extent of this consideration is not clear; and the information required to appropriately make the consideration may not be available at the stage of evaluating whether preconditions for acceptance of an engagement are met.

Further the following clarifications would be welcome in determining whether the preconditions for an assurance engagement are present

We suggest clarifying that obtaining a preliminary understanding of the scope of the engagement does not require, for example, the determination of materiality to determine the extent of work expected over the sustainability information.

The consequence of a practitioner determining that there is a likely expected limitation of scope which is expected to result in a modification to the conclusion, but not necessarily a disclaimer of conclusion. A ‘practitioner’s conclusion’ can include a ‘modified conclusion’, for which the practitioner is expected to have sufficient appropriate evidence. This is particularly relevant as A189 may lead a user to understand the requirement in paragraph 73(a) as a requirement to expect the practitioner to provide an unmodified conclusion. We propose making it clear that this is not the intention; especially while an entity’s processes are maturing by linking to paragraphs 163-165.

The wording of paragraph 73(b) currently presents two options only for conclusions: ‘a reasonable assurance engagement or a limited assurance engagement’ which suggests that there would be no option to perform an engagement to provide reasonable assurance over certain disclosures, or aspects of topics, or topics, and limited assurance over others. However, this scenario is expected to arise, and is even referred to in A154. We suggest updating the wording to ‘or a multi-scope engagement, providing reasonable assurance over some of the subject matter, and limited assurance over the other’ or something similar.

The concept of ‘a rational purpose’ in paragraph 74 is challenging in practice under extant standards, as it is not often well-defined. It would be helpful to either define the attributes of an engagement that has a ‘rational purpose’ or to reframe the explanatory text as a question, such as how the practitioner would answer the question ‘Does it make sense for an assurance practitioner to be asked to provide assurance over this and only this?’ Related to this issue, in paragraph A198, it would be helpful to clarify the impact on the assurance engagement if preconditions are met for some areas (where processes to gather information are more developed) but not others. This helps the practitioner in determining whether there is a ‘rational purpose for an engagement’ if other preconditions were met for topics that may show the entity in a good light, but not for others. In this regard, A199(a) and(b) and A200 are very helpful.

Finally, we appreciate the reference in A190L about the need for availability and accessibility to evidence being the same regardless of the level of assurance. We propose to make this even more explicit, for example, by using the following wording: ‘it would not be appropriate for a practitioner to agree to perform a limited assurance engagement if they believe that they would be unable to obtain sufficient appropriate evidence to support a reasonable assurance conclusion’. This would link back to the requirement in 74(a) about obtaining ‘a level of assurance that is meaningful’.



### Ernst & Young Global Limited

We believe that ED-5000 is sufficiently clear about the practitioner's responsibility to obtain preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement.

However, we note that some aspects of this preliminary knowledge may be difficult to obtain before the acceptance of the engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. As an example, it may be difficult in these circumstances to obtain a preliminary knowledge of the:

Reporting boundaries: For example, the practitioner may understand that reporting boundaries will include value chain information but may not know at this stage the identity of all the entities for which information will be included in the sustainability information.

Materiality process: For example, the practitioner may not be able to obtain a detailed understanding of the materiality process that the entity will apply, as this materiality process may still be under development.

We therefore recommend the IAASB include an application material paragraph to explain that some detailed aspects of the scope of the proposed engagement may not be known during the preliminary understanding phase (and provide examples, similar to the examples we have provided above) and that this situation should not preclude the practitioner from accepting the engagement.

### Grant Thornton International

We agree that ED-5000 is sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed engagement. However, we believe that the practitioner's responsibility to obtain preliminary knowledge about the scope of the proposed assurance engagement may create an undue barrier for practitioners. Currently, many entities do not have a sustainability report in advance of requesting proposals for assurance engagements. As a result, when practitioners propose on sustainability assurance engagements, they may not know the sustainability information expected to be reported and/or whether the scope of the proposed engagement extends to all or a part of that sustainability information. We anticipate that this will continue to be an issue in the future as entities may not prepare a full sustainability report including all topics during the early years of needing assurance over just one or a small number of disclosures.

In addition, ED-5000, paragraph A162 includes guidance to consider whether management has a formal process with robust controls to enable the preparation of sustainability information that is free from material misstatement. This guidance contradicts subsequent guidance in ED-5000, paragraphs A331R, A332R and A345 related to the entity's process for monitoring the system of internal control. This subsequent guidance indicates that in less complex entities, and in particular owner-manager entities, the entity's process to monitor the system of internal control is often focused on how management or the owner-manager is directly involved in operations, as there may not be other monitoring activities and entities may not have a formal process. We question how regulators will interpret this guidance in totality, given the contradiction between whether entities are expected to have robust controls over the preparation of sustainability information. Additionally, we question the scalability of this requirement. In practice, we see that it is primarily very large entities with significant monetary and personnel resources who are already preparing full sustainability reports over all topics that have a robust system of internal controls over sustainability information. Many smaller entities, and those entities needing assurance over only one or a few disclosures, have not implemented a robust and/or formal system of internal controls over their sustainability information.

The proposed requirements in ED-5000 lack clarity and specificity about how much knowledge the practitioner needs to obtain before accepting the engagement. We propose the IAASB remove ED-5000 paragraph A162 and incorporate the framework behind ISAE 3000 (Revised) (paragraphs A40-A44) that explains the practitioner's responsibilities related to obtaining a preliminary understanding in more detail. Including this application material in ED-5000 will drive consistency in application as professional accountants would use their knowledge and experience under the ISAs and ISAEs to determine the extent of preliminary knowledge needed.

#### KPMG International

We believe the practitioner's responsibilities to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement are clear and that, based on this understanding, the practitioner is required to determine whether the preconditions for an assurance engagement are present. Notwithstanding that we believe these are clear, we make a number of recommendations below, in related areas where we believe that ED-5000 could be enhanced, for the IAASB to consider.

We highlight that such "preliminary" knowledge may need to be relatively extensive for many sustainability assurance engagements and that, having obtained such knowledge, there is perhaps a greater likelihood that the practitioner may determine that the preconditions for a sustainability assurance engagement are not (yet) present. This is more likely to be the case in circumstances where entities are preparing sustainability information for the first time, as well as when there are changes in respect of a sustainability assurance engagement in subsequent periods, which we note are situations that are expected to occur more frequently given the rapidly evolving environment.

Include additional practical considerations to establishing the preliminary knowledge

Accordingly, we recommend that the proposed standard explicitly acknowledge this reality and include additional practical considerations in the application material to assist practitioners in navigating these challenges, such as considering whether to establish the "preliminary knowledge" as a separate engagement in the form of a "readiness for assurance" engagement. We note that paragraph A189 refers to the practitioner performing an agreed-upon procedures engagement or a consulting engagement in preparation for an assurance engagement at a later date, when an entity has little experience with the preparation of sustainability information, and therefore we suggest expanding/clarifying this paragraph to also address the preliminary stages of an assurance engagement itself.

Clearer linkage of the evaluation of preconditions for an assurance engagement, including whether there is a rational purpose to the engagement

Furthermore, we recommend that the standard place greater emphasis on the inter-relatedness of the preconditions for an assurance engagement, e.g., that the determination as to whether the underlying sustainability matter is appropriate (including whether the particular topics and aspects of topics are capable of consistent measurement/evaluation and are sufficiently distinct/disaggregated, and the subject matter information is complete in accordance with the criteria) is interlinked with the evaluation of other preconditions. In connection with this, we note that paragraph 74 may be interpreted as suggesting that the determination as to whether there is a rational purpose to the engagement is an ultimate, and binary, conclusion based on the evaluation of the other preconditions for an assurance engagement being in place. However, we do not consider that this appropriately reflects the fact that a rational purpose being in place is itself a precondition for an assurance engagement and the determination as to whether there is a rational purpose also requires evaluation of relevant factors, as for the other preconditions, with the evaluation as to

whether the preconditions are present being interlinked. We note that this is more clearly expressed in ISAE 3000 (Revised), at paragraph 24. Accordingly, we recommend that ED-5000 make reference to the practitioner's "determination" as to whether the preconditions for an assurance engagement are present, based on evaluations of key aspects of each of the preconditions. We also recommend that related application material clearly recognise the complexities and challenges in respect of evaluating each precondition, the need to use professional skepticism and professional judgement, and set out guidance for the practitioner to help them navigate these challenges. These would include factors to consider, scalability considerations and illustrative examples to assist practitioners in considering the interlinkage of the different preconditions.

We also note that the consideration as to whether the precondition that there is a meaningful level of assurance for the intended users, in respect of a limited assurance engagement, may be a highly judgemental matter that involves thoughtful consideration of the needs of the intended users. We believe that it is also a more iterative determination than the proposed standard appears to envisage. Whilst paragraph A193L makes reference to this, we consider that more guidance (e.g., in the form of illustrative examples) would be helpful for practitioners to guide them in making appropriate decisions. We recommend that the IAASB explore the development of such examples for inclusion in the EER Guidance, and work with NSS and other bodies to develop these.

Greater emphasis on the iterative nature of the practitioner's evaluation as to whether the preconditions for an assurance engagement are present

We consider that the proposed standard does not sufficiently acknowledge the complexity and iterative nature of the practitioner's determination that the preconditions for an assurance engagement are present. We believe that the evaluation of the preconditions, e.g., whether the sustainability information is appropriate and whether the practitioner expects to be able to obtain sufficient appropriate evidence, would need to be evaluated further during the planning and risk procedures stage. Whilst these more detailed considerations could build on the preliminary knowledge obtained for making the engagement acceptance/continuance decision, the practitioner would need a more extensive understanding than such preliminary knowledge. Please refer also to our comments in response to Question 10, regarding our recommendation that ED-5000 include an additional requirement within the Risk Procedures section of the standard to explicitly require the practitioner to determine whether the criteria are suitable to the engagement circumstances.

Additional application material relating to the evaluation of whether the sustainability matters within the scope of the engagement are appropriate

In connection with this, whilst we are supportive of the application material addressing practitioner considerations as to whether the topics and aspects of topics to be reported, and the reporting boundary(ies), have been or will be determined by management through an appropriate process, we do not consider that the standard addresses this in sufficient detail. We believe that in order to evaluate whether the sustainability matters within the scope of the engagement are appropriate, identifiable and capable of consistent measurement, the practitioner would need to develop a relatively robust understanding of the entity's activities and the related sustainability matters that could influence intended users' decisions as well as the process to develop the sustainability information. We also believe the practitioner would need to understand the wider sustainability information that is outside the scope of the particular assurance engagement (if any), considering the information needs of intended users. Please refer to our response to Question 9, which sets out our concerns in this area in more detail. Accordingly, we recommend that the

application material to the standard provide guidance as to the factors that practitioners may consider when making these evaluations.

#### **Mazars**

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

The difference between stakeholders and intended users might be more clearly highlighted in the standard. Practitioners are used to writing audit and assurance reports for specific intended users of the report (e.g. shareholders, the Board of the Company). Given the range of potential users identified in ED-5000, it is not clear if it is still the same for conclusion on the sustainability report.

#### **MNP LLP**

We generally agree that ED-5000 is sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the assurance engagement. However, we have concerns over the precondition relating to knowing whether sufficient evidence can be obtained to support the assurance conclusion.

Paragraph 73 requires the practitioner to determine at acceptance whether they expect to be able to obtain the evidence needed to support the practitioner's conclusion. Small and medium sized entities (SMEs) who are reporting may have heightened challenges preparing and supporting assurance on sustainability information. These challenges may range from the ability to gather information from their supply chain through to the development of robust internal sustainability reporting processes. As a result, it will be difficult for practitioners to know at the client acceptance phase whether they will be able to obtain sufficient evidence. If a practitioner cannot provide limited or reasonable assurance due to concerns about obtaining evidence, the IAASB should consider guidance on how to transition to another engagement type, such as agreed upon procedures. We would recommend that the IAASB work at developing scalable reporting mechanisms for SME reporting issuers or those in the value chain of a reporting issuer.

#### **PricewaterhouseCoopers International Limited**

We agree that the practitioner needs to obtain a sufficient level of information to determine whether the scope of the assurance engagement is appropriate (including that there is a rational purpose).

While paragraph 69 itself is clear as to the need for a preliminary understanding, the extent of that understanding and, specifically, the extent to which the practitioner is expected to obtain a detailed understanding of the entity's reporting/materiality process is not clear. In particular, the lack of clarity becomes especially pronounced when framework criteria need to be supplemented (potentially quite extensively) by entity-developed criteria, which is not uncommon. In such cases it is important to describe the level of detail expected of the practitioner's understanding of how the entity has developed those criteria.

The explanatory memorandum states: "As ED-5000 is an overarching standard that will be applicable to all sustainability assurance engagements, and because the work effort to understand the entity's process to select sustainability matters to be reported may be straightforward (e.g., when the reporting topics are specified by the criteria, such as under law or regulation), the IAASB concluded that the entity's process could be addressed in the application material (see paragraphs A156-A157 of ED-5000)."

While this statement may be true in relation to simple or “straightforward” engagements, there is insufficient clarity of what would be expected of the practitioner when the engagement is not straightforward. For example, as noted in our response to question 1, it is unclear what level of understanding may be needed of information from outside the entity’s organisational boundary, how management has, or intends, to obtain the information required by the applicable criteria, how they have determined what does or does not need to be reported from their value chain, and the practitioner’s expectations of their ability to obtain evidence. It may be unlikely, at pre-acceptance, for the practitioner to obtain detailed information about the entity’s reporting process and reporting boundary. Paragraphs A156-A157 imply a level of understanding that may more commonly be associated with the detailed understanding of the entity and its environment obtained as part of risk procedures after having accepted the engagement.

Furthermore, paragraph 70(a) requires the practitioner to determine whether management, or those charged with governance, when appropriate, have a reasonable basis for the sustainability information, with the supporting application material referring to the practitioner considering whether management has a formal process with robust controls to enable the preparation of the sustainability information that is free from material misstatement. It also refers to the practitioner becoming aware that there are deficiencies in management’s process to prepare the sustainability information that is not within the proposed scope of the assurance engagement. This implies a detailed understanding of the entity’s reporting and materiality processes and system of internal control that is not commensurate, in our view, with a preliminary understanding.

Paragraph A192, attached to the requirement to evaluate whether the engagement exhibits a rational purpose, states (emphasis added): “Other matters the practitioner may consider in evaluating whether the engagement has a rational purpose, include whether...a robust process to identify reporting topics in accordance with the applicable criteria has been conducted and, if so, how the information needs of the intended users have been identified and addressed.” This again implies a level of detailed understanding that is unlikely to be commensurate with what is reasonable as part of a preliminary understanding.

The explanatory memorandum further states: “The extent of the preliminary knowledge needed in paragraph 69 of ED-5000 would be limited to what is sufficient for acceptance or continuance of the engagement.” While we agree with the sentiment that the standard should not impose requirements on the practitioner that may be unnecessarily onerous prior to acceptance or continuance of the engagement, we believe the requirements and guidance need to be clarified as to what may constitute a sufficient knowledge of management’s materiality process, rather than leaving this to the practitioner’s judgement. This would be a key scalability matter. Further guidance addressing considerations for larger and more complex engagements seems warranted. An illustrative example, using a disclosure for an aspect of a topic, may be useful to bring to life the extent of the understanding that the practitioner may typically be expected to obtain.

We also note that the first bullet of paragraph A155 may be misleading. This can be read as suggesting that an assurance engagement that has disclosures that are more qualitative than quantitative may not meet the preconditions. We do not believe that is the intent and suggest this guidance be clarified. In Europe, extensive narrative disclosures will be required under the CSRD.

### **RSM International**

We suggest that the IAASB include the following from paragraph 53 of the Explanatory Memorandum to clarify the intent and effort required in obtaining the preliminary knowledge into paragraph A156 of ED-5000: ‘The extent of the preliminary knowledge needed in paragraph 69 would be limited to what is sufficient for

acceptance or continuance of the engagement.' The revised paragraph A156 would read as follows (bold, underlined text indicates the added language):

In obtaining a preliminary knowledge of the sustainability information expected to be reported, the practitioner may consider whether the topics and aspects of topics to be reported, and the reporting boundaries, have been or will be determined by management through an appropriate process. The extent of the preliminary knowledge needed would be limited to what is sufficient for acceptance or continuance of the engagement.

## 8. Assurance Practitioner or Firm - Other Profession

### ERM Certification and Verification Services Limited

The context of time, geography, politics, etc. of the reported information can be critical when assuring sustainability-related information; therefore, the practitioner's responsibility should include factors potentially external to the engagement party. ERM CVS suggest adding the following bolded language (as written in the EER) to the definition of 'Engagement Circumstances':

17(j) Engagement circumstances – The broad context defining the particular assurance engagement, which includes: the terms of the engagement; the scope of the engagement and whether it is a reasonable assurance engagement or a limited assurance engagement; the characteristics of the sustainability matters; the applicable criteria; the information needs of the intended users; relevant characteristics of the entity and its reporting boundary; the characteristics of the entity's management and those charged with governance; and other matters, internal or potentially external (e.g., the entity's suppliers, customers, service organizations, competitors, and the political, geographical, social and economic environment in which the entity operates), matters that may have a significant effect on the engagement.

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

We agree that the practitioner should obtain a preliminary knowledge of the engagement circumstances as a basis for determining whether the preconditions for an assurance engagement are present. The work effort for this would be considerably less in extent in cases where laws and regulations (or local authorities) determine:

the sustainability information to be reported

the set of criteria (which is made publicly available)

the scope of the assurance engagement

the roles and responsibilities of management and those charged with governance

This is the case in the EU and therefore, practitioners in EU Member States would not need to perform detailed procedures to evaluate whether:

the sustainability matters within the scope of the engagement are appropriate

the criteria (except entity-developed criteria) are suitable for the engagement circumstances

the engagement exhibits a rational purpose



The ISSA 5000 should recognise such cases (i.e. the presence of an established reporting framework) in order to ensure that the practitioner, the engagement leader in particular, when obtaining a preliminary knowledge, focusses on the engagement circumstances that require more judgment and attention. This knowledge should include considering entity's materiality assessment process which determines the scope of sustainability reporting (please see our response to Question 9).

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

We agree that the practitioner needs to obtain a sufficient level of information to determine whether the scope of the assurance engagement is appropriate. While paragraph 69 itself is clear as to the need for a preliminary understanding, the extent of that understanding and, specifically, the extent to which the practitioner is expected to obtain a detailed understanding of the entity's reporting/materiality process is not clear.

It may be unlikely, at pre-acceptance, for the practitioner to obtain detailed information about the entity's reporting process and reporting boundary. Paragraphs A156-A157 imply a level of understanding that may more commonly be associated with the detailed understanding of the entity and its environment obtained as part of risk assessment procedures having accepted the engagement. In addition, A158 remains unclear as to the circumstances for which a narrower scope assurance engagement that covers only certain jurisdictions, entities, operations, or facilities within the reporting boundary, may be determined as having a "rational purpose" at the pre-acceptance stage.

While we agree that ED-5000 should not impose requirements which may be unnecessarily onerous prior to acceptance or continuance, we believe the requirements and guidance need to be clarified as to what constitute a sufficient knowledge of entity's reporting process and reporting boundary, rather than leaving this to the practitioner's judgement.

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

We understand that paragraph 69 and subsequent paragraphs of ED-5000 set out the preconditions that should be present when a practitioner assesses whether to accept or continue an assurance engagement on sustainability information. ED-5000 does not describe the methods to be used to obtain all the information necessary to accept a sustainability assurance engagement. However, the information provided in each report is specific and based on dedicated risk assessments; the methods applied to manage and report each piece of information may differ depending on the maturity level of the system of internal control.

Therefore, we believe it would be helpful if the standard provided examples about how to acquire such information (discussions, collection of information, preparation of information by the entity).

In addition, ED-5000 does not specify entity management's responsibilities for providing all the information necessary to complete the acceptance phase. We recommend that paragraph 69 state that the practitioner should obtain confirmation from entity management about its responsibilities for the information provided during the acceptance phase.

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

In general, it is required that the practitioner obtains a preliminary knowledge about a lot of matters without being clear about the extent.

The extent of the following consideration "obtaining a preliminary knowledge about the sustainability information expected to be reported" is not clear (refer to A156). There is additionally the possibility that this



information is not available yet in the stage of obtaining a preliminary knowledge, therefore more detailed guidance is necessary.

Concerning the scope of the proposed assurance engagement, we suggest to stipulate more explicitly that at the preliminary stage it is necessary to have a good understanding of what information is subject to the assurance reporting.

We also suggest to add the following clarifications:

What are the consequences if the practitioner determines there is a likely expected limitation of scope?

A clearer definition of a 'rational purpose'.

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

ED-5000, similar to ISAE 3000 (Revised), outlines the practitioner's responsibility to gather preliminary knowledge of the engagement circumstances. This understanding is crucial for determining the presence of preconditions essential for accepting or continuing an assurance engagement related to sustainability information.

It's apparent that ED-5000 lacks explicit articulation of the specific 'preconditions' required for the assurance engagement. While it offers some examples in the application guidance to help identify their absence, the standard itself doesn't explicitly detail what these preconditions involve.

It is important to connect this preliminary knowledge-gathering phase with subsequent stages, such as planning the engagement and performing risk procedures. Clear guidance on integrating this preliminary knowledge into subsequent stages ensures coherence and efficiency in the assurance process.

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

While the subjects which the practitioner has to consider as part of preliminary knowledge and preconditions for acceptance are reasonable, overall, we have heard concerns about the work effort required in relation to preconditions. There need to be clear examples and guidance, given that sustainability reports may include sustainability information over a wide range of matters with separate criteria etc. We also heard concerns that ED-5000 requires the assurance practitioner to take on responsibilities that rest with those charged with governance and management. The EM states that the extent of the preliminary work is limited to that sufficient for acceptance or continuance of the engagement. This is less clear in ED-5000.

In addition, we believe that the practitioner should be satisfied that management has taken responsibility for matters that are their responsibility as part of the preconditions for acceptance.

ISA 210 Agreeing The Terms of Audit Engagements requires that as preconditions to the audit, the auditor must be satisfied that the reporting framework is acceptable and that the auditor obtains management's agreement and acknowledgement of their responsibilities in relation to preparation of the financial statements in accordance with the applicable framework, appropriate internal controls to enable the preparation of the financial statements free from material misstatement whether due to fraud or error, and providing access to persons and information needed by the auditor (ISA 210.6(b)). In ISA 210.10 it then requires that management's acknowledgement be documented.

ED-5000.70(a) requires the assurance practitioner to evaluate the role and responsibility of management, those charged with governance and the engaging party, including having a reasonable basis for the

sustainability information. It then sets out additional requirements to evaluate whether the sustainability matters are appropriate and that the criteria are suitable in paragraphs 71 and 72.

ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information uses a similar approach to ED-5000 except the language used in ISAE 3000.24 is “In order to establish whether the preconditions for an assurance engagement are present, the assurance practitioner shall, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies), determine whether” which provides more clarity over the expected work effort. We encourage the board to consider whether ED-5000 can be clarified to make it easier to understand what the expected work effort is, particularly in light of the fact that the practitioner could expend a lot of effort in identifying the preconditions only to have them not be met and be unable to proceed with an engagement.

Given the emerging nature of the reporting frameworks that preparers may be using and the potentially broad range of sustainability information, we think it would be appropriate if the preconditions also included the requirement that the assurance practitioner obtains management's acknowledgement of their responsibilities as currently set out in paragraph 78 at this stage as well as having them documented in the terms of engagement once the engagement proceeds.

#### **Chartered Accountants Ireland**

We believe that the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported, and the scope of the proposed assurance engagement is clear subject to the inclusion of the following amendment. We note the inclusion of the requirement to determine whether the engagement exhibits a rational purpose under paragraph 74 and believe that this determination is fundamental. We believe it would be helpful for practitioners to include 'Rational Purpose' under the initial determination in paragraph 69 as an additional point with reference to paragraph 74 to clarify the practitioner's expectation on determining whether preconditions are present.

With regard to preconditions listed in ED-5000 it would seem to us that in a general-purpose framework, in some circumstances, (e.g., under the CSRD) the work effort would be a lot less in respect of the evaluation of the preconditions. The standard should acknowledge that in circumstances where there will be legal or regulatory requirements in place rather than entity-developed criteria, the practitioner's review and assessment of the preconditions will not be as in-depth as it would be for an engagement which has entity-developed criteria to consider.

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

Obtaining preliminary knowledge as a precondition to accept a client, has certain limitations. The idea is to be able to document whether sustainability information is well documented and auditable. In many cases, doing this work may require an undue cost and effort. Therefore, there must be limitations to this information gathering process.

It is important that the client or contractor specify the specific criteria of the work to be performed in addition to the ethical risk that occurs in this type of preliminary knowledge.

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

We concur with the requirement in ED-5000 that the practitioner should obtain a preliminary knowledge of the engagement circumstances to establish whether the preconditions for an assurance engagement are met. However, it is crucial to recognize that in certain jurisdictions (e.g., the European Union), the need for detailed procedures to evaluate certain aspects is significantly reduced. This is especially true in jurisdictions where guidance to reporting firms are provided. This guidance may include laws and

regulations that specify the sustainability information to be reported, the set of publicly available criteria, the scope of the assurance engagement, and the roles and responsibilities of management and those charged with governance. In such cases, where legal frameworks provide comprehensive guidelines for sustainability reporting, practitioners should not be required to profoundly assess preliminary knowledge of the engagement circumstances. Recognizing and acknowledging these cases within ISSA 5000 is vital to streamline the assurance process and allows practitioners to focus their preliminary knowledge efforts on other engagement circumstances that demand more judgment and attention.

Furthermore, we propose the inclusion of an explicit requirement in ED-5000 for practitioners to obtain information on the team and individuals in charge of sustainability reporting and data gathering within the firm. This should encompass background checks on team members, the resources allocated by the firm in terms of financial investment and time, and an assessment of their competence and experience in sustainability reporting. The level of investment by firms in terms of financial and human resources is fundamental for the practitioner's ability to provide reasonable sustainability assurance. Without access to the necessary resources and qualified personnel, firms may struggle to provide the practitioner with the required information and evidence to support a comprehensive sustainability assurance engagement. By emphasizing the importance of understanding the firm's commitment to sustainability reporting and the resources allocated, the assurance standard can better ensure the quality and effectiveness of sustainability assurance engagements.

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

We note that ED-5000 does not explicitly state what the 'preconditions' should be. We accept that there are some examples in the application guidance that help determine whether such preconditions are absent, but the standard does not explicitly state what they are.

The standard also seems to imply that the entity has knowledge of what happens throughout its value chain. If so, we believe it may prove difficult for the reporting entity to obtain this knowledge.

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

The practitioner and the engagement team should have sufficient knowledge of the sustainability issues and obviously the standards. It is clear about the practitioners' responsibility to obtain preliminary knowledge about the information to be reported.

#### **Institut Akuntan Publik Indonesia**

Further guidance might be needed for example be obtained during acceptance procedures versus the risk assessment phase of the engagement.

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

In our view, the scope of work required on the preconditions for an assurance engagement prior to accepting an assurance engagement compared with the work performed during the performance of an assurance engagement could be clearer.

Para 25(c) requires practitioners to determine that the preconditions for an assurance engagement are present and refers the reader to paragraphs 69-70. Paragraph 70 (and its related paragraphs 71-74) talk about the practitioner "evaluating" whether each of the preconditions are present. We question how much "evaluation" is it realistic to expect a practitioner to carry out prior to making an engagement acceptance decision, and in particular with regard to the criteria (which may only be available in draft form at the pre-

acceptance stage). ISAE 3000.25 talks about “discussion with the appropriate party(ies)” at the pre-acceptance stage and then “determining” whether the criteria are suitable at the planning phase.

We are concerned that a more detailed or in-depth evaluation of the criteria may be performed prior to engagement acceptance under ISSA 5000 than is likely to be performed for an assurance engagement under ISAE 3000, and we question whether this actually is the IAASB's intention. We wonder whether in fact ‘consider’ might be the more appropriate word in this case.

We believe that it would be helpful to indicate (eg, in the application material) the scope of work expected on the suitability of criteria at the pre-acceptance stage compared with the work expected during the assurance engagement.

We also believe that there is scope to improve clarity relating to:

the expected work effort for established international or jurisdictional reporting framework standards that have been subject to due process;

highlighting the differences between stakeholders and intended users; and

the wording of paragraph 73(b) – this currently presents only two options for conclusions: ‘a reasonable assurance engagement or a limited assurance engagement’ which suggests that there would be no option to perform a hybrid engagement to provide reasonable assurance over certain disclosures, topics, or aspects of topics, and limited assurance over others. However, this scenario is expected to arise, and is even referred to in A154. We suggest updating the wording to “or a multi-scope engagement, providing reasonable assurance over some of the sustainability information, and limited assurance over other sustainability information”, or something similar.

We are surprised that this section of ED 5000 does not mention materiality. There is often a significant gap between what an entity and practitioner might regard as material, particularly concerning qualitative information and engagements subject to a framework applying ‘double materiality’ (eg, GRI, CSRD/ESRS, etc.). This should be considered in the acceptance phase because an inconsistent view of materiality could result in engagement failure.

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

We noted that aspects such as reporting boundaries and materiality process of this preliminary knowledge may be difficult to obtain before the acceptance of an engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. Therefore, suggest to include the fact that some detailed aspects of the scope of the proposed engagement may not be known during the preliminary understanding phase (and provide examples) and that this situation should not preclude the practitioner from accepting the engagement.

It is also appropriate to bring. “ Intended users of the sustainability information” also as part of paragraph 69.

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

While ED-5000 provides examples of areas that such preliminary knowledge can cover, it is not clear how to apply the requirements commensurate to risk and scope of assurance. Further guidance would be helpful to illustrate how the extent of preliminary knowledge may be scaled according to risk and scope of engagement.

More practical guidance on the assessment of “reasonable basis” for the sustainability information (paragraph 70) and whether the engagement exhibits a “rational purpose” would be helpful. In assessing

“reasonable basis” for the sustainability information (under paragraph 70), paragraph A162 only mentions that the practitioner may consider whether management or those charged with governance have a formal process with robust control to enable the preparation of sustainability information. It would be helpful to include more practical guidance and illustrative examples to aid practitioners in the assessment.

In assessing whether the engagement exhibits a “rational purpose”, the examples provided under paragraph A192 are quite general. Similarly, it would be helpful to include more practical examples to aid practitioners in the assessment.

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

ED-5000 requires that the practitioner obtain ‘preliminary knowledge’ about a large volume of matters, which may be challenging about the extent of the preliminary understanding required to appropriately conclude that preconditions for an assurance engagement have been met.

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

We agree and support the content of proposed ISSA 5000 regarding this topic. Scoping the engagement requires a sufficient understanding of the nature of the work and a solid preliminary knowledge of the circumstances. In practice we consider that in some cases this assessment is not robust enough and the need for first time implementation material to assist practitioners would be very well received.

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

The acceptance or continuance paragraph (paragraph 75) refers to ‘preconditions’ for an assurance engagement but ED-5000 and its application guidance does not explicitly make clear what such ‘preconditions’ would be. We note there are some examples in application guidance that might be relevant for determining that such preconditions are not present, but this does not provide explicit clarity of what the underlying preconditions are.

Users may therefore be reliant on paragraph 78 (c) which refers to the responsibilities of management and TCWG. Para. 78 (c) (iv) then refers to ‘Designing, implementing and maintaining a system of internal control that the entity determines is necessary to enable the preparation of sustainability information...’. It is not clear why the term ‘entity’ rather than ‘management’ is referred to here, but in any case, the requirement could pose practical challenges for management. For the entity to achieve this, it may require the entity to have knowledge of what happens through the value chain, while not necessarily having a course for demanding such information from a third party. This could be problematic, for example in cases where there is a barrier to the reporting entity changing suppliers. If an entity has no practical ability to refuse to transact with a supplier that is unable or unwilling to provide information, the requirements may not practically be achievable by management in such cases.

#### **Korean Institute of Certified Public Accountants (KICPA)**

ED-5000 is sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement.

But, if an entity attempts to change the scope of assurance arbitrarily after engagement acceptance, it may have a purpose of selecting the aspects favorable for the entity only. Thus, it is necessary to consider whether such attempt indicates a risk of material misstatement in the disclosure due to fraud.

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

We broadly agree ED-5000 is clear on the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported. However, paragraph 69, complemented by A155 may create some confusion. A155 states that “when obtaining the preliminary knowledge ... the practitioner may become aware of matters that may be relevant to determining whether the preconditions for an assurance engagement are present, such as... the sustainability matter is complex and diverse, and the disclosures are more qualitative than quantitative, or more forward-looking than historical.” These are typical characteristics of sustainability information and cannot reasonably indicate that preconditions are not present, provided the reporting criteria are suitable.

Since the practitioner may be prohibited by EU legislation from withdrawing from the engagement if preconditions are not met paragraphs 76/A202 provide crucial support. ED-5000 should also recognize that in the presence of an established reporting framework and legislation (as is the case in the EU) the work effort for obtaining an understanding could be reduced. This would ensure that the practitioner focuses on the engagement circumstances that require more judgment and attention, including considering entity's materiality assessment process which determines the scope of sustainability reporting.

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

SOCPA believes ED-5000 is sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement. However, we believe that ED-5000 could provide additional guidance in order to make this process little easier. The standard could provide a non-exhaustive list of specific questions that practitioners should ask the entity in order to understand the scope of the proposed assurance engagement. Additionally, the standard could provide examples of different types of assurance engagements and the scope of information that would typically be covered by each type of engagement. For instance, the standard could provide examples of limited assurance engagements on specific sustainability indicators, reasonable assurance engagements on the sustainability information in a sustainability report, and integrated assurance engagements on the financial and sustainability information in a single report. Further, the standard could provide guidance on how to assess the risk of material misstatement of the sustainability information to determine the appropriate level of work effort required to obtain a preliminary knowledge of the scope of the assurance engagement. For example, ED-5000 could provide guidance on factors to consider when assessing the risk of material misstatement of sustainability information: the complexity of the entity's operations and supply chain, nature of the entity's sustainability risks and opportunities, significance of sustainability issues to the entity's stakeholders, and entity's system of internal controls over sustainability reporting.

### **Virginia Society of CPAs**

Yes. However, we have concerns about the compliance with this requirement for the appropriate risk assessment analysis for the “preliminary knowledge” process. It should be noted that we have these same concerns in general regarding the proper preparation of risk assessments in most aspects of the planning stage of the external audit processes.

### **World Federation of Exchanges**

It would be helpful to differentiate if there is a difference between responsibilities of a practitioner that is obtaining an assurance engagement for a new client versus a practitioner that is carrying out a repeat assurance engagement for an existing client.



## 11. Academics

### University of Southampton

The International Sustainability Standard Board (ISSB) published the Proposed IFRS Sustainability Disclosure Taxonomy on 27 July 2023. It is expected that sustainability information will be available in digital format through tagging of sustainability information disclosed in the sustainability report. In ED-5000, there is no clear guidance about the assurance engagement for digitally tagged sustainability information. As digital reporting can be another important source of information for report users, it is important that the tagging of sustainability information is correctly executed. To prevent potential misstatement in the process of digital tagging, we believe that proposed ED-5000 should cover digitally tagged sustainability information that comply with the proposed IFRS Sustainability Disclosure Taxonomy by considering the following suggestions:

In collecting primary knowledge of the engagement, the partitioner can survey firm about whether they disclose digitally tagged sustainability information or not.

In the case that firms disclose digitally tagged sustainability information, verification of digitally tagged sustainability information and reported (actual) sustainability information should be included in the assurance engagement.

## 8.3 Neither agree or disagree

### 6. Global Standard Setter

#### Global Reporting Initiative (GRI)

We also recommend that para 69b) is clarified. It appears to suggest that assurance engagement should cover all reporting requirements. It is common for sustainability reporting assurance engagements to cover a subset of reporting requirements. We would suggest that they should cover the process of determining the organization's most significant impacts on sustainable development for reasons discussed above.

## 7. Accounting Firms

### Altat Noor Ali Chartered Accountants

8.1 The requirement comes before anything.

Example: Para 69 reads as follows:

To provide an appropriate basis for determining whether the preconditions for an assurance engagement are present (see also paragraph 25), the practitioner shall obtain a preliminary knowledge of the engagement circumstances, including: (Ref: Para. A154-A155) (a) The sustainability information expected to be reported; and (Ref: Para. A156-A157) (b) Whether the scope of the proposed assurance engagement encompasses all or part of the sustainability information in (a). (Ref: Para. A158-A159)

It may be rewritten as follows:

'The practitioner obtains a preliminary knowledge of the engagement circumstances. This provides an appropriate basis for determining whether the preconditions for an assurance engagement are present. It includes.....'



8.2.1 Obtain a preliminary knowledge to determine whether pre-conditions are present to accept or continue assurance engagement.

8.3 Circular referencing (not cross referencing) in reading of paras 69 and 25. Para 25 directs you to para 70 and para 70 to para 71-74. The link should be double checked for clarity in application.

#### **Nexia International**

While apparently sufficiently clear at this time, we have concerns that additional application guidance will become necessary as the nature of sustainability evolves. A robust post implementation review will be necessary.

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

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

See our response to question 1 on improving the presentation of key concepts of ED-5000.

This section could be described in simpler terms. Also refer to our response to question 10, where we question the extent of work effort required when the entity only applies framework criteria.

It is not clear in the requirements paragraphs how the practitioner will use the preliminary understanding to determine the scope of the engagement or the appropriateness thereof. This is described in paragraphs A196 and A199.

How this information will be used as part of planning and risk assessment procedures should be described at this point, rather than referring to the preliminary understanding in paragraphs A261 (planning) and 95 (risk assessment). The preliminary understanding should identify significant disclosures and high-level risk areas that the practitioner should focus on. The preliminary understanding will also provide the practitioner with information that links with the qualitative materiality factors described in A278. This link is not described in ED-5000.

The extent of work effort required to consider the preconditions should also be considered when laws and regulations require the engagement to be performed. The different required responses from the practitioner in paragraphs 75 (preconditions not met before acceptance) and 76(b) (preconditions not met after acceptance) should be considered. The response in paragraph 76(b) should be applicable in both scenarios when the engagement is required by law.

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

#### **Institute of Internal Auditors**

The IIA believes ED-5000 would be clearer if a definition of “preliminary knowledge” was added to the “Definitions” section. The inclusion of information about industry best practices or benchmarking considerations would be helpful, as well as specific examples of what is expected to achieve/demonstrate “preliminary knowledge.”

## 11. Academics

### Deakin University

In our view, without the inclusion of appropriate guidance and examples in ISSA 5000, if sufficient attention is not given to analysing whether the documentation of the business is likely to be assurance-standard evidence there will be a significant risk that engagements may be 'passed' in terms of meeting the pre-conditions for assurance when they do not in fact meet those pre-conditions. Once engagements are accepted, they must be completed and reported on. As a consequence, there is a risk of an unnecessarily high number of assurance report modifications if practitioners misjudge the preconditions for assurance being met. This could create reputation risks in relation to the reporting organisation, the assurance practitioner and ISSA 5000.

The risk could have been mitigated by the organisation waiting say a year to obtain integrated reporting assurance and having an assurance readiness review completed and acted upon in that year. Such an assurance readiness review may be completed by the sustainability reporting assurance practitioner. This matter was addressed in the draft Example 10 of the IAASB's 2021 Extended External Reporting Assurance Guidance. Assurance practitioners need guidance on this matter when they first apply ISSA 5000 (as do preparers – preparers need to have done sufficient preparation when they ask for assurance), for their first adoption of ISSA 5000 which will co-incide with the first adoption of IFRS Sustainability Disclosure Standards S1 and S2.

It is likely that most organisations will begin with limited assurance and later move to reasonable assurance when evidence exists that reasonable assurance will be valued by users, a consideration of rational purpose.

We believe that there is a strong case for bespoke 'assurance-related advisory' guidance to be issued on the pre-conditions for assurance, focusing on evaluation of foundational descriptions of a business in relevant reports.

An example is needed in relation to the assurance practitioner reviewing, without doing extensive work, whether available documentation of the business model is likely to stand up to the scrutiny of independent external assurance, and how to shape an assurance readiness review as an alternative in the short term. The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.

## 8.4 Disagree with comments

### 5. National Auditing Standard Setters

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

Before accepting an engagement, assurance providers should understand the sustainability information expected to be reported and the scope of the proposed assurance engagement. We have the following comments:

##### (a) Risk of inappropriate acceptance of an engagement

The breadth of sustainability reporting and present lack of preparedness of entities in this area, creates a risk of inappropriately taking on an assurance engagement that does not meet assurance preconditions. The IAASB should include appropriate guidance and examples in ED-5000, to reduce the risk of modified assurance reports where practitioners misjudge the preconditions for assurance being met.

The IAASB should consider noting that for the public sector, the pre-acceptance material may not be applicable if the assurance engagement is required by statute to be conducted by a government auditor.

#### Extent of pre-engagement work

Application material (paragraphs A156, A157 and A192) suggests a more extensive pre-engagement activity than would ordinarily be necessary to understand the scope of an engagement over financial information. The ability to obtain information pre-engagement may also be constrained by confidentiality restrictions and it may not be practical to determine information available for the entire value chain and assurance to be demanded by those in the value chain.

Some practitioners see the 'process to identify reporting topics' and 'materiality process' in paragraph A157 as being distinct from one another, while A157 treats them as the same. Moreover, the term 'materiality process' is seen to imply that the pre-acceptance activity is far more extensive than identifying the scope of the information typically covered in financial assurance engagements and could result in significant unrecoverable costs. The AUASB suggests that to avoid any confusion with the practitioner's materiality process, the IAASB uses one term: 'process to identify reporting topics'.

The IAASB may wish to consider including an example that in large, complex engagements the process and identification of disclosures for the first time may be undertaken as a separate process. The assurance practitioner may undertake a separate assurance engagement on whether all disclosures appear to have been identified based on the information available at that time.

The IAASB should consider clarifying what constitutes sufficient knowledge about the entity's processes, considerations when evaluating an entity's process and how to obtain such knowledge with appropriate examples of how to evaluate this process. Chapter 4 of the EER guidance Considering the entity's process to identify reporting topics has materials that could be incorporated into the application material of ED-5000.

Paragraph 25 (b) of ED-5000 requires the practitioner to determine "that those persons who are to perform the engagement collectively have the appropriate competence and capabilities...to perform the engagement." Sustainability competence is a critical risk in these assurance engagements and there is significant judgement to be made in the context of complex sustainability reporting and assurance engagements. The AUASB suggests that paragraph 25(b) makes specific reference to sustainability competency and that application material emphasises the significance of this key judgment.

#### (c) Planning of an accepted engagement

Understanding the entity's processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement. The IAASB could consider the need for additional requirements in this regard.

## 6. Global Standard Setter

### Social Value International

As sustainability information is still evolving in terms of scope and content, the practitioner needs to have a good understanding of the business context to properly assess an engagement – while this is important for any engagement, the absence of any clearly scope of what falls within 'sustainability information' and related phenomena, it will be imperative for the practitioner to understand the impacts and dependencies of the entity's business model(s) calibrating the related risk to the specific locations and sites. For example, water

shortage may not be a material factor for production in Northern Europe but this will not be the case in water stressed areas such as South Asia.

## 7. Accounting Firms

### MHA

We are disappointed to note that this section of the proposed standard does not mention materiality. We find that management of the reporting entity, the intended user(s) of sustainability information, and the assurance practitioner may have different perspectives on what information is material and the level at which a misstatement might be regarded as material, particularly in relation to qualitative sustainability information where the risk of greenwashing can be greater than quantitative data. We encourage the IAASB to address this omission in the finalised standard, as differences in the perception of materiality can lead to engagement failure or the assurance practitioner needing to withdraw from the engagement.

A significant challenge with paragraph 25(c) is that the preconditions for an assurance engagement stated in paragraphs 69-70 of ED-5000 are ordinarily associated with the final stages of forming a conclusion prior to issuance of the assurance report. Our concern is that this requirement forces assurance practitioners to perform significant preliminary procedures (potentially unremunerated) prior to agreeing the terms of engagement.

We invite the IAASB to consider the commercial realities of a sustainability assurance engagement at the outset when finalising the proposed standard.

### PKF International Limited

#### A definition of preconditions

ED-5000 requires that a preliminary knowledge is obtained for the purpose of determining whether the preconditions are met. There is no definition of “preconditions” in ED-5000. In comparison, the international standard on auditing ISA 210 contains equivalent requirements on the preconditions of an audit but, helpfully, ISA 210 includes a definition of preconditions.

In our view it is not clear if ED-5000 intends that the preconditions of a sustainability assurance engagement are covered by points (a) and (b) in para 69, or whether the points covered in paras 69 – 74 are considered to collectively represent the pre-conditions of an assurance engagement.

To help avoid confusion on what ED-5000 means on “preconditions” we encourage the IAASB to consider including a definition. It is possibly of more importance that ED-5000 includes a definition of “preconditions” than ISA 210 since, of the two standards, ED-5000 contains the more onerous set of requirements on preconditions.

#### Differentiating between limited and reasonable assurance for work effort on preconditions

ED-5000 makes no distinction between limited or reasonable assurance for the purpose of the requirements of obtaining a preliminary understanding.

The “Preconditions for an Assurance Engagement” section runs from para 69 through to para 77, with the requirements to obtain a preliminary understanding being relevant to the matters prescribed by these paras. Taken together, these requirements appear to necessitate that a significant body of evidence is obtained and assessed by the practitioner to be able to determine whether to accept (or continue) the engagement.

The level of detailed work required under ED-5000 in obtaining the preliminary understanding to determine if the preconditions are met could be perceived by practitioners as being excessive, particularly since:

a potential outcome of having performed the relevant procedures on preconditions might be that the engagement cannot be accepted, with the result that the costs incurred in obtaining the preliminary understanding might not be recovered.

the equivalent ISA requirements relating to the preconditions of an audit are considerably less onerous than the equivalent requirements in ED-5000.

Mindful of the points above, we encourage the IAASB to consider if either the following could be achieved:

A reduction to the volume of requirements in ED-5000 on preconditions of a sustainability assurance engagement with the purpose of streamlining the process to obtain a preliminary understanding to support the practitioner's determination if the preconditions of the sustainability assurance engagement are met, and/or

A revision is made to ED-5000 to provide differentiated approaches for limited assurance and reasonable assurance regarding the extent of the preliminary understanding required under each assurance level to assess the pre-conditions for the sustainability assurance engagement.

## 8. Assurance Practitioner or Firm - Other Profession

### SGS

Though ED-5000 has clear requirement of the practitioner to obtain a preliminary knowledge about the sustainability information. It hasn't clarified how the engagement leader decide the knowledge of the assurance team is sufficient and appropriate. For example, the sector experience related to particular sustainability matters, when to use an internal or external expert, and the qualification and independency of the roles, how to classify an expert, when it is needed, what skill set they use in the assurance engagement, how to evaluate the quality of their work, what is the difference bwt an expert and a sustainability practitioner. etc.

We recommend more details to be provided in the guidance document.

### TIC Council

Though ED-5000 has clear requirement of the practitioner to obtain a preliminary knowledge about the sustainability information. It hasn't clarified how the engagement leader decide the knowledge of the assurance team is sufficient and appropriate. For example, the sector experience related to particular sustainability matters, when to use an internal or external expert, and the qualification and independency of the roles, how to classify an expert, when it is needed, what skill set they use in the assurance engagement, how to evaluate the quality of their work, what is the difference between an expert and a sustainability practitioner.

It could further highlight the need for sustainability professionals and technical experts, in particular for sectors where there are technology or processes that may be difficult to comprehend without sector specific knowledge. Reference is made in the standards to experts (internal and external) but would benefit from further detail of the circumstances where these experts will be required where the core engagement team do not have this expertise already (expert names, expertise and number of days).

## 9. Public Sector Organizations

### First Nations Financial Management Board

There is no mention of a practitioner's responsibility to gain an understanding of the entity. While an assurance engagement may be limited to only specific sustainability information, it would still be important that the practitioner has an understanding of the entity and the environment in which it operates. This understanding could include but not be limited to, applicable laws and regulations, as well as inter-related sustainability matters such as operations in Indigenous Peoples' Traditional Territories.

### Government Accountability Office - US

We do not believe ED-5000 is sufficiently clear about the practitioner's responsibility to obtain preliminary knowledge. ED-5000 states how this preliminary knowledge is obtained will depend on the engagement circumstances (may be established by law, regulation or professional requirements, or it may be determined by the appropriate party(ies)), which might result in greater inconsistencies among the scope of sustainability assurance reports. We believe further definition clarity and examples could be included in ED-5000 regarding acceptable preconditions that would be needed to accept or continue an assurance engagement. (ED-5000, paragraph 69, A2). For example, to establish whether the preconditions for an assurance engagement are present, the practitioners should determine whether the sustainability reporting framework to be applied in the preparation of the sustainability assurance report is acceptable (AICPA, AU-C 210.06a). An applicable reporting framework provides the criteria for management to present the sustainability information of an entity, including the fair presentation of this information (AICPA, AU-C 210.A2).

### Office of the Auditor General of Alberta

A requirement for the practitioner to evaluate the entity's "materiality process" as part of engagement acceptance/continuance should be added. The requirement should include guidance that the engagement may only be accepted/continued if the practitioner determines that the entity's materiality process is multi-stakeholder and identifies and ranks external impacts on stakeholders and the environment, and operates as part of the entity's governance, operations and internal control that seeks to mitigate negative sustainability impacts and enhance positive sustainability impacts.

## 10. Member Bodies and Other Professional Organizations

### CPA Australia

There are concerns that there are a number of challenges associated with the practitioner's responsibility to obtain a preliminary knowledge of the engagement circumstances, particularly in the initial years of the emerging practice of sustainability reporting.

Whilst the requirements in paragraph 69 (practitioner's responsibility to obtain preliminary knowledge about the sustainability information and the scope of the proposed assurance engagement) appear reasonable at a high level, there are challenges associated with the application of subsequent paragraphs 71 to 74 that expand on the precondition assessment requirements as set out below:

evaluation of appropriate sustainability matters (paragraphs 71, A164 to A165),

evaluation of suitability and availability criteria (paragraphs 72, A166 to A186),

determine whether there is evidence to support the practitioner's conclusion and form of conclusion (paragraphs 73, A187 to A190), and

determine whether the engagement exhibits a rational purpose (paragraphs 74, A191 to A201)

Overall, there are significant concerns that the precondition requirements in ED-5000 are too onerous. Precondition requirements generally assist the practitioner in understanding the nature of the engagement through preliminary knowledge of the engagement circumstances and whether or not they are able to accept the engagement. The detailed requirements in the paragraphs outlined above indicate work effort beyond what is currently required or undertaken at the preliminary/pre-engagement stage of an assurance engagement. Our stakeholders are of the view that it is not pragmatic to expect assurance practitioners to undertake these steps and incur significant non-chargeable costs, especially in situations where they conclude that they cannot accept or continue the assurance engagement after undertaking this exercise.

Preconditions requirements in ED-5000 appear to be excessive, and an uplift from the requirements in the ISAE 3000 series and ISA 210 Terms of Engagements (ISA 210). There is a concern that the amount of responsibility placed upon the assurance practitioner through precondition assessment requirements could shift some responsibility from management and those charged with governance to the assurance practitioners. For example, such work may create an expectation that any errors or issues with the sustainability report will be picked up by the assurance practitioner as part of their precondition work. Ultimately, it is the preparer's responsibility to prepare the report for the intended users, based on their materiality process to identify the sustainability matters to be disclosed.

We are of the view that the assurance of sustainability information should be on equal footing with financial information assurance engagements. Therefore, the precondition assessment requirements should be better aligned with ISA 210, especially the hierarchy of the requirements as set out in ISA 210. As outlined in paragraph 6(b) of ISA 210, in order to establish whether the preconditions for an audit are present, the auditor firstly obtains the agreement of management (and where appropriate, those charged with governance) that it acknowledges and understands its primary responsibility over the information subject to assurance.

To address the above concerns we have raised, we recommend the IAASB repeat the requirements under the section on 'Terms of the Assurance Engagement' in paragraph 78(c) of ED-5000 in relation to the responsibility of management or those charged with governance in the 'Preconditions for an Assurance Engagement' section of the standard. We are of the view that setting out the responsibility of management or those charged with governance early in the standard will provide clarity and reinforce the message that ultimately, it is the responsibility of the management or those charged with governance to prepare the sustainability information in accordance with the applicable criteria, including identifying, selecting or developing suitable criteria and ensuring a system of internal control that the entity determines is necessary to enable the preparation of sustainability information in accordance with the applicable criteria that is free from material misstatement, whether due to fraud or error.

In addition to obtaining the agreement of management over their responsibilities as detailed in paragraph 78(c) of ED-5000, we suggest the need for more explicit requirements for management to also acknowledge that it is their primary responsibility in identifying the intended users of sustainability information.

We agree with the IAASB's view that if changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement, unless required by law or regulation to do so (paragraph 75, ED-5000).



Although it is implied that this is the requirement that applies to both limited and reasonable assurance engagements, we recommend that the IAASB make this point more explicitly in paragraph 75 with similar wording taken from paragraph A164 to reinforce this point and to minimise any potential misunderstanding in this respect. That is, if the preconditions are not met, and changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement (limited and reasonable) unless required by law or regulation to do so.

#### CPA Ireland

##### Preconditions for an Assurance Engagement

The wording “preliminary knowledge” implies a requirement to obtain the relevant information at the initial stages of the engagement. These requirements are set out in ISSA 5000 at paragraph 69. To ensure this preliminary knowledge is obtained at the correct period in time, it would be appropriate to include these requirements after the section titled “Acceptance and Continuance of the Assurance Engagement” at paragraph 25. While paragraph 25, refers to paragraph 69, it does not include the requirements; “(c) The basis upon which the engagement is to be performed has been agreed, by: (i) Determining that the preconditions for an assurance engagement are present (see also paragraphs 69-70);”

At present the placement comes after the section titled “Documentation” at paragraph 63 which details the requirements to record the basis for the assurance report and therefore not an initial or preliminary requirement. Altering the location of this requirement in the sequential order would ensure that the relevant preconditions are considered at the appropriate time in the engagement.

Consideration could also be given to the merging of these two sections to provide greater clarity in this area. This would provide a greater mechanism for the practitioner to build on the preliminary knowledge they have obtained in accepting or continuing the engagement when planning the engagement.

##### Rational Purpose

Paragraph 74 detailed the “Rational Purpose”. This sets out the requirements the practitioner must consider with regard to limited assurance but not reasonable. It is appropriate to consider reasonable assurance also for completeness.

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

We believe that the acceptance and continuity stage must be complemented with an evaluation of whether the reference framework meets the requirements of a sustainable criterion, and whether the entity understands the requirements to be met for the auditor to perform the engagement. This requires a minimum internal

control on the information to be audited in order to perform a preliminary risk assessment for the auditor. In addition, it will help define the scope (limited or reasonable assurance).

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

Response: No. The requirements can be made clearer and more consistent by incorporating the existing current guidance for practitioner’s responsibility from ISAE 3000 (Revised). We believe this change will not only create greater consistency with existing requirements, with which practitioners are already familiar, but it will also help avoid any potential doubt in the application by practitioners.

## 11. Academics

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

It was not sufficiently clear to us what this requirement was intended to achieve.

We suggest that the board should consider whether this procedure should be formally acknowledged in some way, possibly by being disclosed in the assurance practitioners' report. Otherwise, stakeholders have no way to evaluate it and researchers relying on publicly disclosed data are not able to contribute to these types of questions.

## 12. Individuals and Others

### Capitals Coalition

As sustainability information is still evolving in terms of scope and content, the practitioner needs to have a good understanding of the business context to properly assess an engagement – while this is important for any engagement, the absence of any clearly scope of what falls within 'sustainability information' and related phenomena, it will be imperative for the practitioner to understand the impacts and dependencies of the entity's business model(s) calibrating the related risk to the specific locations and sites. For example, water shortage may not be a material factor for production in Northern Europe but this will not be the case in water stressed areas such as South Asia.

### International Accreditation Forum (IAF)

Though ED-5000 has clear requirement of the practitioner to obtain a preliminary knowledge about the sustainability information. The document does not clarify how the engagement leader decide the knowledge of the assurance team is sufficient and appropriate. For example, the sector experience related to particular sustainability matters, when to use an internal or external expert, and the qualification and independency of the roles, how to classify an expert, when it is needed, what skill set they use in the assurance engagement, how to evaluate the quality of their work, what is the difference between an expert and a sustainability practitioner.

It could further highlight the need for sustainability professionals and technical experts, in particular for sectors where there are technology or processes that may be difficult to comprehend without sector specific knowledge. Reference is made in the standards to experts (internal and external) but would benefit from further detail of the circumstances where these experts will be required where the core engagement team do not have this expertise already (expert names, expertise and number of days).

Sustainability information depend on the context. The practitioner is requested to have a good understanding of the business context to properly assess an engagement.

IAF recommends IAASB to add the following bullet points

The context of the organization

The specific material topics to be considered

Topics that the organization has determined as not material and explain why they are not material, particularly when considered in applicable sector standards

Any Omission and reasons for omission for disclosures and requirements that the organization cannot comply with

### **Japan Accreditation Board (JAB)**

JAB recommends IAASB to develop the competencies requirement to provide the expected preliminary knowledge to conduct the engagement for practitioners and accredited assurance bodies.

### **We Mean Business Coalition**

In ED §69 a, it is indicated that the practitioner should evaluate the “sustainability information expected to be reported”. It sounds reasonable, but there is potentially a timing issue with this precondition for agreeing to an engagement, since the preparer may not have made the materiality assessment yet when the engagement is agreed at the Annual General Meeting almost a year in advance.

In Ex Memo § 51 and ED §70 the engagement circumstances are indicated to be “preliminary knowledge”, which is correct. But for the practitioner to be able to get this “preliminary knowledge”, whereby also ED §§25-28 Acceptance and Continuance of the Assurance Engagement can be effectively performed, one would assume the preparer must at least have made a draft, or have an old version of a materiality assessment.

Clearly clarification is needed to understand whether it is a prerequisite from the practitioner for the preparer to have at least made a draft or to have an old version of a materiality assessment in order to accept an engagement? This is, of course, primarily important to clarify for the initial year of assurance-engagement.