Guide for Respondents

Comments are requested by December 1, 2023. Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, General Requirements for Sustainability Assurance Engagements (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB’s automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.

- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
  - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.

- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “Submit Comment” button on the ED-5000 webpage to upload the completed template.
**Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements**

**PART A: Respondent Details and Demographic information**

<table>
<thead>
<tr>
<th>Your organization’s name (or your name if you are making a submission in your personal capacity)</th>
<th>Instituto de Censores Jurados de Cuentas de España (ICJCE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name(s) of person(s) responsible for this submission (or leave blank if the same as above)</td>
<td>Raquel San Jaime Carrasco, Head of Sustainability, ICJCE</td>
</tr>
<tr>
<td>Name(s) of contact(s) for this submission (or leave blank if the same as above)</td>
<td></td>
</tr>
<tr>
<td>E-mail address(es) of contact(s)</td>
<td><a href="mailto:rsanjaime@icjce.es">rsanjaime@icjce.es</a></td>
</tr>
<tr>
<td>Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.</td>
<td><strong>Europe</strong></td>
</tr>
<tr>
<td></td>
<td>If “Other”, please clarify</td>
</tr>
<tr>
<td>The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.</td>
<td><strong>Member body and other professional organization</strong></td>
</tr>
<tr>
<td></td>
<td>If “Other”, please specify</td>
</tr>
<tr>
<td>Should you choose to do so, you may include information about your organization (or yourself, as applicable).</td>
<td>ICJCE is a professional body which includes spanish auditors</td>
</tr>
</tbody>
</table>

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

**Information, if any, not already included in responding to the questions in Parts B and C:**
PART B: Responses to Questions in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

   \( \text{(See Explanatory Memorandum Section 1-A, paragraph 14)} \)

   Overall response:    **Agree, with comments below**

   Detailed comments (if any):
   - Concerns that ED-5000 may not enable consistent application in practice as the concepts in the standard may not be as familiar to non-accountant assurance practitioners. Specific example of it includes reasonable vs. limited assurance (and the consequently work effort).
   - Collaborate with other market participants, including the EU (CSRD) and PCAOB, with the objective of achieving a single, global sustainability assurance standard. Fragmentation may cause confusion to users of the assurance reports and will result in lack of comparability, including within the same company’s sustainability reporting if it is multinational and subject to diverged standards.

Public Interest Responsiveness

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

   \( \text{(See Explanatory Memorandum Sections 1-B, and Appendix)} \)

   Overall response:    **Agree, with comments below**

   Detailed comments (if any):
   - Concerns about whether ED-5000 meets the qualitative standard-setting characteristic of “implementability”, which focuses on the standard being able to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as being adaptable to the different conditions prevalent in different jurisdictions. While there is a scalability paragraph (paragraph 13) there is no guidance or premises along the standard on how to apply such scalability in practice. We suggest additional guidance or examples be included in the application material to illustrate how the scalability described in paragraph 13 is expected to be applied in practice.
Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: Yes, with comments below

Detailed comments (if any):

- Need for additional clarity on the relationship and interoperability between ED-5000 and ISAE 3410. As drafted, users of the IAASB standards (ED-5000 and ISAE 3410), as well as users of the resulting assurance reports, may be confused about the extent of work performed when the subject matter relates to greenhouse gas (GHG) statements and GHG information included in other sustainability information. It appears that the extent of procedures for a limited assurance engagement related to GHG reporting will differ based on whether the engagement is performed under ISAE 3410 or under ED-5000 (e.g., ISAE 3410 specifically states that we shall identify and assess risks of material misstatement at the GHG statement level, in addition to the risks at the level of disclosures (limited) or assertions (reasonable)). The risk of material misstatement at the level of the sustainability statements is not included in ED-5000 (refer to paragraph 110L). We are not sure it will be clear enough to users which work effort was applied. Lastly, limiting the applicability of ISAE 3410 to engagements where the practitioner is providing a separate conclusion on a GHG statement creates a risk that engagements will be designed to fit a particular assurance standard.

In addition to this, in the ED it is clear when one standard or another applies, but once ISSA 5000 is finalized, the IAASB should consider the future of ISAE 3410, to include it within the standard itself, to avoid confusion and inconsistencies in the practice when applying different standards on the same information.

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: Yes, with comments below

Detailed comments (if any):

The concept “at least as demanding” may require professional judgement by practitioners who do not comply with the IESBA Code or ISQM 1. The standard does not set out how the assessment should be made by practitioner to determine equivalence.
5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: Yes, with comments below

Detailed comments (if any):

“Sustainability matters” definition included in ED-5000, governance is not included in the definition itself, (governance is mentioned in sub-bullet ii specifically relating to “such matters” i.e., sustainability matters). From an assurance perspective, we sometimes assure governance metrics that are broader than specific sustainability matters.

Suggest that governance is included in the core definition of Sustainability matters i.e., "Environmental, social, governance, economic and cultural matters”.

This comment is made to be consistent with the ESRS which does include governance.

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: Yes, with comments below

Detailed comments (if any):

There is no specific literature on how the term “disclosure” defined in paragraph 17 and A16 differs from that in the context of an audit of financial information. If practitioners, that may also be the auditors, this may result in confusion about the meaning and scope of the term “disclosure”.

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: No, with comments below

Detailed comments (if any):

- While there are different requirements for performing limited assurance and reasonable assurance through the standard (as explained in paragraph 47 with the "R" or the "L") there is no description of the work effort. In this sense there is no common understanding of the work effort to reach limited assurance amongst all stakeholders and hence clarity on the work effort (and incremental procedures as stated in paragraph 46) should be contained in the standard.
• There is a need to further differentiate the requirements for limited assurance and reasonable assurance in order to ensure consistent performance and avoiding the diverse experience of assurance practitioners performing sustainability assurance engagements.

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

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?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: Yes (with no further comments)

Detailed comments (if any):

9. Does ED-5000 appropriately address the practitioner’s consideration of the entity’s “materiality process” to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See Explanatory Memorandum Section 1-F, paras. 52-55)

Overall response: No, with comments below

Detailed comments (if any):

• Discussion of the practitioner’s consideration of the entity’s materiality process is currently limited to the application material (A157 and A273) but given that the entity’s materiality process is fundamental for the sustainability information upon which we are opining, a clearer requirement in the body of the standard needs to be included to clarify the practitioner’s responsibilities in relation to understanding the entity’s materiality process to identify topics and aspects of topics to be reported.

• The suggested approach will consider the responsibilities of the process according to Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, Article 34 is amended as follows: (a) (ii) (aa) where applicable, express an opinion based on a limited assurance engagement as regards the compliance of the sustainability reporting with the requirements of this Directive, including the compliance of the sustainability reporting with the sustainability reporting standards adopted pursuant to Article 29b or Article 29c, the process carried out by the undertaking to identify the information reported pursuant to those sustainability reporting standards, and the compliance with the requirement to markup sustainability reporting in accordance with Article 29d, and as regards the compliance with the reporting requirements provided for in Article 8 of Regulation (EU) 2020/852.
Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 56-58)

Overall response: Yes (with no further comments)

Detailed comments (if any):

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: Yes, with comments below

Detailed comments (if any):

Although the concept of double materiality is mentioned, it is not sufficiently developed in the ED. It would be necessary to create additional guidance to clarify this concept with reference to the information needs of intended users in this area and how such information may affect their decision-making.

The determination of what is “material” to users with respect to the “impact materiality” of the entity on sustainability matters, is likely to involve the exercise of significant professional judgement and professional skepticism by practitioners in evaluating management’s “materiality process” and determining the sustainability information to report, as well as how to present this in a clear, understandable, and transparent way. The standard should give greater prominence to these considerations as they are likely to be of particular importance in sustainability assurance engagements given that the intended user population may be significantly broader, with a greater diversity in their information needs and in respect of which their decision-making parameters may be less well defined.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: Agree, with comments below

Detailed comments (if any):

It would be necessary to create additional guidance in order to clarify materiality for qualitative disclosures and determine materiality for quantitative disclosures.
We recommend to further clarify the difference between the work effort for considering and determining materiality, using the ‘Work Effort Spectrum’ from the IAASB’s CUSP (Complexity, Understandability, Scalability and Proportionality) Drafting Principles and Guidelines

The concept of “performance materiality” is important when applied to “groups” and “consolidated” sustainability information, similar to component performance materiality when performing an audit of group financial statements in accordance with ISA 600, to address aggregation risk. The standard explicitly must address the application of performance materiality to sustainability information that is “consolidated” from different sources, including when such sources are upstream or downstream within the entity’s value chain, but outside its system of internal control, to address aggregation risk, with examples of factors a practitioner may consider.

Additionally, the concept of “performance materiality” to qualitative information may assist the practitioner in addressing aggregation risk. However, we consider that the concept does not translate well to sustainability assurance engagements, including in respect of quantitative information, because this interacts with considerations of the presentation, grouping and aggregation/disaggregation of information, different sub-types of information, including, in respect of quantitative information, different units of measure, the application of qualitative factors, and the consideration of the needs of the intended users. The interaction of these matters further, including consideration as to how multiple material misstatements may relate to concept of “pervasiveness”, which would have reporting consequences also and how a practitioner may consider this, with practical examples of common scenarios should be developed.

Understanding the Entity’s System of Internal Control

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: Agree, with comments below

Detailed comments (if any):

- Given the diversity in practitioners delivering sustainability assurance, requirements in ED-5000 (102L, 102R and subsequent) should provide a clearer distinction between the work effort required for limited assurance vs. reasonable assurance rather than relying on the application material to provide this clarity.

Using the Work of Practitioner’s Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner’s firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are “another practitioner” and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

Overall response: Yes, with comments below
Detailed comments (if any):

ISSA 5000 must include a definition of ‘another practitioner’ which may cover practitioners involved to perform assurance activities for entities which are part of the supply chain.

ISQM and IESBA compliance is not explicitly mentioned for other practitioner. Is this assumed or not required? Suggest this be clarified in the ED. Need further clarity related to using “another practitioner.” Need an official definition and guidance to better differentiate.

15. Are the requirements in ED-5000 for using the work of a practitioner’s external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-G, paras. 88-93)

Overall response: Yes, with comments below

Detailed comments (if any):

It is not clear how would an external expert report to the engagement team and standard framework to be followed in order for the practitioner to rely on external expert work.

ISSA 5000 should clarify whether the independence model for ‘another practitioner’ when their work is used for the entities over the supply chain should be the same as for the group audit (the group auditor and the component auditor should be independent in respect of all the components included in the group). ISSA 5000.51 (c) should be more precise about what assurance standards are considered appropriate.

Estimates and Forward-Looking Information

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

(See Explanatory Memorandum Section 1-G, paras. 94-97)

Overall response: Disagree, with comments below

Detailed comments (if any):

Agree with ISSA 5000 approach with reference to estimates.

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

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

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

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See Explanatory Memorandum Section 1-G, paras. 98-101)

Overall response: No, with comments below

Detailed comments (if any):

- The scope of work expected to be performed in a limited assurance engagement remains unclear. Without additional application material or a framework, there is likely to be a high degree of inconsistency in the nature, timing and extent of procedures performed and wide diversity in the extent of work performed around risks on similar entities applying the same sustainability assurance standards.

- Language in paragraph A349R refers to a risk spectrum of low to high but does not make mention of “significant risk”. Suggestion to include language similar to ISA 315R to include the concept of significant risk when assessing the likelihood and magnitude of potential misstatement so that there is consistency across reasonable assurance engagements within the IAASB’s standards.

Groups and “Consolidated” Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 102-107)

Overall response: Disagree, with comments below

Detailed comments (if any):

- We do not consider that the requirements and related application material in the proposed standard are sufficiently clear and specific in this area, even for an overarching standard, noting that this is the only standard, currently, addressing sustainability assurance engagements and also recognizing that the “consolidation” or aggregation of information from across the wider value chain is likely to be a key feature of many sustainability assurance engagements.

- Initially, the ED-5000 has no specific requirements that address “consolidated” sustainability information. To include specific requirements like those included in ISA 600 (revised) to result in sufficient and effective engagement planning and execution.
• It remains unclear how the requirements of ED-5000 would be practically applied in a group context given that disaggregation of sustainability information is not defined and not commonly or consistently applied in today's sustainability reporting environment.

• It is important to note that value chain should not be confused with consolidated sustainability information. It remains unclear how a practitioner is expected to assure information that is prepared outside of the entity’s operational boundary and thus not subject to the control or oversight of management. It is unclear what level of procedures the practitioner should undertake in relation to value chain.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: Agree (with no further comments)

Communication with Those Charged with Governance

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

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: Yes, with comments below

Reporting Requirements and the Assurance Report

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

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: Yes, with comments below
Detailed comments (if any):

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

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

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

(See Explanatory Memorandum Section 1-G, paras. 121-123)

Overall response: Agree (with no further comments)

Detailed comments (if any):

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23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: Yes (with no further comments)

Detailed comments (if any):
Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?
   (See Explanatory Memorandum Section 1-1, para. 135)

   Overall response: No (with no further comments)

   Detailed comments (if any):

25. Are there any other matters you would like to raise in relation to ED-5000?

   Overall response: Yes, as further explained below

   Detailed comments (if any):

   • Reference paragraph 137 (Accumulation and Consideration of Identified Misstatements). More guidance is needed apart from the requirement itself. ISSA 5000 differs from ISAE 3410 where all the sustainability information is measured in the same unit (similar as financial statements). For these kinds of engagements where different aspects or topics are measured at a different unit more guidance in accumulating identified misstatements should be developed. A398 acknowledges the situation where difference in nature could arise but there is no guidance on how accumulating when different in nature. All application material (A398-A403) deals with misstatements (omissions, etc.) and the clearly trivial concept, but not about accumulating.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

   Overall response: See comments on translation below

   Detailed comments (if any):

As a translating body of IAASB and IESBA International Standards, we use translation memories and terminological databases that support the use of unique translations for key terms. In this regard, when the standard uses terms with a different meaning in ISAs or in other international standards, for example, disclosures or practitioner, the effect described in our answer to question 6 above, is transposed to the translations and the final standard adopted in the jurisdiction. In our opinion this could be avoided by using different terms in English.

27. Effective Date—As explained in paragraph 138 of Section 1-1 – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on
sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

Overall response: Agree (with no further comments)

Detailed comments (if any):