

## RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

### 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**

Your organization’s name (or your name if you are making a submission in your personal capacity)	First Nation Financial Management Board
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Scott Monro, Deputy Chief Executive Officer Emily Stockley, Policy Counsel
E-mail address(es) of contact(s)	Scott_Monro@fnfmb.com CC: Emily_stockley@fnfmb.com
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.	<a href="#">North America</a>
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	<a href="#">Public sector organization</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The First Nations Financial Management Board (the “FMB”) is a First Nations-led organization established under the <i>First Nations Fiscal Management Act</i> , S.C. 2005, c. 9. The FMB works with clients to develop fiscal capacity and responsible fiscal governance, and further serves Indigenous people by advocating for the necessary inclusion of Indigenous interests in financial and economic policy matters throughout Canada and internationally.

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:**

We here provide a brief explanatory note about our submission.

The FMB advocates strongly that all international standards in the sustainable finance and reporting industry must include the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as a benchmark against which corporate sustainability disclosures must be measured. Notably, this includes the obligation for states to ensure that Indigenous Peoples' free, prior, and informed consent (FPIC) be obtained in advance of activities taking place on Indigenous lands and territories. We submit that UNDRIP and FPIC be used as standards against which disclosures, made by entities operating on Indigenous lands and territories, must be evaluated by audit and assurance practitioners.

## PART B: Responses to Questions in 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).

*(See Explanatory Memorandum Section 1-A, paragraph 14)*

**Overall response:** [Agree \(with no further comments\)](#)

**Detailed comments (if any):**

### 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?

*(See Explanatory Memorandum Sections 1-B, and Appendix)*

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

Paragraph 15 of Section 1-B of the Explanatory Memorandum directs the reader to the Public Interest Framework located in pages 22–23 of the Monitoring Group report *Strengthening the International Audit and Ethics Standard-Setting System* section on “What qualitative characteristics should the standards exhibit?”.

The “Scalability” characteristic refers to the need to consider a “standard’s relative impact on different stakeholders, e.g., how a standard addresses the audit or assurance needs of small and medium sized enterprises (SMEs) as well as the needs of complex, listed entities”. We believe that this characteristic fails to consider the unique needs of public sector entities, in particular Indigenous governments and their organisations. It should also be expanded to consider the rights of Indigenous Peoples. Foundational concepts around public interest must explicitly consider Article 19 of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), given the administrative nature of standards and how they affect Indigenous Peoples.

The “Completeness” characteristic requires “reflecting the results of broad consultation and in balancing stakeholder priorities”. Article 19 of the UNDRIP People requires the free, prior and informed consent of Indigenous people before adopting and implementing legislative or administrative measures that may affect them. We recommend that this characteristic be amended to reflect this requirement.

### 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:** [No response](#)

**Detailed comments (if any):**

#### *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:** [Not Applicable](#)

**Detailed comments (if any):**

#### *Definitions of Sustainability Information and Sustainability Matters*

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):**

The inclusion of cultural matters within the definition of sustainability matters is a positive choice. The rights of Indigenous Peoples should be specifically referred to as a social matter in the accompanying Application and Other Material for improved clarity.

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:** [Not Applicable](#)

**Detailed comments (if any):**

*Differentiation of Limited Assurance and Reasonable Assurance*

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:** [Not Applicable](#)

**Detailed comments (if any):**

*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:** [No, with comments below](#)

**Detailed comments (if any):**

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.

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):**

Practitioners may need to gain an understanding of how the entity plans to use the information covered by the engagement. This is because sustainability reporting will be used differently and by a broader group than traditional financial reporting. Materiality considered or determined by the practitioner should include consideration of impacts by the entity or the entity's operations on Indigenous Peoples' rights, titles and interests. Practitioners therefore must have a minimum accepted level of knowledge about the current and historical relationship between the state, economic players (businesses) and Indigenous Peoples. It is this relationship that will influence the expectations that Indigenous Peoples will have. These expectations could directly impact the value of a business enterprise as measured by investors and rating agencies. More illustrative and qualitative explanations should be provided in the standard to help practitioners understand this aspect of sustainability reporting.

Sustainability reporting will have a broader group of users than financial reporting. Thus, when a practitioner is providing assurance relating to a sustainability report, the practitioner should assume that the information reported on, in whole or in part, will be made public by the entity. This could extend to promotional or marketing purposes as well as fulfilling regulatory requirements.

By way of example, we think it is possible, if not likely, that an impacted Indigenous group will have an interest in sustainability reporting. Entities that fall into these categories include all of those operating in Indigenous-intensive industries, or industries that disproportionately affect Indigenous Peoples, by operating on their lands or otherwise. These industries include mining, energy (including oil and gas pipelines and electricity transmission rights of way corridors), telecommunications, clean technology and financial services.

The same would likely be true of customers and of impacted residents.

*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:** [No response](#)

**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):**

While the applicability of dual materiality will be dependent upon the applicable framework, there is a risk that entities will attempt to limit the scope of expected users of the sustainability information to focus on financial materiality as opposed to impact materiality. Limiting the scope of potential users may serve to avoid the lens of double materiality.

Assurance engagement reports on sustainability may then be offered to support claims that extend beyond the original intended audience.

*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:** No response

**Detailed comments (if any):**

*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:** No response

**Detailed comments (if any):**

*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:** No response

**Detailed comments (if any):**



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 \(with no further comments\)](#)

**Detailed comments (if any):**

*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:** [No response](#)

**Detailed comments (if any):**

*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 response](#)

**Detailed comments (if any):**

*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:** [No response](#)

**Detailed comments (if any):**

*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 comments below](#)

**Detailed comments (if any):**

The potential of material misstatement related to fraud as a result of management bias is significant. With greenwashing there is often utilization of vague or ambiguous language to intentionally mislead users. A statement on the need for clear, defined terms on what is being measured, and how, could bolster the guidance.

In addition, we recommend a similar statement be made regarding material misstatement or fraud specifically related to Indigenous Peoples’ rights, titles, and interests. This could include alerting the practitioner to common areas that are at high risk of being overlooked by practitioners (due to a lack of the necessary education, training and experience about Indigenous history and rights) or understated or misstated by entities, such as:

- The impact of the historical and current state of relationship between Indigenous Peoples, the state and the entity on the sustainability of the entity and its operations;
- The definition of “Indigenous-intensive industries” (as defined in our answer to Question 9 in this submission);
- International or domestic instruments (e.g. The United Nations Declaration on the Rights of Indigenous Peoples (**UNDRIP**)); and
- Relevant international or domestic standards that an entity ought to meet when working in Indigenous-intensive industries (e.g. free, prior and informed consent, as set out in UNDRIP).

*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 \(with no further comments\)](#)

**Detailed comments (if any):**

*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):**

We are specifically supportive of the IAASB's inclusion of statements on independence and ethical responsibilities. Our review of the materials suggests that there is no requirement to include the practitioner's credentials or the basis for their expertise on the subject matter. This would be a key consideration for users of an assurance report on a sustainability report. The scope of ethical responsibilities should be expanded to explicitly require training and education on the United Nations Declaration on the Rights of Indigenous Peoples and other relevant bodies of work (e.g. Final Reports from Canada's Truth and Reconciliation Commission).

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:** [No response](#)

**Detailed comments (if any):**

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:** [No response](#)

**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-I, para. 135)

**Overall response:** [Yes, with comments below](#)

**Detailed comments (if any):**

Consultation with public sector entities, particularly Indigenous Peoples and governments, will be essential to ensuring that the requirements of the exposure draft are appropriate for those entities. Scalability is a key consideration for guidance that was developed for reporting issuers being utilized by other entities.

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):**

The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) should be used as a benchmark against which corporate sustainability disclosures are measured. Notably, this includes the obligation for states to ensure that Indigenous Peoples' free, prior, and informed consent (FPIC) be obtained in advance of activities taking place on Indigenous lands and territories. We submit that UNDRIP and FPIC be used as standards against which sustainability disclosures, made by entities operating on Indigenous lands and territories, must be evaluated by audit and assurance practitioners.

In its current iteration, ED-5000 does not incorporate UNDRIP at all. UNDRIP will be important in sustainability reporting. It is supported by 150 states around the world, including many that have Indigenous populations. The IAASB should include reference to UNDRIP principles in some manner in ED-5000. Alternatively, the IAASB should consider incorporating UNDRIP into other authoritative and non-authoritative materials (e.g. Basis for Conclusion, Explanatory Notes, Guidance).

We recognize that the Canadian Audit and Assurance Standards Board is considering Canadian-specific amendments to ED-5000, and we are advocating for inclusion of Indigenous-specific issues at that forum. However, there is also a need to consider UNDRIP and Indigenous-specific issues at the international level. This will ensure that sustainability reports are appropriately assured in jurisdictions where there may be less capacity or political will to address these issues. Canada is seen as a leader regarding Indigenous rights, and we recommend the IAASB strongly consider incorporating references to UNDRIP and explain how an entity demonstrates its commitment to respecting Indigenous rights (e.g. FPIC) could impact assurance reporting for entities in Indigenous-intensive industries.

## 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:** [No response](#)

**Detailed comments (if any):**

27. Effective Date—As explained in paragraph 138 of Section 1-I – 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:** [No response](#)

**Detailed comments (if any):**