



european contact group

Mr Tom Seidenstein, Chair
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 1001

Brussels, 30 November 2023

Dear Mr Seidenstein,

IAASB Exposure Draft of proposed ISSA 5000, General Requirements for Sustainability Assurance Engagement (ED-5000)

On behalf of the European Contact Group (ECG), which brings together the six largest accounting networks in the EU (BDO, Deloitte, EY, Grant Thornton, KPMG and PwC), I would like to raise some specifically EU-focused comments on ED-5000 that result from sustainability reporting legal requirements in the European Union (EU). This response reflects the views of the ECG, covering specific EU aspects, and does not replace separate replies of each network.

As an initial comment, we welcome the very significant work the IAASB has accomplished in developing ED-5000 and support the creation of a global baseline of standards for sustainability assurance engagements. A global baseline of sustainability assurance standards will contribute to the reliability and comparability of sustainability reporting, benefitting users of sustainability reporting worldwide. In addition, it helps to streamline assurance processes for preparers of sustainability information and assurance providers, reducing the extra compliance and systems costs that inconsistent assurance standards would create.

We wish to highlight three points in relation to ED-5000:

- We consider that ED-5000 provides an appropriate and supporting baseline for sustainability assurance engagements over sustainability reporting as required in the EU, although we note that it does not address all sustainability information to be reported under the EU rules or other EU requirements.
- One crucial area that needs to be further developed relates to the procedures the assurance provider is expected to perform on the materiality assessment process carried out by the reporting entity to determine what sustainability information to include in its reporting. We think that this should be further addressed and included in the requirements section of ISSA 5000, given its fundamental importance.
- Compliance with relevant ethical/independence requirements and maintenance of an effective system of quality management are critical for the performance of consistent, high-quality sustainability assurance engagements. In this regard, more guidance and transparency are needed on other professional requirements, or requirements imposed by law or regulation, which are to be considered “as least as demanding” as the IESBA Code and ISQM 1, which are



European Contact Group

already commonly applied by auditors, both for financial statement audits and other assurance engagements.

You will find more detailed comments, responding to selected questions and focusing specifically on matters resulting from EU requirements, in the completed survey template submitted online.

Yours sincerely,

Maurizio Donvito

ECG Chairman

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) | European Contact Group (ECG), representing the six largest international professional services networks in Europe: BDO, Deloitte, EY, Grant Thornton, KPMG and PwC |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above) | Maurizio Donvito, Chairman of the ECG |
| Name(s) of contact(s) for this submission (or leave blank if the same as above) | |
| E-mail address(es) of contact(s) | |
| 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. | Europe |
| | 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. | Other (if none of the groups above apply to you) |
| | If “Other”, please specify EU policy and regulatory working group of BDO, Deloitte, EY, Grant Thornton, KPMG and PwC |
| Should you choose to do so, you may include information about your organization (or yourself, as applicable). | ECG is registered in the EU Transparency Register under number 0633841538-63 |

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 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 comments below](#)

Detailed comments (if any):

We welcome the significant work the IAASB has accomplished in developing ED-5000 and support the creation of a global baseline of standards for sustainability assurance engagements. Note that our responses and comments are limited to only sharing EU-specific perspectives, from the European ECG firms, resulting from the sustainability reporting requirements adopted in the EU; these replies do not replace the separate responses of each network. We agree that ED-5000 provides a global baseline for sustainability assurance engagements over sustainability reporting required in the EU. However, we note that ED-5000 does not address all sustainability information to be reported under the EU rules or other EU requirements, such as an entity's materiality assessment process, EU taxonomy requirements and the mark-up required for the European Single Electronic Format (ESEF), which require a consistent approach across the EU as well.

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):

We agree that the proposals in ED-5000 are responsive to the public interest but we would add that certain EU needs are not addressed, as mentioned above in our reply to question 1, such as an entity's materiality assessment process, EU taxonomy requirements and the mark-up required for the European Single Electronic Format (ESEF).

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: [Yes, with comments below](#)

Detailed comments (if any):

Compliance with relevant ethical/independence requirements and maintenance of an effective system of quality management are critical for the performance of consistent, high-quality sustainability assurance engagements. The IESBA Code and ISQM 1 include these respective requirements, which are also the basis for professional accountants/auditors performing high-quality financial statements audits and other assurance engagements.

We believe that establishing a level-playing field for all sustainability assurance providers requires sufficient guidance or a framework upon the basis of which a decision can be taken as to whether other professional requirements, or requirements imposed by law or regulation, are “at least as demanding” as the IESBA Code and ISQM 1. Also, these other requirements should be “at least as demanding” in the different key areas, not only considered as a whole. We suggest including in ISSA 5000 still more guidance or referring to an appropriate framework in terms of ethical/independence requirements and the maintenance of an effective system of quality management in case the IESBA Code and ISQM 1 are not applied.

Further, Par. 170 (d) (iv), requires the identification of the jurisdiction of origin of the relevant ethical requirements in the sustainability assurance report in case the IESBA Code is not applied. In this regard, we recommend that the sustainability assurance report identifies not only the jurisdiction of the origin but also the relevant ethical requirements applied. This would make the ethical/independence basis for the sustainability assurance more transparent, which is important information for the users of the report. We understand that this would also be the case for requirements for the system of quality management in case ISQM 1 is not applied (ref. Par. 170 (d) (v)).

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: [Not Applicable](#)

Detailed comments (if any):

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: [Yes, with comments below](#)

Detailed comments (if any):

ED-5000 should further clarify the differences between performing limited and reasonable assurance engagements considering an entity's materiality assessment process carried out on sustainability matters, both regarding when the practitioner evaluates the materiality assessment process as a whole in a sustainability assurance engagement and when the practitioner has to additionally address the materiality assessment process in the sustainability assurance report (see also comments under Q9 and Q11).

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: [Not Applicable](#)

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):

Sustainability reporting frameworks ordinarily include requirements for the entity to disclose information about sustainability matters when such information is material. The identification of what is material calls for a so-called materiality assessment process. This process is specific to the entity's facts and circumstances. The entity's materiality process also includes consideration of whether the reporting framework is sufficiently specific on its own or whether it needs to be supplemented with entity-developed criteria. Thus, the respective sustainability reporting framework criteria will normally be supplemented with entity-developed criteria. A materiality assessment process is supplemented by the process for preparing and presenting sustainability information in accordance with the reporting framework and the entity-developed criteria. This separate process implemented at the entity involves the establishment of controls to drive the appropriate application of the criteria and to generate sustainability information that is not materially misstated (ref. IAASB: FAQ Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner, Question 2 and 4).

In terms of CSRD ESRS 2, Disclosure Requirement IRO-1 requires a description of the materiality assessment process and the CSRD assurance opinion explicitly needs to refer to the materiality assessment process.

In our view, it is not clear what procedures the practitioner is expected to perform on the materiality assessment process in a limited assurance engagement and in a reasonable assurance engagement (see reply to Q7). Also, within the proposed standard, discussion of the practitioner's consideration of an entity's materiality assessment process, including the double materiality approach, currently seems to only be dealt with in the application material. We believe that the practitioner's minimum procedures with respect to an entity's materiality assessment process should also be addressed in the requirements-section of ISSA 5000.

Furthermore, regarding the sustainability assurance report in accordance with the CSRD, it would be very helpful to include (conditional) requirements to be met in order to address the materiality assessment

process in the sustainability assurance report. This again concerns both limited assurance and reasonable assurance.

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: [No, with comments below](#)

Detailed comments (if any):

As mentioned above in the reply to Q7 and Q9, clarification in the requirements-section of the work effort and procedures to be performed by the practitioner on an entity's materiality assessment process carried out under the double materiality approach would be very helpful.

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: [No response](#)

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: [Agree, with comments below](#)

Detailed comments (if any):

Most sustainability reporting assurance engagements will likely include consolidated sustainability information. Guidance on how to deal with the reporting entity’s aggregation process, on how to involve “component assurance providers”, and on how to allocate assurance materiality among components would be very helpful. The concepts of the reporting entity’s aggregation process and boundaries are also very important for consideration of its value chain (see also Q25). Given the timing of the EU new sustainability requirements, this would be needed in the shorter term.

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: [No response](#)

Detailed comments (if any):

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: [No response](#)

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: [No response](#)

Detailed comments (if any):

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: No response

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):

- Value chain: regarding procedures performed in the value chain, guidance should be provided on how to provide or obtain assurance on information beyond the entity's/group's organisational boundaries.
- Accumulation of identified misstatements: further clarity would be helpful within the requirements and/or the application material in terms of the accumulation of identified misstatements. This relates specifically to compliance frameworks and the fact that sustainability KPIs will have different measurement bases and/or that misstatements in qualitative disclosures may be identified.

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 ISA. If not, what do you propose and why?

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

Detailed comments (if any):

We support earlier application of the standard being permitted and encouraged.