

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)	Global Strategy Task Force on ESG Disclosure Committee on Financial and Capital Markets Keidanren (Japan Business Federation)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Hidetaka Suzuki
Name(s) of contact(s) for this submission (or leave blank if the same as above)	-
E-mail address(es) of contact(s)	suzuki-h@keidanren.or.jp
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.	Asia Pacific
	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.	Preparer of sustainability information
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

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):

- The system for sustainability disclosure is still under development and, while some sustainability information such as greenhouse gas emissions data can be based on the Greenhouse Gas Protocol and other relatively well-established criteria, there is also a large amount of sustainability information for which criteria are not yet available. Where sustainability disclosures are concerned, factors such as the availability of criteria to provide a basis for judgment can cause the objectivity and reliability of assurance engagements to vary greatly, and we therefore believe that the appropriate approach for assurance engagements should change accordingly. If obtaining assurance came to be regarded as essential for all sustainability information, including information for which criteria are not available, the reliability and understandability of disclosures could be compromised as a result of assurances provided without sufficient evidence, or significant increase in assurances for explanatory notes regarding the assumptions made. Moreover, if preparers of sustainability information prioritize the obtaining assurance, this could have the effect of discouraging them from disclosing proactively.
- We believe that steps should be taken to improve understanding of sustainability assurance among stakeholders, not least to ensure the effectiveness of assurance standards developed by the IAASB. For example, it would be helpful if the IAASB could provide information on situations in which assurance works effectively or not, and on the recommended assurance approaches in such cases.
- Keidanren considers the following three points in connection with ED-5000 to be of particular importance:

- (1) The assurance system should not be designed in such a way that entities cannot obtain assurance unless they develop a sophisticated internal control system (Question 13).
- (2) Sustainability information often involves longer-term projections than is the case for financial information, and the discrepancies between estimates and actual results therefore tend to be larger. This should be clearly stated in the standards and elsewhere (Question 16).
- (3) As the discrepancies between estimates and actual results tend to be larger, the guidelines for distinguishing between error and fraud should be presented more clearly (Question 19).

Detailed comments on these points are provided in the responses to the relevant questions.

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: [Click to select from dropdown menu](#)

Detailed comments (if any):

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: [Click to select from dropdown menu](#)

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: [No, with comments below](#)

Detailed comments (if any):

ED-5000’s ethical and quality management-related requirements for assurance engagements are clear. However, having been developed based on auditing standards and regulations, the requirements appear demanding to be applied from the very beginning, and are difficult for assurance engagement providers other than auditing firms to meet. We are therefore concerned about a potential lack of providers capable of meeting these requirements. For providers other than auditing firms, there seem to be few standards developed at a level comparable to the IESBA Code or the IAASB ISQM 1; we therefore believe that the IAASB should explore requirements at a level that is practicable not only for auditing firms, but also for other assurance engagement providers.

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: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

Regarding interpretations of “sustainability information” and “sustainability matters,” we would like the IAASB to take care to prevent confusion arising in practice due to differing interpretations among assurance engagement providers. We hope the IAASB will conduct an information campaign including distribution of educational materials, guidance, and other references to explain both concepts through specific examples illustrating sustainability information or sustainability matters.

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: [Click to select from dropdown menu](#)

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: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

With regard to limited assurance and reasonable assurance, given that the approaches are largely based on those used for auditing of financial statements, we are concerned about whether the various procedures listed in ED-5000 would work as effectively in practice during sustainability assurance engagements as they do when auditing financial statements. In particular, if one compares sustainability information with financial information, the range of information handled and departments involved is broader for sustainability information, and assurance engagement providers are not limited to auditing firms. It will be crucial for the IAASB to conduct an information campaign relating to the key ISSA 5000 concepts of limited assurance and reasonable assurance, not least to ensure that the system is designed in such a way that it will also be acceptable to stakeholders who remain unfamiliar with auditing of financial statements. First of all, we would like the IAASB to address limited assurance to start off with, aiming to design a system that is practicable and does not impose an excessive burden on entities in practice.

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: [Click to select from dropdown menu](#)

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: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

- In ED-5000 and its Explanatory Memorandum, it is difficult to understand the difference between the concepts of management’s “materiality process” and the assurance engagement provider’s “materiality.” In October, FAQ on this issue was released, but we are concerned that confusion could still arise in practice as a result of mixing up the provisions regarding materiality for assurance engagement providers and the provisions that preparers of sustainability information must comply with during their materiality process. We hope the IAASB will conduct another information campaign including distribution of an additional explanatory memorandum, guidance, and other references to explain both concepts through specific examples illustrating materiality and the materiality process.

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 comments below](#)

Detailed comments (if any):

- It is necessary to bear in mind that in the sustainability field a variety of approaches and value systems exist according to individual circumstances. If approaches and value systems differ, therefore, it stands to reason that the criteria adopted may differ among entities with regard to the same sustainability matter.
- In cases where laws or regulations do not mandate the use of certain criteria when obtaining assurance, the IAASB should prevent entities from being forced to choose the same uniform criteria by making it clear that they may choose a variety of criteria, provided the criteria in question are appropriate.

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: [Click to select from dropdown menu](#)

Detailed comments (if any):

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

In a situation where disclosure standards relating to sustainability information are still under development and it can be assumed that a wide variety of sustainability information will continue to be disclosed, it is doubtful whether practitioners will in practice be able to determine materiality for all quantitative sustainability information. Suppose, that “determine materiality for quantitative disclosures” as stipulated in paragraph 91 of ED-5000 required practitioners to determine quantitative materiality thresholds as is the case for accounting auditing; surely there would be quantitative sustainability information for which it would not necessarily be appropriate to *determine* materiality. We therefore suggest that paragraph 91 of ED-5000 ought to specify that quantitative disclosures should be “considered” rather than “determined,” as is the case for qualitative disclosures.

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

- Even for limited assurance engagements, practitioners are required to understand the components of internal control to some degree. However, compared to financial information, the departments that handle sustainability information are more wide-ranging and the information itself covers a broader range of topics. Therefore, we are not sure whether this would actually work in practice.
- Paragraphs 102L and 102R require the practitioner to obtain an understanding of components of the entity's system of internal control, but the assurance system should not be designed in such a way that entities cannot obtain assurance unless they develop a sophisticated internal control system. Likewise, if information can be gathered as a corporate group, individual entities should not be required to establish a sophisticated internal control system. ED-5000 presents related Application and Other Explanatory Material in the second bullet point of paragraph A155, paragraph A313, and elsewhere, but the current wording taken on its own could be misunderstood to imply that entities are required to establish internal control systems exceeding a certain level of sophistication (including IT). It should be clearly stated in the guidance and elsewhere that the intention is not to require entities to establish sophisticated internal control systems.
- Amid a conflicting jumble of national regulations and various initiatives relating to disclosure of sustainability information, it is difficult for entities now to develop an overarching internal control system that anticipates future developments. Disclosure practice is still developing, and the reality is that many companies are responding flexibly, including through manual processes, given the potential for changes to definitions or additional regulations after disclosure has taken place.
- Although it is desirable that entities have already developed a sophisticated internal control system when obtaining assurance, if change due to legislative amendments or the like is anticipated in the near future, it may be rational from a long-term perspective for an entity to develop its internal control system incrementally. The key prerequisite is that an entity can ensure the accuracy and completeness of disclosures, but given that the establishment of an internal control system is to some extent dependent on external circumstances, we recommend

that paragraphs 70(a) and A162, as well as paragraphs 102L and 102R (i.e., the provisions relating to obtaining an understanding at the engagement acceptance stage) be supplemented to urge practitioners to assess an entity’s initiatives over the long term.

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: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

With regard to practitioners’ experts, the IAASB should coordinate with the IESBA and take care to ensure that the use of experts is kept to the level that is necessary and sufficient so that such use does not lead to leakage of confidential information or excessive increases in costs.

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: [Click to select from dropdown menu](#)

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: [Agree, with comments below](#)

Detailed comments (if any):

- Estimates and forward-looking information relating to sustainability disclosure often involve long-term projections that are subject to greater uncertainty than is the case for financial information, and the forward-looking information currently disclosed in practice often comprises targets. We are concerned that requiring excessively rigid assurance could mean that the incentive to disclose forward-looking information on sustainability would be lost.
- As the process of establishing a system for sustainability-related disclosure proceeds, the bodies that set disclosure and assurance standards need to bear in mind the distinction between objective forward-looking information and entities’ target-related information as they develop their standards. Depending on whether the information required by disclosure standards is objective forward-looking information or entities’ target-related information, the disclosure outcomes will differ, and this will influence the investment decision-making of information users. Moreover, the appropriate approach for the assurance standards will differ accordingly.
- The fact that sustainability information differs fundamentally from financial information limits the extent to which it is possible to require the same level of disclosure and assurance as for financial information. Sustainability information often involves longer-term projections than is the case for financial information, and the discrepancies between estimates and actual results therefore tend to be larger. These differences in characteristics should be mentioned in paragraphs A390, A391, and elsewhere, and the differences compared with the International Standard on Auditing (ISA 540) should be clearly stated.

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: [Click to select from dropdown menu](#)

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: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

We are aware that the appropriate scope of consolidation for disclosure of sustainability information may not necessarily be the same as the scope of consolidation for auditing of financial statements, and in future there will be more situations in practice that require previously unnecessary judgments to be made in this regard. We would like the IAASB to take care to prevent confusion arising in the course of actual assurance engagements by providing practice notes and guidance, among other measures.

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 characteristics of sustainability information subject to disclosure mean that it includes more estimates and forward-looking information than financial information and the potential for differences between disclosed information and actual results is greater. It is therefore essential to further clarify the guidelines for distinguishing between error and fraud when interpreting the causes of material misstatement. Judgments as to whether misstatement relates to fraud or error can also involve assessment of management bias—that is to say, management’s good or bad faith—necessitating careful consideration of the criteria guiding such judgments. If there is some risk that a practitioner’s judgment of management bias regarding sustainability disclosure could result in an actual error being treated as fraud, entities will be forced to take a conservative approach to sustainability disclosure, and as a result the incentive to make proactive disclosures could be reduced.

- It would be inappropriate to make separate, specific reference to “greenwashing,” which is just one form of fraud, in the main text of the overarching assurance standard ISSA 5000.

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: [Click to select from dropdown menu](#)

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: [Click to select from dropdown menu](#)

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: [Agree, with comments below](#)

Detailed comments (if any):

We strongly agree. Given that discussion regarding the disclosure of sustainability information is still ongoing, it would be inappropriate to require a concept equivalent to key audit matters (e.g., “key sustainability assurance matters”) to be addressed from the very beginning.

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: [Click to select from dropdown menu](#)

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: [Click to select from dropdown menu](#)

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):

- In the sustainability field, careful consideration is required with regard to new approaches to assurance, primarily because—unlike disclosure of financial statements, for which the process is already established—disclosure of sustainability information involves a wide range of business units and stakeholders within entities; no customary practices have yet been established with regard to the definition of relevant information, or its materiality and granularity; and assurance by practitioners other than auditing firms is allowed. Furthermore, given the unpredictability of regulatory trends in individual countries, it is undesirable for detailed sustainability assurance standards to be drawn up too far ahead, as this will only lead to confusion. First, the IAASB should prioritize identifying the fundamental approach and principles governing the minimum level of sustainability assurance and building a consensus on these prior to introducing them incrementally.
- With regard to “other information,” we wonder whether efforts to check consistency between such information and disclosures subject to assurance would actually work in practice, considering factors such as the broad scope of such information to be checked and the difficulties arising from the different characteristics of financial information and sustainability

information. Measures such as limiting and clarifying the scope of other information to be checked, and preparing guidance relating to the tasks involved in assurance are necessary.

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: [Click to select from dropdown menu](#)

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: [Click to select from dropdown menu](#)

Detailed comments (if any):