

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 enter 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)	Office of Auditor General of Alberta. Note views herein are those of Wayne Morgan and Colin Semotiuk and do not necessarily reflect view of the Office of the Auditor General of Alberta
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Wayne Morgan PhD, CPA, CA, CISA Colin Semotiuk CPA, CA
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.	North America
	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.	Click to select from dropdown menu
	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: Disagree, with comments below

Detailed comments (if any): We disagree with the ED-5000 as an overarching standard because it is not in the public interest by not requiring a focus on relevant sustainability matters. The standard is not an adequate baseline due to the fact it allows sustainability to be defined only in terms of financial materiality, in terms of impact on the entity (or implied “enterprise value” or “investors”), which is not in the public interest. The “information for decision making” is a limited concept because sustainability is most relevant if thought of from an intrinsic focus: for example, in a sustainability context it is intrinsically relevant to reduce greenhouse gas (GHG) emissions, or energy usage, or water usage. ED-5000 complicates this with a focus on “information for decision making,” which allows importation of flawed concepts of sustainability, such as the ISSB’s sole focus on investors enterprise value decision making.

We have no issue with investors using information regarding sustainability impacts to assess enterprise value. Our concern is that ED-5000 allows sustainability to be limited to only financial impacts (implied to be investors needs). To reiterate, ED-5000 risks allowing the omitting of important sustainability efforts, especially mitigation (including prevention) of negative external impacts, on the economy, environment and people. Sustainability is foremost a matter of identifying and mitigating negative impacts (or enhancing positive impacts) on things external to the entity, such as the environment, the economy and people, not “information for decision making.” It is not in the public interest to add credibility to sustainability reporting which is solely focused on financial impacts via assurance reporting on the sustainability reporting.

The emphasis on information for decision making in ISAE 3000 is much less, and while decisions of users are mentioned in ISAE 3000, the important part, indeed the objective of the engagement is to “*enhance degree of confidence of intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria.*” “Confidence the information is correct” is closer to a stewardship concept, rather than a “information for decision-making” concept, and is more appropriate for the sustainability context, so it should be the basis for ISSA 5000, with much less emphasis, if any, on “decision making” and much more emphasis on confidence in whether management has appropriately measured or evaluated the sustainability subject matter against suitable sustainability criteria. This will reduce the need for the practitioner to evaluate relevance (and other attributes) by reference to decisions of users and instead focus relevance on mitigation of negative impacts which are much more observable and objective. Practitioners don’t have to make up scenarios or assumptions, based on only “*preliminary knowledge of the engagement circumstances*” (paragraph 69) about whether

some users would even make a decision, nor consider what that decision is (to buy a product, boycott, protest, accept, ignore, tell others, post on social media, write a letter, wait, etc.), whether there is a link between what is reported and decision(s) of some users, what the decision-maker's interests are and whether they are constant or shift over time, the magnitude of that decision (e.g. how much they may or may not buy a product based on ESG reporting), and whether they may be inconsistent or contradictory. These are all unnecessary problems introduced with ED-5000's emphasis on "decision making" as determining relevance and other attributes. If these matters are not fixed, ISAE 3000 or a substandard under ISAE 3000 may be a better approach.

We note the important decision-making is by the entity (not "users") regarding identifying its impacts, identifying and prioritizing actions to mitigate negative impacts or enhance positive impacts, and making tradeoffs among sustainability matters (e.g. what to do if decreasing energy usage also increases water usage). Sustainability reporting and assurance thereon is therefore more about stewardship, transparency and accountability for such decisions of the entity, and ISSA 5000 should reflect this. ISSA 5000 built on stewardship rather than decision making would be more of a sustainability assurance standard.

We note that the attributes of relevance, completeness, reliability, neutrality and understandability in paragraph 72 may prevent the standard from being used by all assurance practitioners and may also not bring enough focus onto sustainability. While these are in ISAE 3000, there is no intrinsic reason to transport these to sustainability. Other attributes may be equally (or more) valid, such as inclusivity, materiality, responsiveness and impact. Rather than encoding the five attributes from 3000 into ISSA 5000, these five and others could be included as application material to paragraph 72 as part of what the practitioner may consider in evaluating whether the criteria are suitable. Paragraph 72 (c) would read as "*evaluate whether the criteria exhibit suitable sustainability characteristics.*" The application material in paragraphs A166-A186 could be oriented away from decision making and more onto identifying, ranking, and mitigating negative impacts. Such changes would also make ISSA 5000 more of a sustainability assurance standard in a framework-neutral way.

The fundamental assertion of legislative compliance is not sufficiently included in ED-5000, an important topic or aspect of topics in sustainability. Paragraphs 59, 60, 61 and 101 are not sufficient, given legislative compliance (including regulatory compliance) is fundamental and foundational to sustainability. It appears paragraphs 61 and 101 would only require inquiry to be performed, even under reasonable assurance, which is not sufficient. Legislative compliance should also be an assertion. The areas where ISSA 5000 must further incorporate legislative compliance include:

- Paragraph 100 (b) should state "*How the entity is complying with that framework, including the entity's system of internal control (Ref: Para. 102R (f)).*"
- Paragraph 102R should include "*(f) The entity's process to identify and comply with relevant legal and regulatory requirements.*"
- Paragraph 138 should include "*(c) Review all instances of legislative non-compliance and determine the impact on the assurance report.*"
- Paragraph A353R should include "*Legislative compliance – the criteria, transactions and disclosures are in compliance with legislation and regulations.*"

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: [Disagree, with comments below](#)

Detailed comments (if any): ED-5000 may not be in the public interest because the standard would not prohibit sustainability from being evaluated only in terms of financial impact on the entity, it could allow a re-definition of sustainability not in the public (or planet's) interest as a financial reporting matter related to investor decisions. However, what is most relevant about sustainability as commonly understood is identification and mitigation of negative external impacts on parties external to the entity, such as people and the environment, and is necessarily far broader than financial impacts on the entity.

The characteristics in the project proposal are perhaps too generic, because they did not start with a definition of sustainability (i.e. why is sustainability important and what is it trying to achieve). In being very broad, ED-5000 unfortunately does not adequately recognize what sustainability is, and risks allowing sustainability to be defined as a financial reporting matter for decision making only. This would not be in the public interest.

While IAASB is not a sustainability reporting standard setter, the concepts and definitions in IAASB influence and constrain what "sustainability" information may or may not be subject to an assurance engagement and therefore IAASB has a substantial, though indirect, effect on sustainability reporting. We encourage IAASB to re-assess whether ED-5000 has achieved the right balance in allowing various reporting frameworks while also not supporting assurance being provided on sustainability information that is too narrow and more appropriately a matter for financial reporting.

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, with comments below](#)

Detailed comments (if any): ISAE 3410 should be withdrawn. GHG emissions are important sustainability disclosures that belong in an entity's sustainability report, along with other related disclosures such as risks, strategies, and tradeoffs among sustainability choices. For example, reducing GHG may increase energy usage. Due to the integrated nature of ESG matters, all ESG matters are best reported in one report and subject to a single assurance engagement.

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): “At least as demanding” is not sufficient because it is unclear and may result in marketplace distortions if other professionals (e.g. engineers, environmental scientists, etc.) follow ethical requirements that are more demanding. For example, other professionals may consider it unethical to perform a sustainability assurance engagement that is not inclusive and responsive to external impacts and harm reduction. ISSA 5000 could permit a sustainability engagement to be accepted that ignored external impacts and focused only on financial impact of the entity, which some could consider unethical. ISSA 5000 should be self-contained and should include all requirements to perform the engagement, including ethical requirements. Ethical requirements are no different from requirements for engagement acceptance, competence or even technical requirements such as sampling. IAASB should not be constrained by institutional arrangements within the profession if ISSA 5000 is intended to apply outside the profession as well. If the relevant ethical requirements are in the standard, there is no confusion over “at least as demanding” and IAASB does not need to rely on other organizations that may define sustainability in ways that are inconsistent with ISSA 5000 or are not even in the public interest. This would also avoid IAASB having to depend upon whatever definition, if any, IESBA has for “sustainability” or “sustainability matters.”

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: No, with comments below

Detailed comments (if any): ISSA 5000 should include a definition of sustainability as “meeting needs of the present while preserving ability to meet future needs.” Without such a definition it will be very difficult to evaluate suitability of criteria, especially relevance and completeness. ISSA 5000 should be clear that sustainability is about external impacts, and mitigation and reduction of negative impacts, and that the objective of the assurance engagement is to enhance confidence in management’s measurement and evaluation of the mitigation of negative external impacts.

We are concerned about the “or” in the definition of sustainability matters as “impact on entity” or “external impact.” The “or” allows an engagement to be only about “impact on the entity” and A180 says the impacts on the entity are financial. While appearing desirable because it achieves

“framework neutrality,” this allows a re-definition of sustainability. Further, we note considerable ambiguity in the distinction between impacts on the entity and external impacts and find the concept probably can be removed from the standard, or at least deemphasized: are GHG emissions impacts on the entity (e.g. having to change operations to reduce GHG) or external? Are social metrics such as wages by gender, or diversity of executive management, internal or external? Or health and safety, or training? This also ignores that external impacts can also be financial (e.g. supply chain partners expenditure to reduce energy usage downstream, or people having to sell homes at a loss to avoid pollution). The distinction between internal and external impacts is not useful and could allow engagements where the only focus is “internal” meaning “financial” or “impacts on investors and enterprise value,” as investors decision making is conflated with the financial impacts on the entity.

Greater clarity is needed throughout when the entity’s processes are sustainability information i.e. subject matter of the assurance engagement. For example, it is not appropriate to allow rotation of testing of controls every three years as paragraph 122 does if the controls over achieving sustainability outcomes are being assured each period. As well, paragraph 107 should include the practitioner obtaining an understanding of internal control if the internal control is the subject matter of the engagement i.e. because the control activities are part of how the entity mitigates negative sustainability impacts.

In addition, the word “processes” should be added after “policies” in paragraph 17 vv (ii) definition of sustainability matters.

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

(See <i>Explanatory Memorandum Section 1-E, paras. 35-36</i>)</p> |
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Overall response: No, with comments below

Detailed comments (if any): ISSA 5000 requires a definition of sustainability in order to prevent multiple definitions being used and creating confusion, misinterpretation(s) and/or manipulation. We recommend the following definition of “meeting the needs of the present without sacrificing the ability to meet the needs of the future.” A definition of sustainability is needed to assist with bounding the definition(s) of sustainability matters. The definition of sustainability matters as allowing an “impact on the entity” approach only, with the presence of the “or” in the definition, is inappropriate because it is too narrow in scope. Sustainability matters also should not include “economic” matters. Absence a definition of sustainability, adding “economic” to the definition of sustainability matters widens their scope as to bring anything within the scope of sustainability, especially combined with “impacts on the entity” reporting. For example, how would the entity’s value creation process, or new product development process, or sales strategy, not be a sustainability matter, even if the reporting had nothing to do with reducing negative impacts on stakeholders and the environment? Because almost anything could be considered “relevant,” it may result that nothing is relevant, sacrificing understandability as well. The focus on “disclosures” is excessively tied to the “information needs” foundation of the standard, which is incorrect. Instead, the standard should define “sustainability performance” as part of sustainability matters, and be clear that sustainability performance involves the actions taken by the entity to reduce negative sustainability impacts, or increase positive sustainability impacts. This is closer to a

stewardship, accountability, or performance concept as the subject of the assurance engagement as the fundamental basis for the standard.

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): In several areas the distinction between limited and reasonable assurance will likely drive no meaningful difference in work because sustainability matters are often intrinsically connected (e.g. decreasing emissions increases energy usage), and arise from products and operations and locations of an entity, many elements of understanding the entity's sustainability impacts and internal control will need to be the same across limited and reasonable assurance engagements. Yet with differential requirements practitioners may need to "fit in" the work performed on topics or aspects of topics into limited and reasonable assurance. In our view, engagement acceptance and risk assessment phases should be more similar in ISSA 5000 for reasonable and limited assurance. This means that many of the differences throughout the standard would disappear. The only differentiation remaining should be in the substantive work carried out i.e. the procedures performed to collect evidence, with limited assurance consisting primarily of inquiry, discussion and analysis. We also note that the differentiation of limited and reasonable assurance requirements makes the standard itself unnecessarily complex and difficult to maintain, and may lead to drafting errors. For example, it appears paragraph 126L contains no "shall" requirement and is not prepared using CUSP drafting principles.

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 no further comments)

Detailed comments (if any): A requirement for the practitioner to evaluate the entity's "materiality process" as part of engagement acceptance/continuance should be added. The requirement should include guidance that the engagement may only be accepted/continued if the practitioner determines that the entity's materiality process is multi-stakeholder and identifies and ranks external impacts on stakeholders and the environment, and operates as part of the entity's

governance, operations and internal control that seeks to mitigate negative sustainability impacts and enhance positive sustainability impacts.

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): Evaluation of the entity's materiality process should be a "shall" requirement. The evaluation should be a precondition and done to determine that the entity's materiality process identifies external impacts, ranks them, and focuses on negative impact reduction. The materiality process is a demonstration of management's understanding of and responsibility for sustainability matters and is akin to evaluating the entity's applicable financial reporting framework and accounting policies. If the entity's materiality process does not identify and rank external impacts, and is not multi-stakeholder, the practitioner should determine the impacts on the engagement and assurance report, including if a scope limitation exists. The evaluation of the process should also include whether it is appropriately linked to and determinate of strategies, processes, plans and feasible and realistic actions (governance and internal control) to mitigate negative impacts. The requirement should be stronger than "understand" and be "evaluate" because specific further steps are needed by the practitioner if there is an insufficient materiality process, including updating assurance report to include scope limitation (e.g. due to only financial materiality considered) or not accept or continue the engagement if the criteria are not considered suitable. We note "evaluate" includes "understand," "understand" does not include "evaluate."

We suggest ISSA 5000 draw from GRI 3 for requirements or application material for evaluating the entity's materiality process.

ISSA 5000 should specify that suitable criteria are not relevant if they do not arise from a materiality process that considers external stakeholders, impacts of the entity on external stakeholders and the environment, and mitigation of negative impacts. Such requirements would avoid practitioners being associated with misleading sustainability performance of an entity.

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, with comments below](#)

Detailed comments (if any): ED-5000 fails to appropriately address the practitioner’s evaluation of suitability and availability of the criteria. Fundamentally ED-5000 incorrectly re-characterizes sustainability as a reporting/assurance “information needs” matter, when sustainability is about identifying and mitigating negative sustainability impacts i.e. a sustainability performance issue. Additional criteria can be found in other assurance frameworks and would evaluate suitability of criteria with respect to their inclusiveness, materiality, responsiveness and impact.

We note relevance to sustainability as commonly understood is very difficult to achieve as ED-5000 is written. Responses to other questions explain why. We note that A179 first and second bullet incorrectly rank “decision making by the intended users” as too important when the most important consideration in relevance of sustainability matters is reduction of negative impacts. This is not an issue of whether the sustainability reporting framework (or entity-defined criteria) has a concept of due diligence or accountability, but instead a matter of what sustainability itself is. It is a fundamental deficiency of ED-5000 that reduction of negative impacts is not even mentioned in any of the application material for “relevance.”

In addition, we note that “neutrality” is not as applicable in a sustainability context, because sustainability is inherently biased in favor of reducing or avoiding negative impacts. This should be explained in application material to avoid reporting or assuring matters that are only negative impacts. As well, the first bullet in A183 that neutrality requires a balanced disclosure of both favorable and unfavorable impacts should be removed because it is contrary to sustainability as negative impact reduction, and may incorrectly imply that an entity cannot disclose unfavorable impacts unless it also has positive impacts. ISSA 5000 also needs to be clear that favorable acts in one criteria/topic need to be clearly analyzed and disclosed that they may not “off-set” unfavorable acts in another criteria/topic. For example, specific species may rely on the environment in the area where negative impacts occur. An entity should not off-set these impacts with positive impacts in a separate area or by committing to “restore” the area after 30, 40 or 50 years. The long-term impacts after an extended time period (e.g. 20 or more years) are at best estimates and often include damage that rarely can be “restored” to pre-disruption levels.

We therefore suggest that the five characteristics of suitable criteria (relevance, completeness, reliability, neutrality and understandability) be moved to application material only. We note these characteristics are not intrinsically related to sustainability nor providing assurance, and it is irrelevant because they are already in 3000. Including these in ED-5000 risks ISSA 5000 of solely becoming a sustainability reporting framework, or inappropriately favoring particular frameworks over others. For example, some frameworks may be more closely aligned with impact mitigation, and have other attributes such as inclusivity, materiality, responsiveness and impact.

ISSA 5000 should take an “acceptability of sustainability framework” approach, like ISA 210. It should not allow entity-defined criteria because this will create inconsistency of criteria in the market. In evaluating the acceptability of the sustainability framework, ISSA 5000 should require

that a sustainability framework is only acceptable if it is multi-stakeholder and considers external impacts of the entity, and as noted above application material can include various attributes (relevance, reliability, inclusivity, responsiveness, impact, completeness, neutrality and understandability). ISSA 5000 should specify that an “impact on the entity” sustainability framework, including one that considers “impact on the entity” to be impact on enterprise value or investors, is not an acceptable framework, and if such a framework is prescribed by law or regulation, it is still not an acceptable framework and the practitioner should not accept the engagement.

These changes are necessary to ensure the relevance of sustainability assurance and to prevent ISSA 5000 from favoring sustainability frameworks that are only narrowly focused on financial decision making and not focused on impact mitigation regarding people and the environment. Sustainability assurance should not be provided over sustainability reporting that is not relevant, or is misleading because it ignores impact on external stakeholders and the environment.

Our concerns are not limited to specific types of entities and apply to all sustainability assurance engagements under ISSA 5000. Public sector entities or not-for-profits, for example, do not typically have investors so the concern about sustainability as “decision making for investors” may be less present. However, because sustainability matters are fundamentally interconnected across various types of entities, it is in the public interest for there to be a common understanding of sustainability, and ISSA 5000 should help to achieve that.

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): ED-5000 mischaracterizes “double materiality,” and is actually supporting single materiality, not double materiality. Double materiality is a “both and” concept, not an “either or” concept. ISSA 5000 should be clear that sustainability matters in a double materiality sense shall involve both the most significant impacts on the entity and on the economy environment or people, not either financial impacts on entity or external impacts on others. The definition of sustainability matters in paragraph 17 vv (i) should be amended to be “...*impacts of an entity’s activities, products and services on the environment, society, economy, culture, and impacts on the entity.*”

A180 should be amended to clarify that impacts on the entity are not limited to financial impacts but may also involve operational or governance impacts. For example, the entity may diversify and be more inclusive in its senior management. At the same pay, this has no financial impact, but may be an important “social” sustainability information. The first bullet in A180 should say “...*which may be referred to as operational materiality, internal materiality or other terms, and is not limited to only financial impacts.*” A180 (a) should also be plural i.e. “impacts” to be parallel with (b).

Paragraph A274 should also be updated to clarify that impacts on the entity are not limited to financial impacts. Sustainability reporting is neither financial reporting nor generic management

discussion and analysis reporting. Paragraph A417 (f) example should be amended to be more sustainability focused, because the material impacts are on the small community and they should not be filtered, as the example suggests, through whether there are material impacts on the entity or “others” (perhaps meaning shareholders) via lawsuits. What matters from a sustainability perspective is the impact on the community, including health, social and financial (i.e. they may have health care costs, contamination remediation costs, or loss in property value when they need to move). ISSA 5000 should not be able to be used in such a way that would condone reducing polluting a community to only being reported if there was a material lawsuit to the entity; otherwise, ISSA 5000 may be used to condone redefining sustainability reporting as a form of financial reporting.

It is unclear what “framework-neutrality” means. It can’t be “anything is acceptable” otherwise suitability of criteria would not be necessary. Fundamentally a sustainability assurance standard should be tied to sustainability. ISSA 5000 should be framework neutral among sustainability frameworks that require both impacts on the entity and impacts on people and the environment to be considered and should exclude other frameworks. To reinforce, while IAASB is not a sustainability framework standard setter, what is in ED-5000 constrains what is acceptable and not acceptable as sustainability matters subject to assurance. ED-5000 allows criteria that may ignore all external impacts and only focus on financial impacts on the entity, which should not be acceptable criteria.

To compare with the ISAs, for example, it would not be an acceptable framework if a financial reporting framework treated debt as revenue, even though cash increases. The entity may still report cash increases due to debt issuances as revenue, but ISAs would likely prevent any assurance to be provided on such a report, which consequently could prevent such reporting in the first place, or signal to users that such information has no assurance on it and therefore should not be relied upon. This does not mean that ISA 210 is a reporting framework, but it does mean that ISA 210 places constraints on what the practitioner can be associated with and provide assurance on.

IAASB has an important global role to ensure that sustainability is not redefined as financial impact only, or if so, ensure that no assurance may be provided on such sustainability information.

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): We agree. We agree that materiality may differ across disclosures. We agree with determining performance materiality for quantitative disclosures. We disagree that materiality be determined based on “common information needs” and instead materiality should be more closely tied to the concept of what is relevant in sustainability, which is negative impact reduction. It is not clear how animals or the water cycle “makes decisions” but it is clear that an

entity can take actions to reduce animals habitat destruction or water contamination, which are elements of sustainability performance.

In ED-5000, materiality is tied exceedingly to a “decision making” premise, rather than a “sustainability performance” premise. Guidance should be added that materiality should be determined with regard to the actions or inactions of an entity with respect to mitigation of negative impacts, and more intrinsically related to the topic or aspect of a topic and the actions actually performed by the entity to reduce negative impacts. This may draw upon the ISAE 3000 concept of enhancing confidence in the subject matter, a more general concept and more in line with the stewardship and accountability premises of sustainability, and avoiding having to tie sustainability information to specific decisions.

We suggest a much more straight-forward approach to materiality, drawing from ISA 320 use of benchmarks, such as materiality may be set based on the metric itself, for example 1% to 5% of the metric. Guidance could indicate that 1% to 5% may be commonly considered as the amount of misstatement that would not enhance the confidence of users, and instead may cause users to have undue confidence in the sustainability information.

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 no further comments)

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: Yes, with comments below

Detailed comments (if any): We agree with allowing use of another practitioner. Additional requirements from ISA 600 relating to a component auditor “another practitioner” should be added, in particular that the practitioner involve “another practitioner” in evaluating suitability of the criteria, rationale purpose and risk assessment, and additional requirements from ISA 600 relating to evaluating communication of “another practitioner” and evaluating adequacy of work of the “another practitioner.” Guidance on understanding the consolidation/combination/aggregation of sustainability information should also be added. Given sustainability impacts may occur at multiple

locations, we expect “group” issues to be common and therefore requirements as strong as those in ISA 600 are necessary.

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, with comments below

Detailed comments (if any): Many topics or aspects of topics will require expert involvement. We suggest more material from ISA 620 be included, and additional material added. For example, a requirement is necessary that the expert be familiar with the concept of double materiality and external impact identification and mitigation.

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): There are estimates needed throughout many (most) sustainability topics and aspects of topics. More material from ISA 540 should be included in the standard. It doesn’t matter if ISSA 5000 is an overarching standard or not; what matters is that these engagements are currently being performed, they require complex and difficult estimates, and additional requirements would improve the assurance provided.

Additional guidance on qualitative forward-looking information is needed. The draft requirements are too focused on numerical information (data, point estimates or ranges don’t easily apply to qualitative information), but qualitative forward-looking information could be, for example, “Management expects these actions will result in a significant reduction in water usage.” There are several assurance considerations involved, including whether the expectation that the actions will result in reductions is reasonable, and what “significant” reduction may be, and whether other sustainability information is also consistent with the statement (e.g. if the reduction in water usage requires a much higher use of energy, is the forward-looking information for “energy” usage consistent).

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): In our view this distinction is mainly theoretical, but serves no real difference in work effort or assurance quality. Understanding risks and the entity’s external sustainability impacts via understanding the entity, its products and operations, applies to both limited and reasonable assurance. In an engagement where some topics or aspects of topics are subject to limited assurance and others reasonable assurance, a “one pass” engagement planning will be most effective and efficient. A “two pass” or “differential” engagement planning process with particular planning procedures for limited assurance and particular planning procedures for reasonable assurance is impractical, confusing, and unworkable.

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): We agree. We believe that further concepts from ISA 600 should be included in ISSA 5000 given the importance of group situations for sustainability impact identification and negative impact reduction. As noted in responding to question 14, additional requirements from ISA 600 relating to a component auditor (“another practitioner”) should be added, in particular that the practitioner involve “another practitioner” in evaluating suitability of the criteria, rationale purpose and risk assessment, and additional requirements from ISA 600 relating to evaluating communication of “another practitioner” and evaluating adequacy of work of “another practitioner.” Guidance on understanding the consolidation/ combination/aggregation of sustainability information should also be added. Given sustainability impacts may occur at multiple locations, we expect “group” issues to be common and therefore requirements as strong as those in ISA 600 are necessary.

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: [Disagree, with comments below](#)

Detailed comments (if any): We disagree because ED-5000 permits assurance on a very narrow concept of sustainability of “entity only impacts,” which A180 implies is financial only and ignores external impacts. This may permit systematic greenwashing if entities do not also report their negative but non-financial internal impacts and also do not report their negative external impacts, and associated mitigation. The risk is that ISSA 5000 becomes the global baseline for greenwashing by condoning the redefinition of sustainability from reducing negative impacts on the environment to something about financial impacts on the entity only.

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, with comments below](#)

Detailed comments (if any): We suggest more material from ISA 260 and ISA 265 be included. A specific requirement should be added for the practitioner to communicate with management and those charged with governance regarding their views on what sustainability is, what they view their most important negative impacts are, and what actions are needed to mitigate those negative impacts.

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, with comments below](#)

Detailed comments (if any): In our view this question is mis-phrased and reflects IAASB’s mischaracterization of sustainability as “information needs” rather than “*enhancing confidence in an entity’s sustainability performance, in particular reducing negative sustainability impacts.*” So

the question is better phrased as “*Will the requirements in ED-5000 drive assurance on an entity’s sustainability performance, including reduction of negative impacts?*” The answer to this question would be no, because of lack of a definition of sustainability, a limited view of sustainability matters as financial impacts on the entity, no requirement to evaluate the entity’s materiality process, and not enough emphasis in ED-5000 on relevance as being about reduction of negative impacts.

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):

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-I, para. 135)

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

Detailed comments (if any): The fundamental assertion of legislative compliance is not sufficiently included in ED-5000, an important topic or aspect of topics in sustainability. Paragraphs 59, 60, 61 and 101 are not sufficient, given legislative compliance (including regulatory compliance) is fundamental and foundational to sustainability and is only partially incorporated in ED-5000. It appears paragraphs 61 and 101 would only require inquiry to be performed, even under reasonable assurance, which is not sufficient. Legislative compliance should also be an assertion. The areas where ISSA 5000 must further incorporate legislative compliance include:

- Paragraph 100 (b) should state “*How the entity is complying with that framework, including the entity’s system of internal control (Ref: Para. 102R (f)).*”

- Paragraph 102R should include “(f) The entity’s process to identify and comply with relevant legal and regulatory requirements.”
- Paragraph 138 should include “(c) Review all instances of legislative non-compliance and determine the impact on the assurance report.”
- Paragraph A353R should include “Legislative compliance – the criteria, transactions and disclosures are in compliance with legislation and regulations.”

We note that legislative compliance is not solely a public sector consideration and the above changes are applicable to both the private and public sector.

In addition, guidance should be added to the standard to allow a legislative auditor to disclaim characteristics of suitable criteria in their assurance report. A legislative auditor may determine that the suitable criteria, whether from a framework or entity-defined, are not relevant, complete, reliable, neutral or understandable. However, legislation may not permit the legislative auditor to not accept, continue, or withdraw from such a sustainability assurance engagement. Paragraphs 75 and 76 should be modified that in these circumstances the legislative auditor is permitted to explain in their auditor’s report why they disclaim an attribute of the sustainability information, such as relevance. These are not qualifications or scope limitations because those relate to misstatements or inability to obtain evidence, whereas not being able to establish relevance is a pre-condition. It is also not sufficient to simply remove the paragraph from the assurance report that the engagement is in accordance with ISSA 5000. More explanation would be necessary to explain that a precondition was not met. Paragraphs 75 and 76 instead should state *“If withdrawal is not possible under applicable law or regulation, accept or continue with the engagement and explain in the assurance report the precondition(s) that are not met.”*

We also note that this issue may be alleviated, in part, by making the characteristics of suitable criteria in paragraph 72 application material rather than requirements.

We note A49 provides guidance on when independence considerations may not be met and refers to “disclosure in a public report.” It is not clear what this “public report” is. We believe this should read “disclosure in the assurance report” as the assurance report is describing the practitioner’s independence.

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): We note the proposed standard does not incorporate enough about sustainability as identifying and reducing negative impacts on the environment or social impacts. The “information for decisions making” paradigm is too limited in a sustainability context where the issues are complex and many users do not even make decisions, because they may be unaware of the impacts, the impacts are uncertain or not easily observable by users, or the “users” are not humans and do not read the sustainability reports. The standard should have more focus on “sustainability performance” in the sense of are negative impacts being mitigated by the entity and positive impacts enhanced. ISSA 5000 may be more of a sustainability assurance standard, rather than a financial reporting standard, if a definition of sustainability is added, both internal and external impacts need to be considered, internal (impacts on the entity) are not limited to only

financial impacts, and a stronger requirement to evaluate the entity’s materiality process is added. These are significant limitations with the standard that ultimately may not prevent the practitioner from providing assurance on ESG disclosures that are not relevant, or worse, are misleading.

As noted, because ED-5000 requires evaluation of suitability of the criteria, it is inherently tied to the subject matter being reported. This does not mean that IAASB becomes the reporting standard setter, but ED-5000 does set constraints on what can be reported as sustainability information, which means that IAASB has to be careful and exercise due diligence, in particular because of the importance of sustainability to people, communities and the environment. There is a lot at stake. Sustainability itself is not neutral: sustainability has an inherent bias towards reducing negative external impacts and promoting positive impacts. As proposed, the assurance standard risks the appearance of adding credibility to sustainability disclosures but may be condoning a redefinition of sustainability as only a matter of financial relevance that may not be in the public interest.

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

Detailed comments (if any):