

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 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?

### 2.2 Agree with comments

#### 1. Monitoring Group

##### International Organization of Securities Commissions (IOSCO)

IOSCO supports the general approach taken in the Proposed ISSA 5000, including:

- the consideration of the standard-setting characteristics set out in the Public Interest Framework (PIF) as criteria to assess the proposed standard's responsiveness to the public interest

#### 2. Preparer and Users of sustainability information

##### Ceres, Inc.

As a general matter, we believe that ED-5000 is a major achievement and is responsive to the public interest. We are strongly supportive. We commend the IAASB for its work. The proposed standard meets the original project's objectives of being responsive to the public interest in having quality sustainability assurance engagements and having a standard that is suitable across all sustainability topics and implementable by all assurance practitioners. The standard appropriately would provide a global baseline for all sustainability assurance engagements.

There is considerable evidence that financial reporting has not adequately reflected the impact of climate change and that auditors have not sufficiently considered the impact of climate-related matters. A report from the Carbon Tracker Initiative, *Flying blind: The glaring absence of climate risks in financial reporting* (September 16, 2021), examined financial reporting from 107 carbon-intensive firms and found over 70% of these firms and 80% of auditors fail to disclose climate-related risks in the financial statements. See *Flying blind*, p. 1, available at <https://carbontracker.org/reports/flying-blind-the-glaring-absence-of-climate-risks-in-financial-reporting/>. The follow-up report, *Still Flying Blind: The Absence of Climate Risk in Financial Reporting* (October 6, 2022), examined 134 highly carbon-exposed companies, focusing on financial statements and audit reports in annual reports or filings. The report found that 98% of these companies did not demonstrate “how their financial statements include consideration of the financial impacts of material climate matters”, and “96% of auditors did not sufficiently address how they considered the impact of climate.” See *Still Flying Blind*, pp. 6, 56, available at <https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/>. To address the deficiency in financial reporting of climate issues in the oil and gas industry, Ceres has published expectations for key stakeholders regarding climate change and financial reporting: oil and gas companies, their audit committees, and their external auditors. See Ceres, *Lifting the Veil: Investor Expectations for Paris-aligned Financial Reporting at Oil and Gas Companies* (May 2021), pp. 5-20, available at <https://www.ceres.org/resources/reports/lifting-veil-investor-expectations-paris-aligned-financial-reporting-oil-and-gas>. While the report is focused on U.S. SEC filings and U.S. GAAP, many of the principles in the report are applicable elsewhere.

Because the financial statements themselves seem to be deficient in this regard, it is important that climate-related financial information disclosed outside of the financial statements be as accurate as possible. Having independent third parties perform the procedures set forth in the IAASB proposal would give investors greater comfort as to the reliability of such information.

### **Corporate Reporting User's Forum (CRUF)**

Sustainability considerations are becoming increasingly essential in the investment process for almost all asset managers as well as asset owners, who manage billions or trillions of funds for their beneficiaries. Provision of reliable and comparable sustainability information is an urgent issue for all stakeholders who are interested in the sustainability of the global environment and economy.

Hence the ISSB's IFRS S1 and IFRS S2 standards and EU's CSRD and ESRS have been developed with a sense of urgency for companies to provide high-quality sustainability information to meet such needs. We believe it's IAASB's turn to develop the sustainability assurance standards and commend its very responsive effort to develop ED-5000 to meet the public interest.

However, some CRUF participants do not agree with a sustainability assurance standard being produced before we have seen the application of any sustainability reporting standards such as IFRS S1 and IFRS S2, which are only just being considered for adoption or endorsement in jurisdictions around the world. The main reason for this is that any assurance of preparer-reported sustainability information should only be needed if users of the reporting have lost trust in the preparers providing good quality relevant sustainability information. This reason also suggests that any preconditions for an assurance engagement in the proposed standard should include whether it has been requested by the key stakeholders (such as equity investors; not preparers) of the reporting.

## **4. Regulators and Audit Oversight Authorities**

### **Financial Reporting Council – UK (FRC)**

We agree, notwithstanding our comments elsewhere in this response.

### **Independent Regulatory Board for Auditors (IRBA)**

The IRBA agrees 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. However, improvements are required, as outlined in our response to Question 1 above. It is evident that the public interest varies significantly across geographies, and that while some markets may have less demand for this standard now, the IAASB is applying resources to the needs of certain markets.

This establishes a precedent for the IAASB, as it considers proposals for projects in future, that may not emanate from the biggest financial markets in the USA or in Europe.

### **Irish Auditing and Accounting Supervisory Authority (IAASA)**

The proposals are responsive to the public interest in that they recognize the need for a sustainability assurance standard. However the standard is high level and, in some areas, lacks sufficient detailed requirements and guidance for assurance providers to be used long term without the development of a full ecosystem of supporting standards, similar to the ISAs, covering topics such as those listed in response to Question 1.

In addition, a clear plan for a post implementation review and amendment of ISSA 5000 will be key to its long term use and acceptance as it is unlikely that the first iteration will fully meet all requirements given the demanding timeline for its finalization and the speed with which the IAASB has developed its proposals in this area.

We welcome the IAASB's objective to develop a standard for all assurance practitioners. It is in the public interest that the same requirements apply to assurance on sustainability reporting, regardless of the professional qualifications of those providing the assurance, and that sustainability assurance is subject to the same level of quality management and ethics as the audit of financial statements.

## 5. National Auditing Standard Setters

### American Institute of Certified Public Accountants (AICPA)

The proposed standard is timely and relevant. However, the following issues should be addressed to more fully meet the public interest objectives:

The need for additional clarity in the differentiation between limited assurance engagements and reasonable assurance engagements (see questions 7, 13 and 17)

The risk of misperception related to the credentialing, monitoring, and regulatory oversight of compliance with relevant ethical requirements and quality management standards of different types of assurance practitioners (see question 4)

The use of ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information, as the basis for the relevant requirements in ED-5000. ISA 720 (Revised) addresses the auditor's responsibilities for information other than the financial statements and auditor's report thereon included in an entity's annual report. The IAASB's post-implementation review of ISA 720 (Revised) identified several challenges with practical implementation of that standard, including confusion about the definition of annual report and the scope of information that does and does not fall within that definition. We believe these issues are likely to be the same, potentially on an even larger scale, in the context of sustainability reporting, given the immaturity of sustainability reporting and the vast array of other information that may accompany these reports. We have serious concerns about both the performance and reporting requirements relating to other information. (See question 21 regarding the reporting requirements and question 25 regarding the performance requirements)

The need for clarification about whether ED-5000 or ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, (ISAE 3410) applies when greenhouse gas (GHG) emissions information is subject to assurance (see question 3)

The approach taken in ED-5000 for the requirements and application guidance regarding using the work of a practitioner's external expert or another practitioner, which is neither as clear as it needs to be nor consistent with the approach in ISAE 3000 (Revised) and the International Standards on Auditing (ISAs) (see question 15)

The risk of misperception related to the credentialing, monitoring, and regulatory oversight of compliance with relevant ethical requirements and quality management standards of different types of assurance practitioners (see question 4)

The misalignment of timing between IESBA and IAASB. IESBA's sustainability project lags behind that of the IAASB even though interoperability between these projects is a necessity. Given that the two Boards

have pledged to approve their work by December 2024, alignment of the sustainability-related standards of each Board before finalization of either, as well as elimination of inconsistencies between the work of the two Boards in key areas, for example, definitions and key concepts (see questions 5, 18 and 25), is critical. We echo the comments of the Public Interest Entity Oversight Board (PIOB) that it is crucial that the IESBA and IAASB coordinate their Sustainability workstreams and assess the interoperability of their scopes, especially as the exposure of their respective work is not concurrent. The approach, terminology, definitions, and the activities undertaken by the two Boards ultimately need to be consistent and aligned, to ensure that the respective standards are responsive to the public interest (refer to page 4 of the PIOB's Public Interest Issues: IESBA Projects report as of November 7, 2023).

The IAASB's intent to finalize ED-5000 by December 2024. We acknowledge that this is to align with regulatory timelines. However, this timing seems to create tremendous pressure to conclude that re-exposure is unnecessary, regardless of the feedback received on ED-5000. It is not in the public interest to rush due process. If the anticipated revisions based on feedback from outreach and exposure include any fundamental changes for which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft, re-exposure would be necessary. Continued significant dialogue with national standard-setters and others in the profession to discuss the feedback received and how the IAASB intends to respond to it will enhance due process and the public interest. After finalization of ISSA 5000, continued dialogue about how to address potential challenges in adoption of the standard around the world would be helpful.

Maintaining related standards. There are currently inconsistencies among ISAE 3000 (Revised), ISAE 3410, and ED-5000, which are also inconsistent with ISRE 2400, Engagements to Review Historical Financial Information. This makes convergence difficult for those jurisdictions that are unable, for regulatory and practical reasons, to promulgate a new set of standards and therefore would need to adopt the requirements of ED-5000 under the umbrella of their national equivalent to ISAE 3000 (Revised). In addition, such inconsistencies, particularly those requirements that are not sustainability-specific (for example, fraud) will create confusion among practitioners. There are public interest concerns when new standards are developed, but existing standards are not concurrently appropriately revised for consistency. For future projects, we recommend that the IAASB dedicate resources to ensure that sufficiently comprehensive changes to existing standards are proposed (for example, this project did not have sufficient resources to withdraw ISAE 3410 and re-issue it as an ISSA concurrently with issuing ISSA 5000).

#### **Auditing and Assurance Standards Board Canada (AASB)**

We agree that the proposals in ED-5000 are responsive to the public interest. ED-5000 is an improvement over ISAE 3000 for sustainability assurance engagements, and it is important to have the final standard out for global use by the end of 2024. We acknowledge that the standard can always be improved upon as the market matures and the IAASB gathers feedback from post-implementation reviews.

However, in considering the qualitative standard-setting characteristics applicable to ED-5000, we noted some concerns.

##### **Concern: Scalability**

While the standard is intended for assurance engagements on sustainability information of all entities, regardless of size or complexity, we heard concerns there are not enough scalability considerations. Including:

The standard does not include enough scalability examples of how to apply the requirements to less complex entities.

The standard does not give varying examples of information systems used in preparing sustainability information, for example, including those that are complex or less complex or providing characteristics of complex or less complex information systems (see paragraph 102L(c), A329-A332).

The approach to scalability considerations is not consistent throughout the standard. For example:

Paragraph A38 states "Where appropriate, additional considerations specific to public sector entities or smaller or less complex entities are included within the application and other explanatory material". This is adapted from paragraph A68 of ISA 200 and was intended to flag those areas of the application material that had specific sub-headings for this type of guidance.

Currently, only paragraph A265 has a scalability subheading, which is tied to the planning stage of the engagement. There are several paragraphs that refer to "less complex entities or engagements" but do not have a sub-heading to identify the material. For example, paragraphs A321, A331R, A336.

Similarly, the scalability heading could also be applied before those paragraphs that refer to when the entity or engagement is more complex (paragraphs A75, A76, A86, A98, A100, A314, A336).

Suggest:

Developing application material that provides examples of 'how to make a requirement scalable for a less complex entity' for a requirement in each stage of the assurance engagement. The application material would focus on the minimum work effort and documentation required.

For example, application material to paragraph 69 "Determining Whether the Preconditions are Present" could be added to suggest that for a less complex entity this determination could be documented with a memo that outlines the discussion with management and those charged with governance surrounding:

How they determined what information was to be reported, including their evaluation of intended users and their needs,

Their analysis of how they decided the subset of reported information would be in or out of the assurance engagement scope,

Connectivity with the information needs of intended users and the requirements of the applicable criteria/framework, and

The results of the practitioner's evaluation of whether the engagement has a rational purpose.

Adding more examples of less complex and more complex IT systems to application material in paragraphs A329-A332. Content could be leveraged from ISA 315, Appendix 1 and paragraphs A90-A92.

Adding scalability headings and revisiting application material that currently refers to less or more complex to see where it can be combined and contrasted to show both sides of complexity in one paragraph under the scalability heading.

### **Australian Auditing and Assurance Standards Board (AUASB)**

The AUASB agrees that ED-5000 has achieved the standard setting characteristics of timeliness, comprehensiveness and enforceability. However, the proposed standard is difficult for non-accountant and small practitioners to implement. The AUASB strongly suggests that in time the IAASB develop a suite of

standards supporting ED-5000 and guidance to achieve appropriate outcomes and consistency in practice (refer paragraph e in the response to Question 25 below).

#### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

Yes, we agree that the development of the ED ISSA 5000 is an important response to the public interest. We believe that ISSA 5000 as a robust professional standard applicable to all providers of sustainability assurance, will foster high-quality engagements and consistent practices.

It is our understanding that the ISSA 5000 will serve as a global baseline. Accordingly, policymakers and standard setters in relevant jurisdictions (e.g. European Union) could adopt the standard and supplement it by additional guidance addressing local legal requirements and other circumstances.

#### **Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)**

We agree, bearing in mind that to serve the public interest, the standard must drive an assurance service that can be trusted, whoever the assurance practitioner be. This is only possible if all practitioners are subject to the same requirements of independence and quality, as explained in our other comments below.

#### **Hong Kong Institute of Certified Public Accountants**

The HKICPA considers there is a need for providing specific assurance procedures and guidance to address different topics of sustainability information, such as in ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, as a standalone assurance standard on greenhouse gas statements. It is believed that an IAASB roadmap outlining the development and adoption of ISSAs addressing other emerging sustainability topics (e.g. mineral supply chains, etc.) would effectively manage stakeholders' expectations in this area.

#### **Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)**

On the whole we believe that the proposals in the draft are responsive to the public interest, even if we have important suggestions for improvement. In particular, we believe that the qualitative standard setting characteristics have been largely fulfilled.

However, as noted in our responses to the other questions hereafter, there are a number of issues where we believe further improvement of the standard would be appropriate. In particular:

We are concerned that a part of the proposals regarding the equivalency of other ethical requirements and the IESBA Code may endanger the consistent, high quality of sustainability assurance engagements. The guidance on this matter should be the same as in ISAE 3000 (Revised). Furthermore, it is important to retain the current guidance regarding equivalency for quality management., which is in line with current ISAE 3000 (Revise).

The differentiation in work effort between limited and reasonable assurance engagements is not weighted appropriately, with too much weight being given to further procedures for limited assurance; consideration may also be given to requiring some form of risk assessment for limited assurance engagements. Having the further procedures for limited assurance engagements closer towards reasonable assurance (in part through the adoption of material from the ISAs) may impair the only benefits of limited assurance engagements, which are less time and cost. The time and cost incurred for limited assurance engagements should be driven by the responses to risk procedure and the "deep dive" when the practitioner believes that the sustainability information may be materially misstated – that is, by the conditions at the entity – not primarily by the requirements for further procedures within the draft.



We believe that more needs to be done to distinguish the “materiality process” and the concept of “double materiality” from materiality and to address the concept of “double materiality”: these matters are particularly important in the EU. The FAQ on this matter by the IAASB is a step in the right direction, but further clarification of the concepts within the standard is needed and consideration could be given to including conditional requirements as described in responses to the other questions below.

The differentiation between the treatment of internal and external experts differs significantly from the treatment in ISAE 3000 (Revised), ISAE 3410 and ISA 620 and therefore consideration needs to be given to moving the treatment in the draft closer to these standards.

The use of application material with respect to the definition of engagement team undermines that definition and may have detrimental consequences to engagement quality when using other practitioners doing assurance work on entities within a corporate group.

The treatment of other practitioners outside of the corporate group (that is, for assurance work on entities that are not under the operational control of the entity whose sustainability information is being assured) is not realistic. Stakeholder expectations that the quality of the information received from outside the corporate group and the assurance obtained thereon would be the same as that for information received and assurance obtained from outside the corporate group need to be managed and practitioners should not leave the impression that the quality is the same.

Having the example reports reflect only the requirements rather than important application material as well runs the risk that practitioners will adopt the bare-bones example reports rather than using reports that reflect good practice currently established that reflects much of the application material.

With respect to reporting, consideration needs to be given to the issue of supplementary information in the sustainability information not required by the criteria. In addition, we are not convinced that ISA 710, the content of which was in part adopted in the draft, represents an appropriate paradigm for the assurance treatment of comparative information in sustainability reports.

We are concerned with the adoption of the other information paradigm from ISA 720 (Revised), which may not be reasonably transferrable from audits of financial statements to other assurance engagements. Consideration should be given to using the ISAE 3410/PCAOB paradigm instead.

More emphasis needs to be provided in the application material on the meaning of assurance skills and techniques, as this is an area that would be of importance to practitioners that are not professional accountants.

We look forward to a continuing dialogue with the IAASB on these matters through outreach and other means.

#### **Public Accountants and Auditors Board Zimbabwe (PAAB)**

The Public Interest Framework of the Monitoring Group report of July 2020 intimates that a report of November 2017 uncovered the following:

- (1) the public interest is not given sufficient weight throughout the standard-setting process,
- (2) stakeholder confidence in the standards is adversely affected as a result of the perception of influence of the accountancy profession on two grounds:
  - (a) IFAC's role in funding and supporting the standard-setting boards and running the standard setting board nomination process; and

(b) audit firms and professional accountancy bodies providing a majority of standard-setting board members and input to the consultation processes for development of standards, and

(3) In a constantly changing audit and business environment, standards as currently developed might lack the necessary relevance and timeliness to underpin audit quality and user confidence.

Based on the Above, we agree with the IAASBs proposals. Further guidance is given in the appendix contained in the explanatory memorandum to answer qualitative standard-setting characteristics and standard-setting action in the project proposal.

### **Royal Dutch Institute of Chartered Accountants**

Apart from our two comments below, the NBA is of the opinion that the proposals generally are responsive to the public interest. Our two concerns in that context are:

- As explained in our response to Question 1, the NBA is of the opinion that limited assurance should be better defined and more clearly distinguished from reasonable assurance. The

absence of a clear definition of what limited assurance entails in context of sustainability reporting is in the NBA's view not in the public interest.

- The standard does not sufficiently address the practitioner's responsibility to challenge the company's selection of topics on which to report. In the EU, this selection of topics should be based on an appropriate materiality process within the company, which requires appropriate procedures on behalf of the practitioner. We will provide further detail in our response to Question

9. We are of the opinion that such improvements are needed from a public interest perspective.

## **7. Accounting Firms**

### **Altaf Noor Ali Chartered Accountants**

2.1 Yes.

2.2 Appendix to the Explanatory Memorandum >> Key proposals are set out in the Appendix.

2.3 ED addresses the 'elements' of an engagement>> Develop a standard to address all elements of an engagement – from engagement acceptance to reporting.

2.4 Its specific>> Develop a standard more specific than ISAE 3000 (revised) and ISAE 3410. Follow priority area (PA) = 6

PA 1 Sufficiency of audit evidence. Work effort for limited and reasonable assurance.

PA2 Reporting.

PA3 Scope.

PA4 Evidence.

PA5 Internal controls, entity's system of

PA6 Materiality for narrative and qualitative information.



### **BDO International Limited**

We generally agree that the proposals in ED-5000 are responsive to the public interest. However, we believe there are special considerations relating to providing assurance on the sustainability information of a group of entities, as well as that derived from an entity's value chain, which are not fully addressed in ED-5000. The public interest would be better served if practitioners were provided with sufficiently specific requirements and application guidance to support consistent quality and judgments in these contexts. Using ISA 600 Revised as the basis for elaborating these requirements would support this objective. We elaborate on this point in question 18 below.

### **Deloitte LLP**

We have concerns about whether ED-5000 meets the qualitative standard-setting characteristic of “implementability”, which focuses on the standard being able to be consistently applied and globally operable across entities of all sizes and regions (e.g., scalable to entities of different sizes that may be subject to multiple reporting frameworks), as well as being adaptable to the different conditions prevalent in different jurisdictions (e.g., diversity of competencies and skills of practitioners who are able to perform ISSA 5000 engagements in different jurisdictions). While we acknowledge that ED-5000 has been developed with ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000”) as a foundation, the nascency and breadth of sustainability as a subject matter and the value of assurance over such information for a broad population of users and other stakeholders elevates the importance of consistent implementation and thus the need for further specificity in the requirements of ED-5000 as compared to existing IAASB assurance standards.

Our responses to the following questions, summarized below, highlight the areas of ED-5000 that we believe require additional specificity, clarity, or differentiation in order to enable consistent, high-quality performance of assurance engagements:

Question 1 – additional non-authoritative educational material is needed to guide assurance practitioners in the implementation of ED-5000.

Question 3 – further detail is needed to understand the applicability of ED-5000 vs. ISAE 3410 for assurance relating to GHG information.

Question 4 – further clarity on the meaning of “at least as demanding” with respect to ethical requirements and ISQM.

Question 7 – further differentiation is needed in the requirements and application material for limited assurance and reasonable assurance engagements to support consistent performance and in recognition of the diverse experience of assurance practitioners performing sustainability assurance engagements.

Question 16 – differentiation is needed between the procedures required for estimates and those needed for forward-looking information, particularly where estimation uncertainty is significantly higher given the nature of the information.

Question 17 – additional specificity is needed on the risk procedures expected to be performed for a limited assurance engagement in order to mitigate the risk of inconsistency in practice.

Question 18 – additional specificity is needed on the requirements for performing assurance over groups and “consolidated” sustainability information.

Sustainability assurance reporting will continue to evolve over the short and medium term. We commend the significant outreach the IAASB has performed over the course of this consultation and recommend that it

continues to undertake stakeholder outreach throughout the remainder of the project. Once finalized, we recommend a post-implementation review and further ad hoc outreach to enable the IAASB to respond timely to feedback, which may include the need for revisions to the standard. Such feedback may also drive the need for publication of additional implementation guidance. Given the nature and diversity of the subject matter, the due process to publish such guidance may need to differ from the past, such that in addition to IAASB staff, it may be appropriate for IAASB members and potentially other stakeholders to review any such guidance prior to issuance.

### **Ernst & Young Global Limited**

Generally, we agree that the proposals in ED-5000 are responsive to the public interest. We believe that the requirements of ED-5000 appropriately customized the requirements of ISAE 3000 (Revised) to apply to sustainability information and were enhanced by aligning to some of the requirements from the ISAs. However, we do have significant concerns with the inconsistencies created between ED-5000 and both ISAE 3410 and ISAE 3000 (Revised), and the confusion this may create for both practitioners and users of the practitioner's reports. We believe these inconsistencies create public interest issues in relation to the existing ISAEs that the IAASB needs to have a plan to address on a timely basis.

#### **Relationship with ISAE 3410**

Because paragraph 2 of ED-5000 excludes assurance engagements when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies, ED-5000 does not apply to all sustainability topics or aspects of the topics. Therefore, as mentioned in our response to Q1, to enhance the "implementability" standard-setting characteristic, we believe that the requirements and application material dealing with assurance engagements on GHG statements (ISAE 3410) should be aligned as soon as possible with ED-5000.

With this difference in applicability for GHG statements, there is an important consequence that the standards applied and work effort to be performed by the assurance practitioner on a GHG statement that is included in a broader sustainability report, which also includes information on other topics or aspects of a topic apart from GHG, will be different depending on whether the assurance practitioner is intending to include in the assurance report a separate conclusion on the GHG statement. We believe that this difference in the work effort will be difficult to understand for the reader of the sustainability information and the assurance report thereon. We do not agree that an engagement to provide a separate conclusion on a GHG statement should be conducted substantially differently than an engagement to report on sustainability information.

Additionally, the coexistence of ISAE 3410 and ED-5000 will create the need for practitioners to understand both standards, and the differences between them, for them to be able to perform an engagement on both sustainability information and a GHG statement.

In our comment letter dated 11 April 2023 on the IAASB's Proposed Strategy and Work Plan for 2024-2027, we encouraged the IAASB to create an ISSA to address assurance reporting on GHG statements to replace the existing ISAE 3410, as we believe this existing standard should be aligned with ED-5000. We believe updating the standards for assurance engagements providing a conclusion on GHG statements should be done by the IAASB as soon as possible after the finalization of ISSA 5000, either by:

Developing a subject specific ISSA incremental to ED-5000 for assurance when providing a separate conclusion on a GHG statement based on ISAE 3410 requirements and application material. This ISSA on GHG statements could be the first topical ISSA supplementing ED-5000, or

Including in ED-5000 additional requirements and application material on the procedures to be performed on GHG statements when providing a separate conclusion, based on ISAE 3410 requirements and explanatory material. We believe this would not be detrimental to the overarching nature of ED-5000, as many requirements of extent ISAE 3410 have already been included in ED-5000 and only few requirements of ISAE 3410 have not been included in ED-5000 due to their specific focus on GHG statements.

Regardless of whether a project to revise ISAE 3410 is commenced by the IAASB, we strongly believe that some paragraphs related to scope 3 emissions in ISAE 3410 need to be reconsidered as part of the ED-5000 project considering recent developments in international and regional sustainability reporting standards and assurance requirements. As an example, paragraphs A33 and A34 of ISAE 3410 encourage the practitioner to exclude scope 3 emissions from the scope of the assurance engagement where:

Scope 3 information is not managed by the entity or by a well-controlled and accessible source outside the entity

The quantification methods in use for scope 3 information are heavily dependent on estimation and lead to a high degree of uncertainty in reported emissions

We do believe that the situations above will be common in practice and believe that the standard should provide other alternatives to the practitioner, rather than excluding scope 3 information from the scope of the assurance engagement. Therefore, we recommend deleting paragraphs A33 and A34 of ISAE 3410 as part of the consequential amendments from the issuance of ED-5000, as their content could be perceived as contradictory with the content of ED-5000, which does cover scope 3 information.

#### Relationship with ISAE 3000 (Revised)

We strongly encourage the IAASB to make updates to ISAE 3000 (Revised) to align with certain ED-5000 requirements as we believe it is in the public interest that ISAE 3000 (Revised) be updated to remain consistent with ED-5000 to avoid diversity between sustainability assurance engagements and other assurance engagements and to ultimately avoid confusion for users.

As stated in our comment letter dated 11 April 2023 on the IAASB's Proposed Strategy and Work Plan for 2024-2027, we believe the IAASB should prioritize updating ISAE 3000 (Revised) to incorporate requirements, application material or drafting concepts in final ISSA 5000 that would be beneficial to all assurance engagements (e.g., requirements from the ISAs that are not sustainability specific, such as the quality management requirements from ISA 220 (Revised) and fraud requirements from ISA 240, enhancements regarding the assessment of the preconditions of an assurance engagement, and engagement team considerations and assessment of practitioner's materiality).

If the IAASB does not undertake this project concurrent with, or shortly after the issuance of ED-5000, we believe there is a risk that the baseline ISAE 3000 (Revised) will be viewed as a "lesser" standard and there will be confusion as to why there are more robust requirements in final ISSA 5000 compared to ISAE 3000 (Revised). As the enhancements would be of a conforming nature, we believe that this revision could benefit from collaboration with National Standard Setters who could help in the drafting process.

#### European Contact Group (ECG)

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).

### Grant Thornton International

We are of the view that it is in the public interest to have a globally accepted standard to facilitate the consistent application of rigorous assurance procedures over sustainability information. However, to achieve global consistency by all practitioners the terminology used in the requirements and application guidance of ED-5000 needs to be clear and understandable by all practitioners. As such, we believe that the proposals in ED-5000 are, only in part, responsive to the public interest considering the qualitative standard-setting characteristics and project objectives supporting the public interest as set out in Appendix 1 in the Explanatory Memorandum to ED-5000 for the following reasons:

Project Objective (a): Develop a new overarching standard for assurance on sustainability reporting that is responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements.

We appreciate the speed with which the IAASB acted to develop and release ED-5000 for public comment. We agree that timely standard-setting action in response to the public interest need for a global baseline standard for assurance on sustainability reporting is critical to avoid the inconsistencies that could result if individual jurisdictions create their own sustainability assurance standards.

Project Objective (b): Develop a new overarching standard for assurance on sustainability reporting that is suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks.

We agree that ED-5000 appropriately addresses the following to support this project objective:

Covers the entire sustainability assurance engagement from acceptance or continuance to reporting

Use of signposting through columnar formatting, using letter (R) and (L) as paragraph number suffixes to indicate which material applies to only reasonable or limited assurance engagements, and including illustrative assurance reports for each type of assurance engagement

We express concerns about whether ED-5000 can be applied consistently and be scalable and proportionate to a wide range of sustainability engagements in the below questions for respondents:

Ability to use ED-5000 under any sustainability reporting framework, Question 5

Difference in work effort between limited and reasonable assurance, Questions 7, 13, 17, 25

Suitability of the reporting criteria, including concepts such as “double materiality”, Questions 9, 11

Definitions of sustainability matters and sustainability information, Questions 5, 9

Requirements to obtain a preliminary knowledge of the engagement circumstances to determine whether the preconditions for an assurance engagement are present, Question 8

Performing a stand back analysis to determine if the scope of the engagement is appropriate, Question 9

Evaluating whether system generated information is sufficiently reliable for the practitioner’s purposes, Questions 13, 25

Practitioner’s responsibilities related to the work of an external expert, Questions 14, 15

The scalability of work required to understand control activities for all types of assurance engagements, Questions 8, 13

Materiality in the context of the assurance engagement, Questions 11, 21

The practitioner’s responsibilities related to management’s “materiality process”, Questions 9, 11

Project Objective (c): Develop a new overarching standard for assurance on sustainability reporting that is implementable by all assurance practitioners.

We agree with the requirement for practitioners performing sustainability assurance engagements to demonstrate competence and capabilities in assurance skills and techniques developed through extensive training and practical application. We also agree with the requirement for practitioners to be a member of a firm that applies the ISQMs or other requirements that are at least as demanding and also comply with relevant ethical requirements, including those related to independence, that are at least as demanding as the IESBA Code. We believe these requirements create an appropriately high barrier to entry to perform sustainability assurance engagements that will promote consistency and protect the public interest by preserving trust in the quality associated with assurance reports. Please refer to Question 1 regarding our concerns that there is currently not enough guidance for non-accountant practitioners to apply ED-5000.

#### **KPMG International**

We agree that the proposals in ED-5000 are responsive to the public interest. In particular, we recognise the feedback the IAASB has received regarding the need for a sustainability-specific assurance standard, and the urgency of this, and we welcome the significant efforts of the IAASB in developing ED-5000 to an accelerated timeline.

We set out further details in our response to the specific questions below in terms of our observations and recommendations for additional enhancements in certain areas that we consider a priority, in particular, to address comprehensiveness, clarity, and potential implementation issues.

#### **MHA**

We concur that the proposals broadly align with the public interest. The overarching standard provides a high-level framework that fosters consistency in these engagements. However, we have raised concerns regarding specific instances of inconsistency throughout this response.

It is crucial to thoroughly examine the operationalisation of the proposed standard, particularly given its profession-agnostic scope and scalability considerations. The IAASB must consider the broader implications and potential challenges when implementing this standard.

We are particularly concerned that non-professional accountants acting as assurance providers will find ISSA 5000 challenging to implement, in terms of following the methodology or collating and examining the necessary documentation to assess whether they have sufficient, appropriate evidence on which to report. Consequently, we propose that the IAASB take action to address this concern by providing basic guidance materials for non-accountant assurance practitioners. The Frequently Asked Questions document issued by the IAASB on The Application of Materiality by the Entity and the Assurance Practitioner in October 2023 is itself evidence of the need to provide further comprehensive materials to support practitioners.

We note that the differentiation between the requirements for reasonable assurance versus limited assurance engagements could be strengthened throughout ED-5000.

We urge the IAASB to consider these concerns and take proactive measures to ensure the successful implementation of this vital standard. By addressing these issues, we can strengthen the narrative and facilitate a smoother transition for all assurance practitioners involved.

#### **Nexia International**

While we believe the ED addresses standard-setting characteristics of comprehensiveness, relevance, scalability and timeliness, we have concerns regarding the evolving nature of sustainability and the evolving

needs of users. Also, regarding “implementability,” we have significant concerns regarding the ability of non-accountant assurance practitioners to fully apply the standards. Hence, we offer up the ability to “scope out” or perform limited procedures regarding certain elements. See our response to Question 1.

#### **PKF International Limited**

We agree it is in the public interest to issue a high-quality assurance standard for application on a sustainability assurance engagement. However, the rapid pace at which ED-5000 has been developed raises concerns on whether the need to urgently develop an assurance standard which is in the public interest is properly balanced with the need to follow due process in developing that standard. This concern is highlighted by the following points:

the corresponding changes by IESBA to the international standards on ethics and independence had not been exposed by the date on which responses were due on ED- 5000. Ideally, the proposed changes to the international standards on ethics and independence should have been available to review and comment on over the same comment period as ED-5000. Had this occurred it would have allowed for proper consideration to be given by commenters on the practicalities of the mutual application of, and compliance with, both sets of standards.

many of the standards on sustainability reporting which are likely to become commonly used in practice and which will be subject to assurance (e.g., ESRs and IFRS S1 and S2), were issued in 2023. Given the short period of their issuance they have not been applied yet to any meaningful level by preparers and were not in issue, and therefore not available to refer to, for much of the timeframe during which ED-ISSA 5000 was in development. As a result, there is little past practice or track record of using the new sustainability reporting standards, and limited collective experience of providing assurance on sustainability reporting prepared under these standards. Consequently, there is a collective lack of knowledge among key stakeholders, including practitioners and standard setters, on the complexities of applying the new sustainability reporting standards, and on the type of risks of material misstatement from error or fraud that might arise when applying the new reporting standards. This represents a crucial lack of insight and understanding that, had it been available at the time, would have been of critical importance to developing appropriate requirements and guidance in a high-quality ED-ISSA 5000.

Of further concern is the potential for these inherent limitations in the standard development process to have a negative impact on the general quality of the responses provided on ED-ISSA 5000. At this stage, we anticipate that it may be impractical to slow down the timetable to issuing the final ISSA 5000 in response to the above matters. As such, to address the associated risks we recommend a post-implementation review on the application of the final standard is conducted within a comparably shorter timeframe than is typically experienced for other international standards on audit or assurance.

#### **PricewaterhouseCoopers International Limited**

The proposed standard is timely, relevant and provides a useful foundation for planning and performing a sustainability assurance engagement to support the IAASB's public interest goals of supporting high-quality investment grade sustainability reporting and avoiding fragmentation in global assurance standards. It will be equally important for the IAASB to remain agile to respond to emerging practice issues as experience in performing sustainability assurance engagements evolves.

Comments on specific areas related to responsiveness of the standard-setting actions set out in the project proposal are included in our comments on specific questions below, for example, engagement scope



(question 3), double materiality (question 11), practitioner's materiality (question 12) and internal control (question 13).

We have also provided comments in response to specific questions below with regard to implementability and scalability, where relevant.

### **RSM International**

We believe ED-5000 will provide a more robust standard over the ever-increasing demand for assurance on sustainability reporting and disclosures and will support the increasing reliance placed on these by multiple stakeholders. ED 5000 is a much-needed step forward that is responsive to the public interest. With that in mind, we would suggest that some refinement is advisable to minimize the potential for interpretation differences that may cause significant inconsistencies that may undermine the aim of being responsive to the public interest.

With ED-5000 being a stand-alone standard, we have concerns in relation to its implementability and consistent application by both accountant and non-accountant practitioners. As currently drafted, there may be differences in interpretation by different types of practitioners given their relative skills, knowledge and experience. Accountant practitioners may refer to or rely upon knowledge of other assurance standards issued by the IAASB for additional guidance whereas non-accountant practitioners may refer to other guidance or rely on other knowledge from their field of practice for the same guidance. This may result in significant quality and interpretation differences to arrive at the same level assurance between engagements. Additional guidance to facilitate consistency and harmonization of approach in certain areas would be helpful (e.g., relevant ethical requirements, quality management, materiality, estimates and forward-looking information, use of another practitioner, groups and 'consolidated' information and sampling).

We acknowledge this is intended to be an overarching standard and focused on the six identified priority areas as listed in Section 1-F of the Explanatory Memorandum and is not intended to cover all situations. However, we believe a future suite of ISSAs would facilitate more consistent applications among engagements performed by both accountants and non-accountant practitioners. In addition, we would encourage the IAASB to perform a post-implementation review to identify issues that may need to be addressed.

As detailed in our response to question #3, we believe the base standards used in applying International Standard for Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, should be the same (i.e., ISSA 5000), whether or not the practitioner is engaged to provide a separate conclusion greenhouse gas (GHG) statement.

As detailed in our response to question #4, we also have concerns relating to the practical application of the 'at least as demanding' requirements pertaining to the ethical and quality management standards.

## **8. Assurance Practitioner or Firm - Other Profession**

### **ERM Certification and Verification Services Limited**

ERM CVS have comments in relation to the following qualitative standard-setting characteristics:

Relevance: See ERM CVS' comments for Question 7 in relation to the Limited Assurance requirements.

Enforceability: See ERM CVS' comments for Question 1 in relation to the requirement for Subject Matter Expert (SME) expertise, and Question 25 (1 – 7).

## SGS

ED-5000 is intended to be responsive to the public interest. This goal will be achieved if the standard could address more on reviewing process of stakeholder engagement, which is the foundation of sustainability management and disclosure. The characteristics are fine, it embeds basic principles that gives enough room to be widely used, however it doesn't mention anything regarding to accuracy.

## TIC Council

ED-5000 is intended to be responsive to the public interest. This goal will be achieved if the standard could address more on reviewing process of stakeholder engagement, which is the foundation of sustainability management and disclosure. The characteristics are fine, it embeds basic principles that gives enough room to be widely used, however it does mention anything regards the accuracy.

## 9. Public Sector Organizations

### First Nations Financial Management Board

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

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

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

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

Yes, we agree that the development of the ED ISSA 5000 is an important response to the growing market demand to enhance the reliability of sustainability reporting. ISSA 5000, as a robust professional standard applicable to all providers of sustainability assurance, will foster high-quality engagements and consistent practices.

Users of sustainability reporting need confidence that assurance engagements are conducted to an equivalent high quality in accordance with professional standards and within an ethical framework including independence requirements.

It is important to note that the ISSA 5000 will serve as a global baseline. Accordingly, policymakers and standard setters in relevant jurisdictions could adopt the standard and supplement it by additional guidance addressing local needs and circumstances.

#### **ASSIREVI – Association of the Italian audit firms**

We feel that, overall, ISSA 5000 responds to the public interest, especially considering the practitioners' need for a timely standard covering assurance engagements on sustainability information. We believe that certain aspects of ED-5000 could be clarified and supplemented in order for the proposed standard to meet the qualitative characteristic of "implementability" (i.e., the proposed standard's suitability to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as its adaptability to the different conditions prevalent in different jurisdictions). Specifically, our responses to the following questions (dealt with in more detail in the specific responses below) refer to the aspects of ED-5000 that require, in our opinion, additional clarity to allow a consistent implementation and ensure the performance of high quality assurance engagements in the public interest.

Question 1 - additional guidance is required to support practitioners to implement ED-5000 and achieve the objective of high-quality, consistent and comparable assurance engagements.

Question 3 - the interaction between ISSA 5000 and ISAE 3410 requires clarification when the sustainability report includes GHG information.

Question 7 - the scope and extent of the procedures to be performed require clarification, as does the practitioner's level of responsibility in the case of limited assurance engagements. Certain requirements and the related application material envisaged by ED-5000, mainly for reasonable assurance engagements, should be supplemented to allow their proper application by all practitioners.

Question 13 - the nature of the work to be performed to obtain an understanding of the entity's system of internal control relevant to sustainability matters is unclear.

Question 15 - additional clarity about the practitioner's use of the work of another practitioner is necessary, especially when the practitioner is not sufficiently involved in such work.

Question 16 - the requirements for the assurance procedures to be performed on forward-looking information need additional clarification, as the mere repetition of the approach provided for in ISA 540 could be problematic.

Question 18 - greater guidance about the requirements for the performance of assurance engagements on the sustainability information of groups is necessary.

Question 19 - the practitioner's operating responsibilities vis-à-vis fraud and the procedures to be performed require greater definition.

#### **Belgian Institute of Registered Auditors**

See below answers to questions specifically such as question 3 on scope and question 11 on double materiality.

#### **Center for Audit Quality**

We believe the proposals in ED-5000 address the qualitative standard-setting characteristics of timeliness, relevance, comprehensiveness and scalability. However, we believe that further consideration of some key principles and refinement in the use of terminology, and consistent use of terminology in the standard and related materials is critical to achieving a high-quality standard that is clear, implementable, and enforceable.

We encourage the IAASB to apply the drafting principles established in the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines consistently, including appropriate use of terminology and drafting conventions for both the requirements and application material to assist in achieving a high-quality standard.

The Explanatory Memorandum explains that implementability “focuses on the proposed standard being able to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as being adaptable to the different conditions prevalent in different jurisdictions.” The Explanatory Memorandum explains that enforceability “focuses on clearly stated responsibilities of the practitioner or the engagement leader, as applicable, and an appropriate balance of requirements and application material in the proposed standard.” Our concerns about consistent application of the standard and about the appropriate balance of requirements and application material are interrelated and explained in greater detail in our responses to the following questions:

Question 1 – non-accountant assurance practitioners may not be sufficiently familiar with the ISAs to be able to use them to support the performance of their engagements that may result in differences in how the sustainability assurance engagements will be performed. Furthermore, practitioners (both accountants and non-accountants) may not refer to the ISAs to support their engagements, given reference to the ISAs are not required. We suggest providing a “beginner’s roadmap” for non-accountant assurance practitioners on where to start, including educational material to help provide a baseline understanding of certain key existing standards and guidance to enable consistent, comparable, high-quality assurance.

Question 1 – considering how value chain information and other information is addressed in the standard and whether it is practicable and reflective of the environment in which sustainability engagements are performed, and providing additional specificity on certain aspects of the standard, such as the use of the work of internal auditors,

Question 3 – further clarification is needed regarding when ISAE 3410 and ED-5000 apply, to ensure consistent application.

Question 4 – strengthening the requirements associated with the relevant ethical requirements and quality management standards to enable consistent application of the IESBA Code and ISQM 1

Question 7 and 17 – considering the possible lack of consistent understanding and interpretation that may result from certain of the limited assurance requirements.

Question 14 and 15 – providing additional guidance or educational material for using the work of other practitioners.

Question 16 – providing additional guidance related to forward looking information, narrative, and qualitative information.

Question 18 – developing an ISSA on groups and “consolidated” sustainability information.

Question 21 – making the reporting requirements for other information optional.

Question 25 – updating the EER guidance to align with ED-5000.

### **Chamber of Financial Auditors of Romania (CAFR)**

We agree that the consideration of qualitative standard-setting characteristics outlined in the Public Interest Framework (PIF) during the development of ED-5000 demonstrates responsiveness to the public interest. Acknowledging these characteristics as criteria for assessment indicates a commitment to aligning the

standard with public interest considerations. The openness that IAASB has proved in the development process, including exposing drafts for public comment and robust stakeholder involvement in the consultation stage contributes to public trust and confidence in the resulting standard.

It is important that the proposed standard creates an appropriate balance between the interests of various stakeholders, ensuring that it meets the needs of investors, businesses, regulators, and the wider public without unduly burdening reporting entities. We consider that ED-5000 demonstrates responsiveness to scalability by being adaptable for use by entities of various sizes, industries, and complexities. A scalable standard should be applicable and feasible for both large multinational corporations and smaller entities with fewer resources.

For serving the public interest, it might be necessary for IAASB to provide additional information and examples in the application materials and non-authoritative guidance to address scalability challenges that may arise and possible ways on how these could be resolved. We also believe that the requirements and application material on scalability in paragraph 13 can be improved by including additional guidance on the areas in which applying the scalability concept is possible.

#### Chartered Accountants Ireland

As noted in question 1 we believe that it is imperative that we have a single overarching standard which can be adopted across the globe and implemented consistently to provide high quality assurance engagement in relation to sustainability reporting. Absent this there is a real risk of fragmentation and inconsistency which may lead to inconsistent quality assurance being provided over sustainability reporting. We believe that this draft overarching standard provides an excellent starting point and provides a foundation for adoption of subsequent standards in the suite.

While the proposed standard is not without flaws, we believe it goes a significant way towards fulfilling the public interest. However, we have some significant concerns which we address in our responses to the questions below. Addressing these concerns will, we believe, lead to a high-quality sustainability standard which can be consistently applied in practice.

#### Implementation

We do not believe that the standard is capable of being implemented consistently by all practitioners and we believe that it will need significant changes and additional guidance to meet the public interest objective of providing consistent assurance on sustainability subject matters.

In particular, and as detailed further down this response, we believe the following key areas of ED-5000 need revision to enable consistent implementation that will support high-quality assurance reporting in the public interest:

Determination of materiality – refer to comments in Question 9.

Required understanding of internal controls and the distinction between the level of work effort required for limited vs reasonable assurance - refer to comments in Question 13

Distinction in the level of work effort required on estimates and forward-looking information for limited vs reasonable assurance - refer to comments in Question 16

Evaluation of misstatements and how a conclusion is formed, particularly where several materiality thresholds have been determined - refer to comments in Question 12

Performing assurance over consolidated sustainability information- refer to comments in Question 18

Use by non-accountant assurance practitioners.

### **Consejo General de Economistas de España**

Given our constituency is SMPs in Spain one of our main concerns is to ensure that the standard will be sufficiently scalable to be used by SMPs and SME sustainability assurance engagements, including those where the report and the assurance are voluntary.

Overall, we believe the ED-5000 largely meets this test. There is clear evidence, such as illustrative examples of smaller assurance engagements, that much effort has been taken to ensure scalability. Some additional general introductory guidance for practitioners that are not auditors, and so have limited familiarity with ISAs, would be welcome so they are on a level playing field with auditors.

We understand, and support, the IAASB's strategy to get a general ISSA (ISSA 5000) in place as soon as possible and then to start work on developing a suite of ISSAs. This approach of focusing on a global baseline first is being followed by the ISSB, the IAASB's "sister" board at global level. The ISSA 5000 is intended to be an overarching standard written in a principles-based manner. This has largely been achieved and a by-product has been to make the standard scalable.

As the IAASB goes about developing a suite of ISSA's we urge it to "Think Small First" or "Think Less Complex First". This should minimize the risk of the ISSAs proving insufficiently scalable for SME assurance engagements and promoting demands for an ISSA for Less Complex Entities. We think it better that ISSAs be scalable from the bottom-up and that more complex matters be addressed by specific ISSAs that practitioners can ignore if they are not relevant to the engagement. Until such time as the suite of ISSAs is produced, the IAASB can develop guidance to serve as an interim measure. Guidance can be developed quickly by staff to meet any emerging demand.

### **Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC)**

Yes, we concur that the development of ED ISSA 5000 is a crucial step in meeting the increasing demand for enhanced reliability in sustainability reporting. As a robust professional standard, ISSA 5000 is poised to elevate the quality of sustainability assurance engagements across different providers, ensuring consistency in practices worldwide.

Furthermore, the assurance of sustainability reporting requires users to have confidence that engagements are performed to a high standard, reflecting professionalism and ethical conduct, including independence.

It is also critical to recognize that while ISSA 5000 sets a global baseline, it is designed to be supplemented by local policymakers and standard setters with additional guidance. This approach will address local and regional needs, ensuring the standard's broad applicability and effectiveness in diverse jurisdictions.

### **CPA Australia**

Overall, we agree that the proposal is responsive to the public interest, and we believe the truncated timeframe for the development of the standard is an appropriate approach to meet current market demand.

Given the short development timeframe and high-level/overarching nature of ED-5000, we are of the view that the proposals in ED-5000 may not be sufficiently comprehensive in addressing certain aspects of sustainability assurance. We also note that ED-5000 is predominantly based on existing assurance/auditing standards and content, updated to reflect subject-matter specific considerations and terminology. Based on our observations and feedback from our stakeholder outreach activities, we believe further consideration needs to be given to refining the standard and/or developing guidance for some of the fundamental concepts and requirements that are relevant to sustainability reporting assurance such as:



materiality

preconditions assessment

working with qualitative information

estimates and forward-looking information

using the work of practitioner's experts and/or other practitioners

group/value chain information.

As per our response in Part A above, we recommend the IAASB progresses the project with a view to finalising and publishing this standard in September 2024 as scheduled. We also recommend the IAASB concurrently continues development of guidance to support the implementation in the short-term, followed by developing other ISSA standards on some of the more fundamental aspects in the longer term.

#### **CPA Ireland**

CPA Ireland agrees that the proposals in ED-5000 are responsive to the public interest. In particular, we welcome the focus in the ED on relevant ethical requirements and quality management standards.

#### **European Federation of Accountants and Auditors for SMEs (EFEAA)**

Given our constituency is SMPs in Europe one of our main concerns is to ensure that the standard will be sufficiently scalable to be used by SMPs and SME sustainability assurance engagements, including those where the report and the assurance are voluntary.

Overall, we believe the ED-5000 meets this test. There is evidence, such as illustrative examples of smaller assurance engagements, that considerable effort has been expended to ensure scalability. That said, we suggest more can be done. We urge the Board to provide additional clarity within the application material and non-authoritative guidance to flag where scalability challenges may arise and how these can be resolved. We also believe that the requirements and application material on scalability (paragraph 13) can be improved by including additional guidance on the areas in which applying the scalability concept is possible.

We understand, and support, the IAASB's strategy to get a general ISSA (ISSA 5000) in place as soon as possible and then to start work on developing a suite of ISSAs. This approach of focusing on a global baseline first is also being pursued by the ISSB, the IAASB's sister reporting board at global level. The ISSA 5000 is intended to be an overarching standard written in a principles-based manner. This has largely been achieved and a by-product has been to make the standard scalable.

As the IAASB goes about developing a suite of ISSA's we urge it to "Think Small First" or "Think Less Complex First". This should minimize the risk of the ISSAs proving insufficiently scalable for SME assurance engagements and promoting demands for an ISSA for Less Complex Entities. We think it better that ISSAs be scalable from the bottom-up and that more complex matters be tackled via specific ISSAs that practitioners can ignore if they are not relevant to the engagement. Until such time as the full suite of ISSAs is produced the IAASB can develop guidance as an interim measure. This guidance can be quickly developed by staff to meet any emerging demand.

#### **European Federation of Financial Analysts Societies (EFFAS)**

The ED proposal is responsive and specific to the potential needs of users.

## Global Accounting Alliance (GAA)

### Public Interest Aspects

The GAA also acknowledges that in developing proposed ISSA 5000, the IAASB has built upon what is continuing to emerge as prevalent current practice in many parts of the world, (i.e., existing IAASB pronouncements including ISAE 3000, ISAE 3410 as well as the IAASB's guidance on Extended External Reporting). I agree that this approach is in the public interest and note that this approach should also achieve a high degree of alignment to the risk-based assurance approach used as a basis for many voluntary assurance engagements on sustainability reports at present.

I would also like to further acknowledge that the IAASB has adhered to a high-quality due process in seeking further input from diverse stakeholders to ensure that all affected parties' views will have been taken into due consideration in finalizing ISSA 5000.

Finally, I would like to underline that the public interest in sustainability reporting comes hand in hand with an imperative for a high-quality framework to ensure a level playing field for all assurance practitioners in terms of their

ethical behavior,

assurance and sustainability-related skills,

procedures for quality management of their assurance work, and

external (regulatory, where appropriate) supervision,

because these aspects together ensure a demanding environment in which assurance practitioners operate such that assurance engagements are of sufficient high-quality as to be of value to stakeholders.

Whilst I acknowledge that not all of the above lie within the standard-setting remit of the IAASB, I would urge the IAASB to work together with the IESBA and IFAC (in regard to the necessary education and skill sets) to ensure that the relevant standards are sufficiently clear as to what "equivalence" or "at least as demanding" mean in practical terms when assurance practitioners do not adhere directly to the relevant international standards as promulgated by the IAASB, IESBA and IFAC's former international education standards board.

## Institute of Chartered Accountants in England and Wales (ICAEW)

Overall, we agree that the proposals in ED 5000 are responsive to the public interest, but we have concerns about the operationalisation of ED 5000, particularly in the light of both the profession agnostic remit, and considerations of scalability.

With this proposed standard, the IAASB is 'courting' a new constituency of practitioners in addition to existing professional accountant auditor and assurance providers. We believe that this scope extension necessitates consideration of whether the usual 'modus operandi' – whereby the IAASB promulgates a standard and then firms and networks operationalise the standard and incorporate its requirements into their existing methodologies – is appropriate in this instance.

We believe that in these unprecedented circumstances, with heightened public interest and the likely involvement of other assurance practitioners, the IAASB should be addressing not just the question of 'what' practitioners should do but also 'how' they might do this. We doubt that other assurance practitioners will generally have established methodologies to comply with IAASB standards or be used to providing the level of documentation that might be required in some engagements.

We believe that the IAASB should coordinate or convene others to produce additional, separate practical operational guidance, through the agency of IFAC or other PAOs. The IAASB's recently issued, Proposed ISSA 5000: the application of materiality by the entity and the assurance practitioner, is a start, but our view is that much more practical guidance will be needed to make this a success. In our view this is a key public interest issue.

We believe some of the key areas where guidance will be critical include:

application of ED 5000 vs. ISAE 3410 for assurance relating to GHG information;

risk assessment difference between limited and reasonable assurance;

work effort required with regard to understanding the entity's system of internal control for limited assurance versus reasonable assurance;

practitioner's responsibilities when using the work of an expert or another practitioner;

procedures on estimates versus procedures on forward-looking information; and

groups and aggregated sustainability information.

#### **Institute of Chartered Accountants of Scotland (ICAS)**

We agree that the proposals in ED-5000 are generally responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal. We have, however, set out in our responses to the questions below, areas where we believe there is scope for improvement in the current draft.

We believe it is essential that high-quality assurance and related ethics, independence and quality management standards apply to all those who are providing assurance on sustainability-related information. ED-5000 has the potential to serve as a global baseline in this regard, but it will need the support of regulatory bodies around the globe to achieve that objective. The IAASB's ongoing dialogue with such regulatory bodies is therefore crucial to ensure that the public interest will be served.

#### **Institute of Chartered Accountants of Sri Lanka**

As ED-5000 excludes assurance engagements when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, ED-5000 does not apply to all sustainability topics or aspects of the topics. Therefore, application material dealing with assurance engagements on GHG statements (ISAE 3410) should be aligned as soon as possible with ED-5000.

IAASB needs to update ISAE 3000 (Revised) also to be align with certain ED-5000 requirements to avoid diversity between sustainability assurance engagements and other assurance engagements and to ultimately avoid confusion for users.

Further guidance is also required to understand the extent of implementation of the PIF in place.

#### **Institute of Chartered Accountants of the Maldives**

Looking at the mapping of the objectives and standard-setting action in the proposal to relevant paragraphs in the standard and qualitative standard setting characteristics, we find that public interest has been well considered in developing the ED-5000.

#### **Instituto de Censores Jurados de Cuentas de España (ICJCE)**

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

#### **Instituto Nacional de Contadores Públicos de Colombia (INCP)**

The qualitative characteristics of consistency, coherence, appropriate scope, scalability, timeliness, relevance, completeness, comprehensiveness, clarity, implementability and enforceability of the Public Interest Framework for the development of international auditing standards are appropriate. However, we believe that guidelines should be implemented so that professionals can appropriately apply this standard.

#### **International Federation of Accountants (IFAC)**

The proposals in ED-5000 are responsive to the public interest, both considered in a broad sense and through the lens of the qualitative standard-setting characteristics set out in the Public Interest Framework (PIF) incorporating (a) Timeliness, (b) Relevance, (c) Comprehensiveness, (d) Implementability, (e) Enforceability, and (f) Scalability.

In terms of scalability, additional clarity within application material and non-authoritative guidance to flag where challenges may arise and how these could be resolved would be appreciated. Gaining consensus on the balance of work between limited assurance and reasonable assurance engagements is also essential. Guidance here would be welcomed and may help to drive consistency between different practitioners including between Professional Accountants (PAs) and other service providers.

Some consideration of treatment of ‘additional information’, which may be a requirement of the reporting framework an entity is under, could also be useful. An assurance provider may or may not be required to provide assurance on such material due to local requirements. As such, in the overall commentary that is made in relation to sustainability matters, there may be some areas that are subject to assurance and others that are not. It would be useful for guidance to be issued that clarifies appropriate treatments in such situations and how best to flag which elements are subject to assurance and those that are not. It is in the public interest for users to have absolute clarity on whether information is subject to assurance or not, and the standard could clarify whether the optimal approach is for this to be included in reporting by the entity, within the assurance report or in both places.

#### **Malaysian Institute of Certified Public Accountants**

Please see our responses in Q4.

#### **Malta Institute of Accountants (MIA)**

We would like to point out, similar to the above question, that the professional who will be providing such responsiveness to the public interest, and thus adhering towards such requirements, will have an impact in this regard.

In order to maintain consistency in application, standards should ideally be driven by one profession rather than across different professions.

#### **New York State Society of Certified Public Accountants (NYSSCPA)**

Response: Yes. We agree that the appendix to the EM maps out how the language in ED-5000 addresses objectives of the public interest. Specifically, the ED addresses the following qualitative standard-setting characteristics:

Timeliness

Relevance

Comprehensiveness

Implementability

Enforceability

Scalability

### **Nordic Federation of Public Accountants (NRF)**

Overall, we believe the proposals in ED-5000 are responsive to the public interest.

In terms of considering the qualitative standard-setting characteristics we believe that additional clarity in application material and/or in non-authoritative guidance to address scalability matters would be helpful.

Further guidance to clarify work effort in limited versus reasonable assurance engagements is also encouraged to drive consistent application between different service providers.

### **Saudi Organization for Chartered and Professional Accountants (SOCPA)**

SOCPA believes the proposals in ED-5000 are responsive to the public interest and are establishing a comprehensive standard, however it does not provide specific guidance on how to perform assurance engagements on specific sustainability topics. This could be a challenge for assurance practitioners, especially those who are new to sustainability assurance. Therefore, taking into consideration our comment on the first question, we believe that reconsidering the approach to draft ED-5000 in the context of other IAASB's pronouncements could help reducing the volume of the standard and provide more focused application materials (examples) on applying such assurance requirements on specific sustainability information. For example, the examples of factors that could be considered when assessing the materiality for qualitative disclosures provided in paragraph A278 introduce much clearer guidance as they are specifically linked to sustainability topics.

### **Virginia Society of CPAs**

Yes. We note that the Appendix should be reviewed on a period basis to ensure consistency and accuracy in its application

## **11. Academics**

### **Accounting and Finance Association of Australia and New Zealand**

The appendix provides a detailed mapping of the key aspects of proposed ISSA 5000 to the objectives and standard-setting action in the project proposal that support the public interest. Section 1-A13, ED-5000 has been developed to allow its application to reporting on all sustainability topics and aspects of topics. However, there is a lack of consensus and lack of standardization on reporting sustainability information: the sheer number of standards, frameworks and data requirements can be overwhelming.

### **Deakin University**

Yes, the proposals in ED-5000 are responsive to the public interest in conjunction with the work being performed by IESBA on ethics and independence standards for sustainability reporting assurance.

The key issue will be regulating compliance with ISSA 5000 and the companion IESBA ethics and independence and quality management system standards. This is not a matter within the IAASB's control.

## **12. Individuals and Others**

### **Dr. Prachi Ugle Pimpalkhute**

Yes, very placed collaborative effort for being responsive to the public interest as to what matters the most in sustainability

### **Japan Accreditation Board (JAB)**

JAB recognizes the proposals in ED 5000 are responsive to the public interest, however the document can provide the further guidance's with qualitative standard-setting characteristics and standard setting action, that can contribute to the climate action that can be transparent, consistent and comparable for Paris agreement.

## **2.3 Neither agree or disagree**

### **1. Monitoring Group**

#### **Basel Committee on Banking Supervision (BCBS)**

The Committee believes connectivity between sustainability/climate disclosures and banks' financial statements is important (see the Committee's response to the recent ISSB consultation on agenda priorities). As such, the Committee believes that it may be useful for the assurance practitioner performing engagements under ED-5000 and a bank's statutory auditor to communicate with each other, to help ensure connectivity and consistency, where relevant, between sustainability disclosures and financial statements. We recommend that the IAASB includes guidance stating this and encouraging such communication with a conforming amendment to ISAs, where such communication is not prohibited by relevant laws and regulations. It would be useful for any guidance to emphasise that such communications may be helpful throughout both engagements, from planning to completion.

### **2. Preparer and Users of sustainability information**

#### **MFIs' Internal Audit ESG Working Group**

It appears that IAASB has taken into account a range of standard-setting characteristics, including timeliness, relevance, comprehensiveness, implementability, enforceability and scalability, in the development of the ED-5000.

These characteristics collectively contribute to the responsiveness to public interest, however in specific details it may be difficult to ensure that concerns related to public interest are adequately addressed for all stakeholders.

### **7. Accounting Firms**

#### **Baker Tilly International**



Baker Tilly commends the IAASB on the exposure draft. It represents a strong global baseline and we support it as a basis for global endorsement which is important for consistent application in support of public confidence in the quality of sustainability assurance engagements. Consistent application will also enable competition between providers including making it more efficient for (Independent Assurance Service Providers [IASPs, which refers to non-accountants, it is widely held to be desirable that there should be competition among service providers] to participate in cross border and value chain engagements.

## 10. Member Bodies and Other Professional Organizations

### Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

While we agree that in substance most proposals in ED-5000 are responsive to the public interest subject to the specific points raised in our responses to the other questions of ED-5000, we acknowledge some practitioners, particularly NPAPs, may not be familiar with certain terminology and concepts used commonly in external assurance and audit engagements on general purpose corporate reporting. As noted in our general comments, we do acknowledge the effort placed by the IAASB to ensure that the standard is profession agnostic, for example via the formation of the two reference groups, one for experts in sustainability assurance representing 'other professional assurance practitioners' and one for experts in sustainability assurance 'representing the accounting profession' which the IAASB consulted with throughout the development of the standard. However, we disagree that the proposals as currently drafted enable the IAASB to fully hit the mark of developing a profession agnostic standard, a key public interest issue. We understand that this terminology and relevant concepts are necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting. Hence, we find that NPAPs will either need additional implementation guidance or the current proposals will need to be simplified to enable their understanding. CA ANZ has developed a Sustainability Assurance Playbook for SMP auditors and there may be other guidance from NSS and professional bodies which could be useful to the board in developing such guidance. Furthermore, as noted in our response to Q7, we suggest that supporting guidance is developed that can guide NPAPs through in differentiating the work effort between limited and reasonable assurance in a clear and simplistic way to enable their understanding given that this is a challenging area even for those who are familiar with the IAASB standards. This is an important public interest issue that the board will need to address in the final standard.

The reporting of sustainability information will be vital for entities and economies to achieve the climate and other sustainability metrics and goals that are increasingly being established. In order for users of sustainability information to be able to make decisions based on that information, they need to be able to rely on it. Reliance will require consistent, high-quality assurance over the information. For that reason, we believe that one of the key public interest aspects will be the determination of how ethics, independence and quality management requirements are assessed to be "at least as demanding" as those established by the IESBA and IAASB and how compliance with those standards will be monitored and enforced. While some aspects of this may need to be handled at a jurisdictional level, particularly in relation to monitoring and enforcement, we believe the board must facilitate a coordinated approach to the independent assessment of other standards. Practitioners should not be able to self-assess this matter, in the interests of protecting assurance quality and the public interest. We commend the IAASB for acknowledging that national standard setters and regulators share the responsibility for determining what may be considered "at least as demanding" in A3 of the ED-5000. See our response to Q4 below for further detail.

## 2.4 Disagree with comments

### 2. Preparer and Users of sustainability information

#### American Bankers Association

Practically speaking, auditing and assurance standards will highly influence the governance and internal control systems that reporting companies will be expected to implement. Such standards will also influence how users of sustainability information will use it in light of assurance-related assessments. With those things in mind, while we believe the Proposed ISSA reflects thoughtful deliberation, we believe the Proposed ISSA may not ultimately be responsive to the larger public interest. As a result, confusion may develop over the resulting governance and internal control frameworks needed by preparers, over the extent of testing and related costs to provide assurance, and over how users will interpret any assurance attestations.

Recognize the fundamental difference between controls in the financial economy and those in the sustainability economy. (Responding to Question #2)

A company's internal controls in a financial environment are heavily supported by a long-established economy-wide framework in which multiple parties – including producers, customers, and taxing authorities – have a compelling interest in the proper authorization, measurement (pricing) and recording of monetary transactions. This is further supported by financial statements that triangulate around the periodic performance and financial condition noted within comparative financial statements that are reviewed by information users.

Such an economy-wide infrastructure, where there is high accountability related to individual transactions and periodic reporting and is accompanied by significant penalties for noncompliance, has yet to be developed around sustainability issues. In the sustainability realm, while there will be some specific data points that may be able to fit into a financial reporting and auditing context, there are many that do not. Guidance, therefore, should be provided on an auditor's risk assessment and the nature and extent of testing of governance and internal control systems within this unique environment, especially under the new changing conditions whereby reported information will likely be subject to significantly higher scrutiny from investors and other stakeholders.

### 6. Global Standard Setter

#### Social Value International

##### Scope

Our recommendations in response to Question 1 (above) equally apply here since the public's interest is the overall contribution being made to sustainable development and the rate at which it is being made.

##### Stakeholder Involvement

Whilst this comment could relate to other sections, the critical importance of engagement with those experiencing or expected to experience impacts throughout the process and the need for the assurance practitioner to form an opinion on the stakeholder engagement is missing. This increases the risk of material misstatement of any scope and would not be in the public interest.

## 9. Public Sector Organizations

### Office of the Auditor General of Alberta

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.

## 10. Member Bodies and Other Professional Organizations

### Pennsylvania Institute of Certified Public Accountants (PICPA)

While the committee generally supports the development of tailored guidance for performing sustainability assurance engagements, the committee does not agree with the first stated objective in the project proposal that the standard would serve as a "global baseline standard for assurance on sustainability reporting for use by all assurance practitioners". We believe that the standard should be limited to licensed public accountants. Please refer to our response to question #1 above.

## 12. Individuals and Others

### Capitals Coalition

#### Scope

Our recommendations in response to Question 1 (above) equally apply here since the public's interest is the overall contribution being made to sustainable development and the rate at which it is being made.

#### Stakeholder Involvement

Whilst this comment could relate to other sections, the critical importance of engagement with those experiencing or expected to experience impacts throughout the process and the need for the assurance practitioner to form an opinion on the stakeholder engagement is missing. This increases the risk of material misstatement of any scope and would not be in the public interest.