

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

### Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
  - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the [ED-5000 webpage](#) to upload the completed template.

**Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements**

**PART A: Respondent Details and Demographic information**

Your organization’s name (or your name if you are making a submission in your personal capacity)	Center for Audit Quality
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Dennis McGowan Desiré Carroll
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	<a href="mailto:dmcgowan@thecaq.org">dmcgowan@thecaq.org</a> <a href="mailto:dcarroll@thecaq.org">dcarroll@thecaq.org</a>
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	<a href="#">North America</a>
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	<a href="#">Member body and other professional organization</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

**Information, if any, not already included in responding to the questions in Parts B and C:**

## PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000

**For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.**

### Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

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

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

**Detailed comments (if any):**

#### Overall support for ED-5000

We support an international standard on sustainability assurance and appreciate that ED-5000 is largely based on ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which we believe is currently fit for purpose.

#### Importance of a single, global sustainability assurance standard

Overall, we believe the focus of all market participants should be on consistent, comparable, high-quality reporting in the public interest. We strongly encourage the IAASB to continue to collaborate with other market participants with the objective of achieving a single, global sustainability assurance standard that can serve as a basis for national standard setters. Creating more complexity in the sustainability assurance market, as a result of multiple sustainability assurance standards and frameworks, does not serve the public interest or promote investor protection. Further, inconsistency will likely cause confusion for users.

#### Concerns about the ability of the standard to be applied consistently by all assurance practitioners

- o Regarding “Use by all assurance practitioners” as described in paragraph 14 of the Explanatory Memorandum, we have concerns about the ability of the standard to be applied consistently by all assurance practitioners. A number of concepts from the International Standards on Auditing (ISAs) have been included in ED-5000, which we believe are helpful. However, a number of those concepts require additional guidance to enable consistent application of ED-5000 by all assurance practitioners (see Questions 2 and 25 for details). For example, as currently written, in the absence of additional guidance, professional accountants may turn to the ISAs for additional insights to help them apply ED-5000 (see Question 18) whereas 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. Non-accountant assurance practitioners at the IAASB’s New York Sustainability Assurance Roundtable on ED-5000 held on September 20, 2023, expressed concern about generally not having an understanding of or experience with applying the ISAs. Further, they expressed concern about generally not being as familiar with resources beyond the ISAs, like the Extended External Reporting (EER) Assurance guidance. This creates a risk that there may be a difference in quality in the performance of these engagements between professional accountants and non-accountant assurance practitioners. Additionally, any resulting differences in how sustainability assurance engagements will be performed will not be transparent to the user, as largely consistent reports will be issued in each circumstance. This is not in the public interest. To

help address this, we suggest that non-authoritative educational material be developed in parallel with the finalization of ED-5000 to assist with effective implementation. We believe that these materials should include a “beginner’s roadmap” of where to start, including educational material to help provide a baseline understanding of key ISAs (to which ED-5000 alludes), as well as ISAE 3000 (Revised), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, the EER guidance, the IESBA Code, and ISQM 1 to enable consistent, comparable, high-quality assurance engagements in the public interest.

- To build users’ trust in sustainability assurance engagements, it is essential that the engagements are performed consistently and to a high quality, given that engagement failures may lead to distrust and diminish the value of the engagements. Although we understand the intention of the IAASB in drafting an overarching standard, the level of specificity of the requirements seems unbalanced. For example, on risk assessment for reasonable assurance, more extensive concepts from ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, have been brought in, and it seems to strike the right balance between specificity to support consistency, and understandability. However, there are certain other areas of ED-5000 where the requirements seem incomplete, even when taking into consideration the level of granularity appropriate for an overarching standard. Additional specificity is needed in these areas of ED-5000 until such time as future standards can be developed to drive consistency and quality. For example:

- Other Information

The interrelationship between the audit of financial statements and assurance of sustainability information needs to be further addressed in the standard, specifically with respect to:

- Evaluating the consistency of financial information included as part of sustainability disclosures with corresponding information included in the audited financial statements; and
- Providing clarification about other information to practically address potential inconsistency in application of the requirements among assurance practitioners.

Given the variability in the type and extent of sustainability information that will be subject to assurance and the evolving nature of this reporting, we do not believe the IAASB’s approach as set out in ED-5000 is practicable and should be revisited before finalizing the standard. We suggest starting with the requirements and application guidance in ISAE 3000 (Revised) that require the practitioner to read and consider other information and not requiring explicit statements about the other information in the assurance report at this time (see Question 21). Local jurisdictions could expand on the requirements and further specify what information is considered “other information”, the responsibilities of the auditor and practitioner respectively, and how to appropriately communicate regarding other information in the practitioner’s report, because jurisdictional circumstances (such as laws and regulations that specify what information must be prepared) may necessitate such specificity.

- Value Chain

Entities seeking to compile sustainability information often need to rely on data generated by various stakeholders in their value chain. For example, various sustainability reporting

frameworks require an entity to disclose information about all material sustainability-related risks and opportunities to which it is exposed. This includes the risks and opportunities related to activities, relationships, and the use of resources along its value chain. For example, the entity's employment practices and those of its suppliers, waste related to the packaging of the products that it sells, the entity's Scope 3 greenhouse gas (GHG) emissions or events that could disrupt its supply chain. The scope of an entity's value chain can include hundreds, if not thousands, of other entities. Much of this information is also subject to inherent estimation or measurement uncertainty. There are practical implications that result from necessarily having to deal with information generated from an entity's value chain outside of its reporting boundary. This is a characteristic largely unique to sustainability reporting that has significant implementation consequences for planning and performing an assurance engagement that, in our view, have not been adequately contemplated in the proposed standard.

Information from the value chain may have varying levels of importance and significance to the subject matter information and the assurance engagement, depending on factors such as the criteria and the nature of the entity and its reporting boundary. Reporting frameworks may recognize the limitations of reliable information from the value chain, and it would not be appropriate to expect practitioners to establish that the information is reliable to a degree that is higher than what is contemplated or recognized by such reporting frameworks.

When designing and performing procedures, there may be some information from the value chain that is significant to the engagement and therefore the nature, timing and extent of procedures may be more extensive and may need to involve the use of other practitioners, or reliance on assurance reports on controls at service organizations, if available. On the other hand, some information may be less significant and in evaluating the reliability of the information from the value chain, it may not be necessary to involve other practitioners, or perform extensive procedures to establish reliability.

Existing audit or assurance concepts associated with obtaining sufficient appropriate evidence over "aggregated" information may need to be reconsidered in the context of the varying significance of information that emanates from the value chain, reporting frameworks and how they recognize the limitations of information from the value chain, and different ways that information is obtained and used in preparing the subject matter information.

(Please also see additional Value Chain considerations raised in Question 15).

- Internal Audit

The requirements in ED-5000 are not clear on when assurance practitioners may use the work of internal audit. As a result, there is a risk that practitioners not familiar with ISAs may extensively use the work of internal audit without appropriate consideration of areas of the engagement where it is appropriate to use internal audit, and without providing appropriate direction, supervision, and review. We recommend that the IAASB include additional conditional requirements from ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, with some differentiation for limited assurance versus reasonable assurance, leveraging ISA 610 (Revised 2013) para 18, 19, 22 and 23.

## IAASB to encourage jurisdictions to establish minimum competency and experience requirements for assurance practitioners

Further, it is critical that practitioners (in particular, the engagement leader) performing these engagements have appropriate assurance experience. While the IAASB develops the assurance standards, it's up to the respective jurisdictions to decide who can use the standard and what is necessary to ensure that those performing the assurance engagements are competent and subject to appropriate oversight. To help ensure high-quality assurance, jurisdictional standard setters or regulators should establish minimum requirements regarding the competence and experience of assurance practitioners to be able to perform these engagements. We recommend that the IAASB continue to urge those with the authority to set competency requirements in their jurisdictions, e.g., through relationships with the International Forum of Accounting Standard Setters (IFASS), the International Organization of Securities Commissions (IOSCO), etc.

### *Public Interest Responsiveness*

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

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

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

### **Detailed comments (if any):**

We 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.<sup>1</sup>

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

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<sup>1</sup> [IAASB CUSP-Drafting-Principles-and-Guidelines \(April 2022\)](#)

- 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.

### Specific Questions

#### *Applicability of ED-5000 and the Relationship with ISAE 3410*

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

*(See Explanatory Memorandum Section 1-C)*

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

**Detailed comments (if any):**

#### Ultimate recommendation regarding ISAE 3410 in relation to ED-5000

We suggest as a priority action withdrawing ISAE 3410, updating it and reissuing it as a topic-specific standard under the ISSA 5000 suite of standards. In doing so, we believe that the scope of the revised ISAE 3410 should apply to sustainability assurance engagements when GHG emissions are in scope of the engagement, regardless of whether such emissions are presented in a form of GHG statement. As a result of these recommended updates, ISAE 3410 would retain only the requirements and application guidance that are incremental to the requirements of ED-5000 for execution of assurance engagements over GHG emissions, so that sustainability assurance engagements are executed in accordance with both ED-5000 and ISAE 3410, when GHG emissions are in scope of the assurance engagement. This will provide the benefit of (i) ensuring that assurance practitioners consistently apply the concepts in ISAE 3410 to engagements that involve assurance of GHG emissions, regardless of whether there is a separate conclusion on a GHG statement (ii) minimizing differences in foundational assurance principles, and hence work effort, between the standards, thereby helping to ensure that assurance

engagements of GHG statements are performed to a level of quality consistent with assurance engagements of sustainability information, which may include GHG emissions (iii) avoiding the risk of engagements being specifically “designed/scoped/reported on” to fit a particular assurance standard, which is not in the public interest, and (iv) minimizing confusion for users, who may not understand differences between the various standards.

#### Clarifications required prior to the publication of ED-5000

If, in the short term, it is not practicable for the IAASB to implement our ultimate recommendation regarding ISAE 3410 in relation to ED-5000, we recommend that certain clarifications be made prior to the publication of ED-5000.

Paragraph 2 of both ED-5000 and ISAE 3410, as proposed to be amended, states that ISAE 3410 applies when the assurance practitioner is providing a separate conclusion on a GHG statement. Paragraph A1 of ISAE 3410, as proposed to be amended, states that ED-5000 applies when a sustainability report includes GHG information and that GHG information *does not* comprise a GHG statement as defined in paragraph 14(m). Since GHG information is not defined, and taking into consideration the definition of a GHG statement, it is not clear when information about GHG emissions qualifies as a GHG statement versus GHG information. We are also uncertain on the applicability of ISAE 3410 and ED-5000 when, for example:

- A GHG statement forms part of other subject matter but the practitioner is not providing a separate conclusion on the GHG statement.
- The practitioner’s conclusion in an assurance engagement on a GHG statement covers sustainability information in addition to the GHG statement. The definition of a GHG statement and paragraph 3A of ISAE 3410 does not seem to preclude this possibility.

Clarifications which address the above-mentioned questions will be important to address prior to the publication of ED-5000.

#### *Relevant Ethical Requirements and Quality Management Standards*

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

*(See Explanatory Memorandum Section 1-D)*

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

#### **Detailed comments (if any):**

#### The need for oversight and enforcement of compliance with relevant ethical requirements and quality management standards

- We believe that a practitioner’s adherence to relevant ethical requirements and a system of quality management is fundamental to the public interest and high-quality assurance. When sustainability information will be publicly available to a wide variety of stakeholders, it is important for that information to be reliable, hence the need for consistent, high-quality execution of an assurance engagement, including adherence to and transparency about the assurance practitioners’



application of well-understood requirements related to independence, ethics and quality control. Oversight and enforcement of compliance with relevant ethical requirements and quality management standards is a critical part of a corporate reporting ecosystem that provides reliable and decision useful information to users.

The IAASB's assurance standards have allowed for non-accountant assurance practitioners to perform assurance engagements using ISAE 3000 (Revised) and have set up a framework for doing so that requires specific performance requirements (including application of minimum standards on quality control and relevant ethical requirements) as well as required reporting requirements to provide transparency about what standards were applied. However well-intended this approach, it has not been consistently applied by non-accountant assurance practitioners. An International Federation of Accountants (IFAC) study revealed that:<sup>2</sup>

- Instead of performing their sustainability assurance engagements “in accordance with” ISAE 3000 (Revised), 47% of non-accountant assurance practitioners and 2% of professional accountants used language indicating that they had not fully complied with ISAE 3000 (Revised). Similarly, a CAQ analysis of S&P 500 companies revealed that of the assurance practitioners who used ISAE 3000 (Revised), roughly 40% of non-accountant assurance practitioners (compared to 0% of professional accountants) either did not specify whether their assurance engagement was performed in accordance with ISAE 3000 (Revised) or indicated that their engagement was based on, consistent with, or in alignment with ISAE 3000 (Revised).<sup>3</sup> The nuances of this wording are likely not understood by many users. We recommend that the IAASB bring greater focus on this in some way, possibly in para. 19 of ED-5000 or, at a minimum, by adding a reference to para. A478 to para 19.
- Regarding referencing the IAASB's ISQC 1 or equivalent:
  - 62% of non-accountant assurance practitioners and 9% of professional accountants provided no indication of complying with ISQC 1 or equivalent.<sup>4</sup>
- Regarding referencing the IESBA Code or equivalent:
  - 64% of non-accountant assurance practitioners and 6% of professional accountants provided a general statement which did not reference the IESBA Code or an equivalent standard of ethics.
  - 16% of non-accountant assurance practitioners and 93% of professional accountants referenced the IESBA Code.
  - 12% of non-accountant assurance practitioners and 0% of professional accountants referenced an alternative ethics standard.
  - 8% of non-accountant assurance practitioners and less than 1% of professional accountants did not disclose anything related to independence.

Given that in current practice it is unclear whether the IAASB requirements to use ethical and quality management standards that are “at least as demanding” are being adhered to, and the fact that there is a significant difference in the extent to which professional accountants and non-accountant

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<sup>2</sup> [IAASB Quarterly Board Meeting - March 21, 2023 - Session 2 - YouTube](#), see section covering “The State of Play: Analysis of practitioner compliance with ISAE 3000 (Revised) in assurance engagements”

<sup>3</sup> [TheCAQ.org | S&P 500 ESG Reporting and Assurance Analysis](#)

<sup>4</sup> At the time of the study, ISQM 1 was not yet effective.

assurance practitioners disclose or report on how they apply those requirements we believe that, in the public interest, oversight and enforcement of ED-5000 is critical, including over appropriate adherence to ethical and quality management requirements. We believe that there is a role for IOSCO to play in encouraging oversight and enforcement by its member jurisdictions. Further, we encourage the IAASB to convene discussions with regulators globally e.g., International Forum of Independent Audit Regulators (IFIAR), IOSCO, SEC, etc., noting the importance of regulation and oversight to the ecosystem that enables engagement quality as described in the IAASB's Audit Quality Framework.

Given the requirement in para. 19, we also recommend that the IAASB strengthen the application material in A478 to indicate that assurance reports cannot refer to ED-5000 if the practitioner has not fully applied the standard, including adhering to ethical and quality management standards, to help avoid misleading users that the standard has been applied.

#### Suggestions for strengthening the concept of “at least as demanding” in relation to relevant ethical requirements for assurance engagements

- Although the IAASB refers to “at least as demanding,” this is likely to have varying interpretations in practice, and it is not clear who determines what “at least as demanding” is. If left to practitioners, this could drive extensive inconsistency. The current inconsistencies in practice in the use of the IESBA Code when performing sustainability assurance engagements using ISAE 3000 (Revised) (as noted in the IFAC study above) suggest that it would be in the public interest for the IAASB to strengthen the requirement. We believe the IAASB should *require* use of the IESBA Code, unless the assurance practitioner is required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated, by those with oversight authority, as at least as demanding as the IESBA Code.
- We understand that many jurisdictions adopt the IAASB standards “as is” and that prescribing the use of the IESBA Code without some flexibility would create an obstacle to the use of the IAASB standards in jurisdictions where there are local ethical codes. Our proposal above would provide more robust and consistent requirements, while still enabling jurisdictions to mandate the use of ethical requirements prescribed by law, regulation, or national standard setters, that were established for purposes of assurance engagements and have been designated, by those with oversight authority, as at least as demanding as the IESBA Code.

#### The need for coordination and alignment with IESBA

- As noted in Question 14, we strongly encourage the IAASB to coordinate with the IESBA to ensure alignment on key definitions and terms as well as on the topics of experts, groups and information from the value chain, which the IESBA is also working on. This is especially important given that it appears that certain key concepts are not currently aligned, e.g., the explanatory memorandum indicated that the IESBA definition of sustainability information may differ, and IESBA draft proposals seem to hinge on the concepts of general purpose and special purpose frameworks which are terms that do not appear in the IAASB materials. Furthermore, there are key concepts being considered by the IESBA that appear to be impracticable to implement, for example, relating to independence and how this applies when there is information from the value chain.

#### Suggestion for strengthening the concept of “at least as demanding” in relation to ISQM 1 regarding a firm’s responsibility for its system of quality management

- The current inconsistencies in practice and lack of transparency around the use of quality control / management standards when performing sustainability assurance engagements in accordance

with ISAE 3000 (Revised) suggest that it would be in the public interest for the IAASB to strengthen the requirement. We believe the IAASB should *require* use of ISQM 1, unless there are quality management requirements prescribed by law, regulation, or national standard setters applicable to assurance engagements that have been designated, by those with oversight authority, as at least as demanding as ISQM 1.

*Definitions of Sustainability Information and Sustainability Matters*

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See *Explanatory Memorandum Section 1-E, paras. 27-32*)

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

**Detailed comments (if any):**

Regarding the definition of sustainability matters:

- (1) We propose that the definition of sustainability matters be modified as follows:

“Sustainability matters – Environmental, social, ~~economic and cultural~~ and governance matters, including:

- (i) The impacts of an entity's activities, products and services on the environment, society, **or** economy ~~or culture~~, or the impacts on the entity, and
- (ii) The entity's policies, performance, plans, goals and governance relating to such matters.”

We've proposed the above modifications given the following:

- The term “ESG” (which refers to environmental, social and governance matters) and the term “sustainability” are widely used interchangeably, on a global basis;
- “Cultural” is essentially a subset to of “social”; and
- The use of the term “economic” is problematic because it's so broad that it could cover the financial statements.

Regarding the definition of sustainability information:

We believe there is a risk of significant confusion resulting from the interaction of the statement made in paragraph 4, the definition, and how that term is subsequently used in the requirements. For example, the use of sustainability information in the preconditions section of the standard doesn't align with how the term is described in paragraph 4, because in the preconditions it is often using the term in the context of all the information reported by the entity, rather than just the information within the scope of the engagement.

We believe the IAASB should reconsider the construct that has been adopted in ED-5000. We therefore recommend the following:

- **Paragraph 4** – Delete the third sentence:

“The scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity or only part of that information. For example, in certain jurisdictions, law or regulation may require that only climate-related disclosures in an entity’s sustainability information be subject to assurance. **When the assurance engagement does not cover the entirety of the sustainability information, the term “sustainability information” is to be read as the information that is subject to the assurance engagement.** Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is “other information” as defined in paragraph 17(ee). (Ref: Para. A2)”

- **Definition of sustainability information (para. 17 (uu))** – Clarify the potential existing misconception between sustainability information as a whole and sustainability information subject to assurance, and related references to criteria (aligned with ISAE 3000 (Revised)), to better stratify the population of information being referred to:

“Sustainability information – Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against ~~the~~ **applicable** criteria. **Sustainability information that is the subject of the assurance engagement is referred to in the ISSAs as “sustainability information subject to assurance”.** For purposes of the ISSAs, sustainability information **subject to assurance** is the equivalent of “subject matter information” in other IAASB assurance standards.”

- **All subsequent requirements and application material** – Use “sustainability information” when referring to the totality of information reported by an entity and use “sustainability information subject to assurance” when explicitly referring to the information within the scope of the engagement for purposes of the practitioner’s required work effort.

Further we note that the definitions of sustainability information and sustainability matters are fundamental to the interoperability of ED-5000 with various reporting standards. We encourage the IAASB to work to ensure that these definitions are not in conflict with prominent existing required and voluntary frameworks such that the standard would be challenging to apply. Further, we strongly encourage the IAASB and IESBA to align their definitions of these terms as much as practicable.

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

*(See Explanatory Memorandum Section 1-E, paras. 35-36)*

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

**Detailed comments (if any):**

- The relationship between sustainability matters, sustainability information and disclosures will be clear if the revisions proposed in Question 5 are taken into account.

*Differentiation of Limited Assurance and Reasonable Assurance*

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 45-48)*

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

**Detailed comments (if any):**

Need for user education on limited assurance

The understanding and interpretation of the level of assurance achieved in limited assurance engagements varies among users of assurance reports. Reasons for the variability could include:

- a lack of understanding of the “range” of limited assurance that the IAASB standards allow; and
- differences that exist between the IAASB standards and jurisdictional standards.

As a result, there is a public interest need to educate users about limited assurance to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse than financial statement users and less knowledgeable about traditional financial reporting and related audit reports. Recognizing the IAASB’s capacity and resource challenges, and its mandate, we encourage the IAASB to collaborate with other bodies (e.g., IFASS, professional accountancy organizations (PAOs), and monitoring group members (e.g., IOSCO)) to support users’ understanding of these assurance engagements and how to interpret assurance reports. The CAQ is willing to support the IAASB with this in the US.

(See Question 17 for assurance practitioner considerations associated with risk assessment.)

*Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement*

8. Is ED-5000 sufficiently clear about the practitioner’s responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

*(See Explanatory Memorandum Section 1-F, para. 51)*

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

**Detailed comments (if any):**

9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

*(See Explanatory Memorandum Section 1-F, paras. 52-55)*

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

**Detailed comments (if any):**

We believe that the exposure draft does not sufficiently address the practitioner's consideration of the entity's 'materiality process' in identifying topics and aspects of topics to be reported. While we support the overarching premise that ED-5000 needs to be framework neutral, there may be several frameworks, including the CSRD in Europe, that will require assurance practitioners to express an assurance conclusion on the entity's materiality process. While it may not be possible to go as far as addressing the specific work effort and form of conclusion when such conclusions are required, the practitioner's consideration of the entity's process forms such a critical element to the acceptance, planning and performance of an assurance engagement that we believe further attention is needed on this topic within the standard.

It is unclear where in the standard the practitioner's more detailed understanding of the entity's materiality process, beyond the initial preliminary understanding, is obtained. It may be implicit in the requirements in paragraphs 94-99, together with the required understanding of the components of the system of internal control, but it is not clear. For example, while we agree with the IAASB's guidance that distinguishes between the entity's materiality process and the practitioner's determination/consideration of materiality, it is not helpful that the primary application material referring to the entity's materiality process (paragraphs A273-274) is attached to the requirement's addressing the practitioner's determination of materiality.

We suggest para. 97 and/or 98 be expanded to create a more logical follow on from the preliminary understanding requirement and more directly address expectations for the level of the practitioner's further understanding of the entity's process to identify reporting topics, with appropriate supporting application material. Any requirements would need to be conditional as the materiality process may not be relevant in all instances, for example, if the disclosures to be reported are specified in the criteria, then there may not be a need for an in depth understanding and documentation of this process versus when the criteria allow for the entity to determine what should be reported.

#### *Suitability and Availability of Criteria*

10. Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 56-58)*

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

**Detailed comments (if any):**

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-F, paras. 59-60 and 68*)

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

**Detailed comments (if any):**

- ED-5000 appropriately addresses the notion of “double materiality” in a framework-neutral way. The breakdown of the components of double materiality, provided in the application guidance in para. A180 (a) and (b), are helpful and should be retained. We believe it is important that ED-5000 remain framework neutral in order to be globally operable and adaptable to the different conditions prevalent in different jurisdictions.
- Regarding whether ED-5000 appropriately addresses how “double materiality” differs from the practitioner’s consideration or determination of materiality, we believe that revisions to para A274 are necessary. Para A274 mixes the concept of double materiality with the assurance notion of materiality. We recommend moving away from that terminology in para A274 and instead focusing on the intended users and their information needs – i.e., that when the information being presented has been determined based on the “double materiality” concept, there are likely multiple user groups with different information needs that could impact how the assurance practitioner thinks about materiality for assurance purposes.

#### *Materiality*

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-F, paras. 65-74*)

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

**Detailed comments (if any):**

In practice, disclosures may comprise a mix of qualitative and quantitative information. Para 91 of ED-5000 could inadvertently drive a very granular level of disaggregation of the subject matter information, because it effectively requires bifurcation of the information into elements that are qualitative and elements that are quantitative. For example, there may be disclosures on pollution that comprise a mix of metrics and qualitative descriptions, and the metrics may all be in different units of measure. The requirement to “determine” materiality for quantitative disclosures could be interpreted in a way that practitioners would determine materiality for each metric because they are quantitative, and in different units of measure (i.e., it is not possible to aggregate quantitatively). This seems to be inconsistent with para A269, which suggests that the information can be aggregated or disaggregated in various ways and at various levels of granularity. Furthermore, in some instances, after considering qualitative factors, it may be highly unlikely that there is a risk of material misstatement associated with a quantitative disclosure, and therefore it may be unnecessary to determine a quantitative materiality for that disclosure (e.g., this may be the case when the disclosures are disaggregated at a very granular level for purposes of performing the engagement). We believe professional judgment is necessary given the various topics that can be covered in an engagement.

The ISAE 3000 (Revised) approach may be more appropriate since it requires the practitioner to “consider” materiality for all subject matter information, regardless of whether it is quantitative or qualitative. Adopting a more principles-based approach such as this would enable practitioners to develop methodologies that provide appropriate flexibility to accommodate varying engagements and subject matter information. This flexibility is also particularly important given the rapid evolution of sustainability reporting and reporting standards, and how information is aggregated and presented.

If the ISAE 3000 (Revised) approach (suggested above) is not adopted, we encourage the IAASB to make reference in ED-5000 to Appendix 2 of the IAASB’s CUSP Drafting Principles and Guidelines document (April 2022) to clarify the difference in work effort between “determine” and “consider”.

#### *Understanding the Entity’s System of Internal Control*

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

*(See Explanatory Memorandum Section 1-F, paras. 75-81)*

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

**Detailed comments (if any):**

#### *Using the Work of Practitioner’s Experts or Other Practitioners*

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner’s firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are “another practitioner” and not members of the engagement team? If not, what suggestions do you have for making this clearer?

*(See Explanatory Memorandum Section 1-G, paras. 82-87)*

**Overall response:** Choose an item. [Yes, with comments below](#)

**Detailed comments (if any):**

- We believe it is clear and that the standard addresses this appropriately, however, please refer to Question 15 for implementation challenges associated with using the work of practitioner’s experts or other practitioners.
- We understand that the IESBA is also undertaking projects related to sustainability reporting and use of experts. In particular, our understanding is that the IESBA work is addressing independence in the context of sustainability engagements and that draft proposals have extended to information in the value chain. It is critical that the IAASB coordinate with the IESBA on this topic to ensure that proposals are practical in the context of sustainability reporting. Otherwise, assurance practitioners along the value chain are likely to face an inability to obtain sufficient appropriate evidence (scope limitation) in many circumstances. Furthermore, it may not be practicable to require an assurance practitioner to be independent of all entities in the value chain, and the proposals could inadvertently create significant barriers to who is able to perform the engagement if independence



provisions are too extensive. In addition, there may not be access to other practitioners in the value chain.

15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See *Explanatory Memorandum Section 1-G, paras. 88-93*)

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

**Detailed comments (if any):**

We do not believe that the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner are clear and capable of consistent implementation.

Given the nature and diversity of sustainability information and reliance on third-party information, using the work of practitioner's experts or other practitioners is often encountered in sustainability assurance engagements. (Please see Question 1 for insight into how entities may need to use value chain information). Further, given the current sustainability reporting landscape, additional complexities exist. For example, in certain instances, a practitioner may need to evaluate the reliability of information provided by entities up and down the value chain (e.g., for scope 3 emissions). In other situations, a practitioner may need to evaluate the reliability of the information produced by a service provider that may go into the measurement of a company's GHG emissions (e.g., vehicle or air travel mileage used to calculate mobile combustion which could come from a rental car company, corporate credit card processor, or airline, etc.). In the current sustainability reporting environment, assurance reports on controls at service organizations don't exist. Companies may be using outside vendors to calculate or provide certain metrics, and those outside vendors may have proprietary systems, etc. Some of those service providers may currently publish assurance reports on controls at service organizations in relation to providing services in support of the financial statement audit; however, what is covered by those reports may not cover attributes that are relevant for sustainability reporting. The differences that exist between the sustainability reporting and financial reporting ecosystems and the nascency of the sustainability reporting environment puts more pressure on the assurance standards. As a result, there is a need to be agile through keeping requirements principles based, but at the same time acknowledging the complexity of the reporting and making parallels to financial reporting when appropriate to help foster consistent and comparable work.

Recognizing IAASB resource constraints, with the prevalence of these situations and the expectation that the need for the use of the work of practitioner's experts or other practitioners will only increase in the future as regulatory requirements extend to further within the value chain, we believe that other practitioners (and groups) are a priority topic for further consideration by the IAASB following the completion of ED-5000.

In the interim, we recommend the following:

- Clarifying when the assurance practitioner could use the work of an expert or another practitioner versus performing the work themselves. We recommend incorporating examples of sustainability information and/or circumstances that could warrant the involvement of an expert or another practitioner in ED-5000 to help clarify when the assurance practitioner might use the work of an expert or another practitioner versus performing the work themselves. Providing greater differentiation between using the work of another practitioner that has been performed at a component within the organizational boundary versus information outside the organizational

boundary that has been assured and is intended to be used as evidence (e.g., air travel mileage used as an input into GHG emissions calculations) also would be useful. The latter is also a very important consideration from the perspective of what the IAASB plans to do with proposed ISA 500 content given the status of that project – and whether the IAASB reverts to extant ISA 500 which distinguishes between information produced by the entity and all other information given that this differentiation will be very challenging to apply.

- Clarifying when it would be expected that the practitioner may need to direct, supervise and review the work of another practitioner (i.e., they are part of the engagement team) versus using the other practitioner’s work to support the reliability of information to be used as evidence. There is currently a lack of clarity regarding when a practitioner cannot be sufficiently or appropriately involved, which will lead to inconsistencies in practice. In particular, non-accountant assurance practitioners, unfamiliar with the group audit concepts of ISA 600 (Revised), may defer to concluding that it is an “other practitioner”, without appropriately taking responsibility for the work.
- Narrowing the definition of expert. We believe the current definition of expert is too broad, which makes the application of the requirements more challenging. As currently written, it only refers to “in a field other than assurance” (whereas the ISAs refer to “in a field other than accounting or audit”). In effect, this widens who is considered a management or practitioner’s expert because many people involved in the preparation of the subject matter information would technically be in a field other than assurance. Given it triggers work effort later in the standard, the scope of the definition could have the inadvertent consequence of driving more extensive work than is intended. We recommend instead referring to “in a field other than preparing, reporting on, or assuring sustainability information”.
- Adding application guidance regarding para. 51, to indicate that if the practitioner intends to use the work of another practitioner, para. 51 (a) and (b) could be satisfied if the report was issued under IAASB or equivalent assurance standards. The practitioner should be able to rely on the IAASB or equivalent assurance standards’ requirements for another practitioner to be independent and have standards on quality management in place.

#### *Estimates and Forward-Looking Information*

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 94-97)*

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

#### **Detailed comments (if any):**

To enable practitioners to perform consistent, high-quality assurance over estimates and forward-looking information, we believe that additional clarification which takes into account the characteristics of sustainability information, including measurement uncertainty, is necessary.

Estimates are often made using historical information and may be subject to more established criteria or measurement methods (e.g., the applicable reporting framework may establish how such estimates are to be measured or evaluated) while forward-looking disclosures may be more subject to entity-developed criteria or approaches. Assumptions for forward-looking disclosures may be best-estimate or hypothetical,

as noted in the explanatory memorandum. Consequently, we recommend that ED-5000 distinguish the requirements for estimates from the requirements for forward-looking information as they are different in nature, the latter being subject to greater uncertainty such that applying concepts from ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, may not be practicable. Further, we believe additional application guidance is needed to explain relevant considerations for the practitioner as to the nature and extent of evidence that may exist for forward-looking disclosures. We also believe that the standard needs to address what the nature of assurance over such disclosures should be in practice; that is, how the practitioner would determine the appropriate response to the risk identification or risk assessment procedures. For example, the evidence obtained may support assurance that the disclosure has been developed using a “reasonable” process in accordance with the applicable criteria. A practitioner is not able to assure that the outcome described in such hypothetical or aspirational disclosures will be achieved.

We suggest adding guidance from ISAE 3400, *The Examination of Prospective Financial Information*, or 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This guidance could clarify that, for forward-looking information, the practitioner is obtaining evidence about whether the process to compile the forward-looking information has been applied by management in accordance with the applicable criteria, and the practitioner is not expressing an opinion or conclusion on the outcome of the forward-looking information.

When highly complex estimates and forward-looking disclosures involve third-party data provided by external management experts, the points noted in Question 15 on access to proprietary models apply and could result in limitations on scope of the practitioner’s ability to evaluate the appropriateness of the method, assumptions and data used. We recommend that additional clarity be provided for such situations.

We believe that a separate standard on estimates and forward-looking information within a suite of standards for assurance on sustainability reporting that provides more specificity than an overarching standard would be in the public interest; provided it could be developed in a timely manner as a high priority. In the meantime, we suggest that application material be added to ED-5000 or that non-authoritative guidance on this topic be issued to provide greater clarity on the matters raised above.

#### *Risk Procedures for a Limited Assurance Engagement*

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

*(See Explanatory Memorandum Section 1-G, paras. 98-101)*

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

#### **Detailed comments (if any):**

- We are concerned about the impact on the public interest arising from the lack of consistent understanding and interpretation of the risk assessment requirements (as written) for limited assurance without a prescribed framework for identifying disclosures where material misstatements are likely to arise. The application material (A354L) acknowledges that the practitioner may find it useful to use assertions to identify disclosures where material misstatements are likely to arise.

However, since it is only mentioned there, this could result in a lot of inconsistency, further exacerbating "implementability" concerns raised in Question 2. In addition to any further clarifications the IAASB is able to make to this area prior to release of ED-5000, it will be important for the IAASB to monitor for consistency in application of the standard and to consider whether there is a need to develop guidance in the future.

- We reiterate our responses to Questions 7 and 23 and the need to create user understanding of the differences between limited and reasonable assurance engagements.

#### *Groups and "Consolidated" Sustainability Information*

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when "consolidated" sustainability information is presented by the entity? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 102-107)*

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

#### **Detailed comments (if any):**

- It is unclear how the requirements of ED-5000 would be practically applied in a group context, given that disaggregation of sustainability information is not defined and not commonly and consistently applied in today's sustainability reporting environment. Consolidation may bring about specific risks that may necessitate additional principles-based requirements that would need to be understood.
- Additional clarifications required:
  - Additional guidance, especially relating to non-quantitative criteria, is needed. This is difficult even for experienced practitioners.
  - Application material on understanding the entity's consolidation process (for at least reasonable assurance) as part of understanding control activities in paragraphs A305, A333, and A337, using ISA 600 (Revised) as a resource.
  - Value chain should not be confused with consolidated information (as per the financial statements), see para A93. Regarding information pertaining to an entity's value chain, it is unclear how a practitioner would perform procedures over information that is prepared outside of the entity's organizational boundary that is not within the control or oversight of management in a manner similar to a component in a group audit. It's also unclear what level of procedures the practitioner should undertake in relation to the value chain. (See Question 15 for additional insight into value chains and the associated challenges.)
- We recommend that the IAASB (and IESBA) take steps to obtain a deeper understanding of the value chain and associated challenges experienced in practice. The CAQ is willing to facilitate a discussion or educational session between the IAASB, IESBA and certain firms to share examples, in-depth insights and practical perspectives of how this works in practice, along with insights into how and why it is challenging.
- ISA 600 (Revised), provides requirements on applying the other ISAs to group audit situations. Similar to how ISA 600 (Revised) is necessary for group audits, we believe that specific requirements are necessary for group sustainability engagements. We believe that it is unlikely

that the principles-based requirements in ED-5000 can be applied appropriately without the practitioner considering the principles of the requirements of ISA 600 (Revised). While we believe that the group audit framework will be used by many professional accountants for these types of engagements, some professional accountants may not follow the group audit framework and non-accountant assurance practitioners will have limited or no experience applying the framework. Further, while ISA 600 (Revised) may be helpful in the absence of any other guidance, certain concepts may not be directly transferable to a sustainability assurance engagement (for example identifying components, two-way communication, and clarifying leadership responsibilities). We believe these matters have the potential to fundamentally impact the quality and consistency of these engagements and increase the risk that appropriate communication, direction, supervision, and review may not be undertaken and the practitioner may place inappropriate reliance on the other practitioner – all of which are not in the public interest.

To help address this, we believe a separate ISSA addressing group sustainability information would be an appropriate approach going forward. Principles such as direction and supervision and review, including use of other practitioners who are considered members of the engagement team, will be more straightforward to apply within the confines of the entity's organizational boundary as this will be more consistent with existing group ISA 600 (Revised) concepts. However, once extending beyond the organizational boundary, significant challenges arise, so we would encourage the IAASB to initially focus on developing application material in this regard. Further, providing more guidance on:

- aggregation risk and factors that may influence scoping judgments would be helpful – ISA 600 (Revised) para. A51 could be used as a basis for this and expanded upon.
  - what the practitioner is expected to do when a “component” practitioner or other practitioner uses standards that are not ED-5000, or indicate they are “based on ED-5000 or equivalent to ED-5000”, and the extent to which their work can be relied upon.
- We encourage the IAASB to address groups concurrently with other practitioners, as the two concepts are closely related.

#### *Fraud*

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

*(See Explanatory Memorandum Section 1-G, paras. 108-110)*

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

**Detailed comments (if any):**

#### Recommendations for additional guidance / examples / educational material for assurance practitioners

- A key factor in appropriately addressing fraud is an informed and effective engagement team discussion of relevant fraud risk factors, based on a sufficient understanding of the sustainability matters within the scope of the engagement, and the entity and its environment, to respond to identified areas of likely misstatement or assessed risks of misstatement due to fraud. This could be emphasized in the application material to paragraphs 59 and 96 by linking back to the requirements and application material on the competence of the engagement team. We also recommend that the guidance from proposed ISA 240 (Revised) on the need to consider whether

specialized skills or knowledge are needed to identify and assess, or to respond to, risks of material misstatement due to fraud be added.

- Paragraph 161 which deals with management bias currently has no application material associated with it. Additional guidance on management bias would be helpful. Given the likely range of sustainability matters that may be addressed in an entity’s sustainability information, including presenting only 1 or 2 metrics considering the maturity of an entity’s reporting, this is an even more complex judgement for the practitioner than in an audit of financial statements. For example, when does a cumulative positive leaning approach rise to the level of intentional bias such that the information may be considered misstated (by being misleading)? We recommend the IAASB develop supporting application material to provide relevant considerations for practitioners in making this complex judgement, which could leverage ISA 540 (Revised) paragraphs A133-A136).
- There are other areas of potential fraud related to sustainability information that are not addressed in ED-5000 (e.g., social and other non-climate related sustainability matters). We suggest including additional examples of possible fraud schemes into ED-5000 related to sustainability information to guide the practitioner’s understanding of their roles and responsibilities in this area.
- Either in ED-5000 or supporting educational materials/guidance we recommend highlighting the conditions and events when management might have incentives/pressure to commit fraud in relation to sustainability information/metrics and we suggest including insights into the fraud triangle. These educational materials could also include a “roadmap” describing how the requirements in the standard address risks related to greenwashing. For example, as part of the preconditions, the criteria are required to be neutral and para. A183 discusses that neutrality means that the criteria do not result in information that is misleading to users in the interpretation of sustainability information. Further, the roadmap could also explain that sustainability engagements on selected information may not necessarily indicate greenwashing, and that it may be appropriate to only assure selected information because the reporting is maturing.

#### Recommendation for educational material for users

- Since users may have expectation gaps regarding what the practitioner’s responsibilities are for fraud, we believe that educating users will be key. We recommend leveraging existing resources on the topic to develop relevant user educational materials. Furthermore, explaining how the requirements in ED-5000 address risks related to greenwashing could also assist in bridging expectation gaps.

#### *Communication with Those Charged with Governance*

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 111-112)*

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

**Detailed comments (if any):**

### *Reporting Requirements and the Assurance Report*

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

*(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)*

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

#### **Detailed comments (if any):**

Overall, we support the structure of the assurance reports being aligned with audit reports, which will help to drive consistency and support understandability of sustainability assurance engagements. As the public facing output of the assurance engagement, the assurance report provides a critical summary of the engagement for users. We have provided suggested modifications to the reporting requirements that we believe would further enhance reporting in the public interest:

- 1. If our proposal in Question 4 regarding use of the IESBA code is not accepted, require the assurance report to identify the relevant ethical requirements applied*

According to paragraph 170(d)(iv), the assurance report “Includes a statement that the practitioner is independent of the entity in accordance with the relevant ethical requirements related to the assurance engagement, and has fulfilled the practitioner’s other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.” We recommend that in addition to the “jurisdiction of origin”, the assurance report should also identify the relevant independence-related ethical requirements applied by the assurance practitioner. Within jurisdictions there could be multiple relevant ethical requirements, and these could be developed by different professions and have varying rigor (please note our comment in Question 4 regarding applicability of the IESBA Code). Therefore, we believe it would be in the public interest to identify the relevant independence-related ethical requirements applied by the assurance practitioner in the assurance report.
- 2. Make the reporting requirements for other information disclosures optional*

Requirements for other information disclosures in accordance with paragraph 182 could be challenging to implement in practice. The IAASB’s post-implementation review of ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information* identified several challenges with practical implementation of that standard in relation to financial reporting which is already very mature. Given the immaturity of sustainability reporting and the vast array of other information that may accompany these reports, we believe it is premature to require explicit identification of the other information and disclosures about the work performed on other information in the assurance report. For example, inconsistencies in how practitioners are likely to satisfy the proposed other information work effort requirements of the standards could arise depending on whether the assurance practitioner appointed as the sustainability assurance practitioner has undertaken other engagements for the entity, for example the financial statement audit or other assurance engagement. We recommend that para. 181-182 be revised to make other information disclosures optional, using existing guidance in the EER guide or ISAE 3000 (Revised) para. 73 and 76.
- 3. Require additional information in circumstances when the report includes a combination of reasonable assurance and limited assurance*

We understand why the description of the work performed is required for limited assurance, as it is necessary to support users’ understanding of the level of assurance obtained. However, in circumstances when the report includes a combination of reasonable assurance and limited assurance, it may be perceived / misunderstood by users that limited assurance is a higher level,

since there is more explanation about the work performed. We note that paragraph A482 indicates that when the engagement involves different levels of assurance, the practitioner may delineate the procedures performed for each level of assurance, however paragraph 170(i) only requires a description of the work performed for limited assurance. We recommend adding requirements for circumstances when there is a combination of limited and reasonable assurance that require additional explanation, for example, noting that the description of work performed for limited assurance has been provided as context for the level of assurance obtained.

4. *Strengthen the application material in para. A478*

Given the requirement in para. 19, we recommend strengthening the application material in para. A478 to indicate that the assurance reports cannot refer to ED-5000 if the practitioner has not fully applied the standard, including adhering to ethical and quality management standards, to help avoid misleading users that the standard has been applied. (Also see response to Question 4.)

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, paras. 121-123*)

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

**Detailed comments (if any):**

We agree with the approach in ED-5000 of not addressing the concept of “key audit matters” (KAMs) for now and instead having the IAASB consider addressing this in a future ISSA, for the reasons stated in the explanatory memorandum, as well as the following reasons:

- Adding KAMs at this stage would result in another difference between attestation engagements performed using ISAE 3000 (Revised) or ISAE 3410 and ED-5000
- Overall, we are not sure these engagements lend themselves to KAMs in various ways, for example:
  - o The scope of items communicated to those charged with governance is much narrower.
  - o Differences and flexibility in risk assessment standards between limited and reasonable assurance engagements - the risk assessment has an impact on whether matters are KAMs.
  - o Non-accountant assurance practitioners will not have experience with KAMs and could struggle with the identification of KAMs on engagements.
- If KAMs were included in limited assurance engagements, they could be confused with the “summary of work performed.”
- KAMs could be confused with the description of inherent limitations which are required for both limited and reasonable assurance engagements.

Given the challenges noted above, we believe it would be most appropriate for the IAASB to consider addressing KAMs in a future ISSA when sustainability assurance engagements have had an opportunity to mature. We note that the current exposure draft does not preclude including KAMs in the report and believe that this flexibility is appropriate given the evolving nature of ESG reporting and assurance.



23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?  
(See *Explanatory Memorandum Section 1-G, para. 131*)

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

**Detailed comments (if any):**

- While it is sufficiently prominent, there are various interpretations on how much assurance limited assurance provides, and therefore what “substantially less” in fact means. As a result, there is a public interest need to educate users to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse than financial statement users and less knowledgeable about traditional financial reporting and related audit reports. Recognizing the IAASB’s capacity and resource challenges, and its mandate, we encourage the IAASB to collaborate with other bodies (e.g., IFASS, professional accountancy organizations (PAOs)), and monitoring group members (e.g., IOSCO)) to support users’ understanding of these assurance engagements and how to interpret assurance reports. The CAQ is willing to support the IAASB with this in the US.
- Given that users may not understand what limited assurance is and what procedures are performed on limited assurance engagements, we support efforts to provide transparency on what procedures were performed by the practitioner (e.g., para 170(i)) to help mitigate the expectations gap). However, we believe additional application guidance is needed to reinforce that the procedures listed should focus on more primary procedures versus an extensive listing. Users may mistakenly equate longer listings of procedures with higher quality engagements.
- Paragraph A484L states, “It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement.” We believe that describing what wasn’t done versus what was done would create confusion and suggest that this sentence be deleted.
- Please also see Question 21 bullet 3 for the challenges and recommendations associated with circumstances when the report includes a combination of reasonable assurance and limited assurance.

*Other Matters*

24. Are there any public sector considerations that need to be addressed in ED-5000?  
(See *Explanatory Memorandum Section 1-I, para. 135*)

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

**Detailed comments (if any):**

25. Are there any other matters you would like to raise in relation to ED-5000?

**Overall response:** [Yes, as further explained below](#)

## Detailed comments (if any):

The comments in this section primarily reflect matters not addressed by other questions.

### Prioritization of future work efforts:

We believe it is critical that the IAASB identify, prioritize, and begin development of standards and guidance regarding sustainability-related matters that have not been fully addressed in (or in relation to) ED-5000. We believe the following should be prioritized:

- Forward looking information, narrative, and qualitative information (as noted in Question 16).
- Using the work of other practitioners (as noted in Questions 14 and 15).
- Groups or “consolidated” sustainability information (as noted in Question 18). (We encourage the IAASB to address this item and using the work of other practitioners concurrently, as the two concepts are closely related (as noted in Question 18)) and
- Revising ISAE 3410 and relocating it as a topic-specific standard under the ISSA 5000 suite of standards (as noted in Question 3).

Based on the IAASB’s strategy/workplan for 2024-2027, it seems that there is only space for two sustainability projects, of which we understand one will be focused on updating the EER guidance, and the second potentially conforming amendments to ISAE 3410. Given the number of high priority areas (noted above) requiring additional standard setting, guidance, or educational material, we urge the IAASB to consider its overall project prioritization and whether more focus is needed on sustainability engagements at this time given the immaturity of the standards relative to the ISAs, and the need to embed quality in these engagements from the outset. We also recommend that the IAASB work with others (e.g., Accountancy Europe, national standard setters) to identify priority topics and opportunities to leverage additional guidance that has been developed to continue to provide relevant support for these engagements and drive consistency across jurisdictions.

### Updates to ISAE 3000 (Revised)

Updates to ISAE 3000 (Revised) are necessary to incorporate content from the ISA’s that was added to ED-5000. It is in the public interest that ISAE 3000 (Revised) is consistent with ED-5000 with regards to fundamental assurance principles that are relevant to both sustainability assurance engagements and other assurance engagements.

### Status of EER Guidance

The EER guidance, which was developed using an extensive public consultation process, contains much information that is helpful to those performing sustainability assurance engagements. Because the EER guidance refers to ISAE 3000 (Revised), the applicability of the EER guidance to ED-5000 is unclear. We strongly encourage the IAASB to update the EER guidance as soon as practicable after the issuance of ISSA 5000. Until then, the IAASB should clarify that the EER guidance can be applied, or adapted as necessary, to ED-5000 and promote its use through its website and other avenues available to it.

### Additional user education needed

There is a public interest need to educate users to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse than financial statement users and less knowledgeable about traditional financial reporting and related audit reports. Recognizing the IAASB’s capacity and resource challenges, and its mandate, we encourage the IAASB to collaborate with other bodies (e.g., IFASS, PAOs, and monitoring group members (e.g., IOSCO)) to support users’ understanding of these assurance engagements and how to interpret assurance reports. Key focus areas for user education (not already mentioned in response to other questions) are as follows:

- Insight into the fact that what the opinion/conclusion is actually providing assurance on can vary and should be read very carefully. For example, when assuring that the risks/opportunities disclosed are management’s risks/opportunities identified according to their process, this doesn’t necessarily provide assurance that those are the correct/appropriate risks/opportunities or that management’s process was effective.
- Insight into how practitioners consider materiality from an assurance perspective in the context of a sustainability assurance engagement.

### Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

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

**Detailed comments (if any):**

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

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

**Detailed comments (if any):**