

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)	KPMG International
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Sheri Anderson
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	sranderson@kpmg.com
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.	Global
	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.	Assurance practitioner or firm - accounting profession
	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): We welcome the extensive efforts of the IAASB to develop this proposed standard in such a short timeframe, recognising the need for an accelerated timetable to avoid fragmented solutions in terms of separate standards being developed across different jurisdictions.

We believe that ED-5000 provides an appropriate global baseline for the performance of assurance engagements over sustainability information, and we consider that it is better placed than ISAE 3000 (Revised) to support the performance of high-quality sustainability assurance engagements across different jurisdictions.

Overall, we agree that, as an overarching standard, ED-5000 can be applied for each of the items described in paragraph 14 of the Explanatory Memorandum. Whilst our response to specific questions does include several key concerns and recommended actions, including changes to clarify and enhance ED-5000 that we would strongly encourage being addressed prior to issuance, we commend the IAASB for its efforts so far, and we express our full support for the development of this ISSA as a global baseline for the performance of engagements over sustainability information.

Further clarification/enhancement of certain aspects within ED-5000

We have identified certain aspects of the proposed standard that we believe need further enhancement to be more responsive to some of the challenges, or to address clarity or practicability concerns. In particular, we set out our key concerns and recommendations in our response to Question 16 relating to estimates and forward-looking information, which we believe have similarities but are sufficiently distinct from each other that they should be addressed separately in the proposed standard, and in our response to Question 18 relating to obtaining sufficient appropriate evidence in respect of information from the wider value chain. We strongly encourage the IAASB to address these concerns within ED-5000 prior to issuance. We also note that there are other important, but less significant, concerns and recommendations highlighted in our responses to other specific questions, which we would also encourage the IAASB to consider addressing prior to issuing the final standard.

Development of additional ISSAs within the ISSA 5000 suite as a priority to address areas of greater challenge and potential inconsistency in application

Whilst we believe that ED-5000 provides an appropriate global baseline, the requirements and application material in this overarching standard are drafted at a relatively “high-level” in certain areas and will likely need to be expanded upon and clarified in the future, to respond to inconsistencies in interpretation and to drive greater consistency in application. We recommend that the IAASB explore the development of additional standards within the ISSA 5000 suite over time, similar to the approach taken to develop the

ISAs as practice evolved. We believe that additional standards that address estimates and forward-looking information, “consolidated” or aggregated sustainability information (including from the wider value chain), and materiality in greater detail would be the likeliest initial priorities. We highlight that there are likely to be a number of practical challenges in these areas due to certain characteristics that are unique to sustainability assurance engagements, and therefore we recommend that the IAASB monitor practice as this evolves to inform the development of such additional standards.

Development of additional ISSAs over the medium term to build on the foundational standard

We observe that there is an imbalance in ED-5000 in terms of requirements addressing different aspects of an assurance engagement. For example, more extensive requirements addressing engagement acceptance, determining that the preconditions for an assurance engagement are present, and identifying and assessing risks of material misstatement/identifying disclosures where material misstatements are likely to arise, are included, whereas requirements addressing areas such as fraud, laws and regulations, using the work of practitioner’s experts, and using the work of internal auditors (amongst others), have been included as “high-level” requirements. We consider this approach to be commensurate with the fact that this is a foundational standard, with certain requirements/sub-requirements that are derived from the ISAs included as application material, i.e., as more specific matters to “consider” in applying the overarching requirement. However, we believe there is a potential risk that this may lead to inconsistency in practice, particularly between professional accountants that have experience applying the ISAs and those practitioners that do not, as the latter do not have a background in financial statement audit and therefore do not have the benefit of understanding the context and additional guidance provided by the ISAs. We therefore recommend that the IAASB explore the development of additional ISSAs within the ISSA 5000 suite in the medium-longer term to address these areas in more detail, in order to provide greater specificity, clarity and context to drive greater consistency in application.

We also recommend that the IAASB liaise with other bodies including regulators, national standard setters (NSS), and educational bodies to explore training and guidance for such practitioners in respect of these core assurance concepts.

Public Interest Responsiveness

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

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

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

Detailed comments (if any): We agree that the proposals in ED-5000 are responsive to the public interest. 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.

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: [Yes, with comments below](#)

Detailed comments (if any): We believe the scope and applicability of ED-5000, and the relationship with the ISAE 3000 suite of standards, including ISAE 3410, is clear.

Paragraph 2 of ED-5000 is clear that ISSA 5000 applies to all assurance engagements on sustainability information, including GHG information, unless the practitioner is requested to provide a separate conclusion on the GHG statement, in which case ISAE 3410 applies. We believe this approach to be appropriate since ISAE 3410 contains additional, more specific, requirements and guidance in respect of a GHG statement. We also welcome the proposed conforming amendments to ISAE 3000 (Revised) and ISAE 3410 to clarify the status of ISSA 5000.

Future status of ISAE 3410

Once ISSA 5000 is finalised, we recommend that the IAASB consider incorporating ISAE 3410 as a topic-specific standard within the ISSA 5000 suite of standards, and also consider whether it should apply to all sustainability assurance engagements where information about GHG emissions is within the scope of the engagement, irrespective of whether or not this is in the form of a GHG statement that is to be specifically concluded upon. We recommend that the IAASB also explore whether it may be optimal for ISAE 3410 to focus specifically on requirements that would be incremental to ISSA 5000 in respect of assurance engagements on GHG information, as opposed to the current approach within the ISAE 3000 suite of standards where ISAE 3410 is intended to be more comprehensive. This approach could enable the additional, more specific requirements set out within ISAE 3410 to be applied to all GHG information, irrespective of how this is presented or whether the practitioner will report in the form of a separate conclusion over such information.

Future of EER Guidance

We recommend that the IAASB liaise with NSS and other bodies to consider how best to develop the *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements* (the “EER Guidance”) further, in light of the fact that certain content has been included within ED-5000 itself and to ensure that examples and case studies continue to reflect current thinking as sustainability reporting and assurance practice evolve. We highlight that this document may be ideally placed to assist assurance practitioners who are not professional accountants in better understanding certain concepts and terminology and we also recommend that the IAASB work with others, including NSS and educational bodies, to develop appropriate content. We also consider that, as a minimum, the EER should be refreshed to refer to/link to ISSA 5000, which will be the primary standard that it is designed to support.

Relevant Ethical Requirements and Quality Management Standards

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

(See Explanatory Memorandum Section 1-D)

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

Detailed comments (if any): We understand that ED-5000 is based on the fundamental premise that members of the engagement team (and the EQCR, if one is appointed) are subject to the provisions of the IESBA Code related to assurance engagements or other professional requirements, or requirements established in law or regulation, that are at least as demanding as the IESBA Code. They are also members of a firm that is subject to ISQM 1, or other professional requirements, or requirements established in law or regulation, that are at least as demanding as ISQM 1.

We note that this fundamental premise is already embedded in ISAE 3000 (Revised), and the rationale for this premise is to enable practitioners other than professional accountants, including those with expertise in the underlying subject matter itself, to be able to use the standard. We support this aim to avoid fragmentation of practice, which would not be in the public interest.

We believe that ED-5000 is 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. However, we have certain concerns with the application of this concept, and whilst we do not have specific recommendations to address these concerns in terms of proposed changes to ED-5000, we make recommendations to develop educational materials and to take other actions that we believe would support consistent application in this area. We believe these recommendations may also help reduce potential barriers to practitioners using ISSA 5000 if they are currently not subject to ethical requirements that are at least as demanding as the IESBA Code, or requirements relating to their firm’s system of quality management that are at least as demanding as ISQM 1.

Potential barriers to practitioners not currently applying ISQM 1 and subject to the IESBA Code

We are concerned that ED-5000 may not achieve its aim of “opening the door” to other practitioners. We highlight that paragraphs A8 and A56 state that “*Other professional requirements, or requirements in law or regulation that deal with the firm’s responsibilities to design, implement and operate a system or processes related to quality management, are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm that achieve the objective of ISQM 1*”. This suggests that alternatives to ISQM 1 are only acceptable if they themselves, in their entirety, address all of the requirements of ISQM 1 and impose obligations that achieve the objectives of ISQM 1 at a minimum. As a result, we question whether the flexibility that ED-5000 appears to afford, in order to be profession-agnostic, is more hypothetical rather than practical in nature. We consider it unlikely that practitioners that are not professional accountants will be subject to requirements that would meet the threshold of “at least as demanding” as described above. If that is the case, this would mean that to apply ISSA 5000, the practitioner would need to identify any gaps between the requirements that they currently apply and the IESBA Code and ISQM 1, and then “bridge” these gaps with an overlay of firm policies or procedures to enable them to assert compliance with the IESBA Code and ISQM 1. We are concerned that practitioners

may conclude that this is too challenging or onerous to do, with the result being that they seek to apply alternative assurance frameworks, which we do not believe would be in the public interest.

Potential solutions to assist practitioners to “bridge” to the IESBA Code and ISQM 1

In light of the above, we suggest that the IAASB consider whether a potential solution may be to explore with regulators/NSS whether they can provide the tools within each jurisdiction to help practitioners who are not public accountants to “bridge” from the requirements that they currently apply to the IESBA Code and ISQM 1. This would enable such practitioners to implement the necessary additional policies or procedures needed to comply, and to state compliance, with the IESBA Code and ISQM 1. We believe that this solution should not exclude practitioners who are not professional accountants from using ISSA 5000, since they are required to comply with requirements that are “at least as demanding”. We also note that the IESBA Code is currently undergoing revision to ensure it is appropriate for use by practitioners who are not professional accountants and who perform assurance engagements, so should be suitable for use as a required global baseline.

Importance of making the determination of “at least as demanding” with appropriate rigour

We highlight the importance of making the determination of “at least as demanding” with appropriate rigour. The assurance standards are underpinned by the fact that those performing them are subject to the provisions of the IESBA Code and ISQM 1, and concepts, requirements and guidance set out in the assurance standards, including ISSA 5000, are so interlinked with those of the IESBA Code and ISQM 1 that it is necessary for them to be applicable in full in order to support proper application of ISSA 5000. We note that it may be very challenging to make the determination of “at least as demanding”, which may require the exercise of significant judgement by a highly knowledgeable and experienced party. Accordingly, we welcome the additional application material at paragraph A3 of ED-5000 to highlight that in a number of jurisdictions, it is regulators and NSS that will determine, or provide detailed guidance, as to what constitutes “at least as demanding” in their jurisdictions, recognising the importance of a consistent understanding and application of the term.

However, we are concerned that regulators/NSS in certain jurisdictions may not make such determinations, in which case practitioners themselves may make these determinations when they may lack the expertise to do this. We do not consider that this would be in the public interest. We are also concerned that such determinations may not be made consistently across different jurisdictions, which may undermine the IAASB’s aim to drive consistency and quality. Therefore, we recommend that the IAASB develop educational material in this area, with a focus on the concepts and guidance described in the application material to the proposed standard, e.g., at paragraphs A8, A45-48, and A53-58, and liaise closely with international and regional regulators and other relevant bodies to ensure that, where applicable, they make these determinations in respect of their relevant jurisdictions on a globally consistent and appropriate basis. This would also drive alignment of decisions around matters such as which international standards, if any, are considered to be “at least as demanding”.

Application of assurance skills and techniques – support for practitioners that are not professional accountants

We highlight that ED-5000 makes reference to the need for the application of “assurance skills and techniques”, which we believe to be critically important to drive high quality assurance engagements. We note that ED-5000 includes a number of concepts and terminology that are derived from the ISAs (as does the EER Guidance) and knowledge of these may often be necessary to use the standard appropriately, especially given that it is overarching and principles-based. We recommend that the IAASB consider what support may need to be made available to practitioners that are not professional accountants and to work

with other bodies, including IFAC, NSS and education providers to develop these resources, including roadmaps, training and materials addressing these concepts in more depth.

Enhance the definition of assurance skills and techniques

Additionally, to help ensure that there is appropriate focus on the importance of assurance skills and techniques, we recommend that the definition at 17(e) be enhanced to also refer to the training and experience of practitioners in these techniques, and to the exercise of professional skepticism and professional judgement as an integral part of applying such skills and techniques.

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: [Yes, with comments below](#)

Detailed comments (if any): We support the definitions of sustainability information and sustainability matters, and believe these to be appropriate and framework neutral, recognising that there are many frameworks/criteria that may be applied to sustainability assurance engagements. We also support the inclusion of comparison or explanation of alignment of these definitions to the terminology of “underlying subject matter” and “subject matter information”, which are embedded across the ISAE 3000 suite of standards and are well understood by many stakeholders.

We envisage potential for misunderstanding when the scope of the assurance engagement covers only part of the sustainability information that the entity reports, and therefore we welcome the clarification in paragraph 4 that in such situations, the term “sustainability information” is intended to mean only the information that is subject to assurance, with broader sustainability information that is not subject to assurance being “other information”.

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: [Yes, with comments below](#)

Detailed comments (if any): We consider that the relationship between sustainability matters, sustainability information and disclosures is clear. We also consider that the material included at Appendix 1 to the proposed standard, including the diagram/graphic, will be very helpful.

We suggest that the application material clarify that “aspects of topics” is equivalent to the terminology of “elements” or “content”, used in certain sustainability reporting standards/frameworks, to help ensure that ISSA 5000 is able to be applied consistently in concert with such standards.

Clarity regarding the use of the term “Disclosures”

Notwithstanding the above, whilst we recognise the IAASB’s intentions in using the term “disclosures” in respect of more specific/granular sustainability information related to an aspect of a topic, we are concerned that the use of this term in this context may give rise to confusion. We highlight that the term “disclosures”

is an established and clearly understood term in a different context, in respect of wider audit and assurance engagements with reference to providing information at a more granular level that is important to users' understanding. We are concerned that use of the term as envisaged in ED-5000 may be confusing, in particular, because the concept of "disclosures" as already understood in terms of providing more granular information is also applicable to sustainability assurance engagements, and in a number of places in this response we refer to the need for the standard to refer to such disclosures. We note that the ISAs refer to "classes of transactions, account balances and disclosures" with certain ISAs placing particular emphasis on the importance of such disclosures and whether these are appropriate. For example, this is a key feature of ISA 540R, and we note that ISA 540R has been used as the basis for the development of content in relation to estimates and forward-looking information in ED-5000. Accordingly, we recommend that the IAASB explore using a different term in ISSA 5000, such as "areas" or similar, to refer to such information, and define this accordingly, to enable the term "disclosures" to continue to be used as currently understood.

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): Overall, we believe that the proposed standard provides an appropriate basis for performing reasonable and limited assurance engagements. We are supportive of the approach taken by the IAASB to set out a differentiated work effort for performing relevant elements of reasonable and limited assurance engagements, which we consider to be proportional to each type of engagement, subject to certain concerns and recommendations in respect of specific aspects of the differentiated work effort. (Please also refer to our responses to Question 16, in respect of procedures related to estimates and forward-looking information when performing a limited assurance engagement, and Question 17, in respect of risk assessment procedures for a limited assurance engagement.) We recognise that the concept of limited assurance itself is often understood by contrasting limited assurance to reasonable assurance, and we believe the differentiated requirements will also be helpful to practitioners to better understand "limited assurance" and to design and perform procedures accordingly. Furthermore, we note that the differentiated approach helps to emphasise the incremental procedures and work effort that would be required for a reasonable assurance engagement, which we consider will both assist practitioners when transitioning from limited to reasonable assurance engagements over time, and also support the development of educational materials to help users understand the difference between reasonable and limited assurance, as we describe further below at *Development of educational materials to explain the key differences*.

Further guidance regarding the difference between the concepts of reasonable assurance and limited assurance

We highlight that the concept of "limited assurance" remains challenging to understand and operationalize consistently. In particular, we believe there is a lack of clarity regarding the need to design and perform procedures to obtain sufficient appropriate evidence to provide assurance that would be meaningful to intended users, considering their information needs. Accordingly, we recommend that the IAASB provide further guidance with respect to limited assurance on the following areas, in particular, within ED-5000:

- That the practitioner’s use of judgement in designing and performing further procedures to provide a meaningful level of assurance may lead to significant differences, in terms of the procedures applied, in practice. As a result, the summary of the work performed within the assurance report is critical to the intended users’ understanding of the procedures and therefore the basis for the practitioner’s conclusions, to support the intended users in their decision-making; and
- The need for the practitioner to obtain an understanding of the intended users and their information needs in sufficient detail to enable them to determine what a meaningful level of assurance would constitute within the “range” for limited assurance, and factors to consider in making this determination.

Development of educational materials to explain the key differences between limited and reasonable assurance

We consider that the concept of “limited assurance” and how this relates to/is different from reasonable assurance is not necessarily clearly understood in the marketplace, and the expectation gap in this area may be even more significant in respect of sustainability assurance engagements given the broader user group. Accordingly, we recommend that the IAASB consider the development of educational materials in this area to help explain the key differences between reasonable and limited assurance, particularly in respect of the following:

- The design and performance of risk procedures and the degree of understanding of the entity and its environment the practitioner is required to obtain;
- Risk identification and assessment (e.g., the identified disclosures where material misstatement are likely to arise on a limited assurance engagement may be fewer than the disclosures for which assessed risks of material misstatement at the assertion level have been identified on a reasonable assurance engagement);
- That the procedures to respond to such risks are expected to be less in extent, and may differ in terms of nature and timing, and the degree of confidence that the practitioner needs to be able to form the assurance conclusion is lower.

We believe this would be helpful to all stakeholders within the sustainability reporting ecosystem.

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: [Yes, with comments below](#)

Detailed comments (if any): We believe the practitioner’s responsibilities to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement are clear and that, based on this understanding, the practitioner is required to determine whether the preconditions for an assurance engagement are present. Notwithstanding that we believe these are clear, we make a number of recommendations below, in related areas where we believe that ED-5000 could be enhanced, for the IAASB to consider.

We highlight that such “preliminary” knowledge may need to be relatively extensive for many sustainability assurance engagements and that, having obtained such knowledge, there is perhaps a greater likelihood

that the practitioner may determine that the preconditions for a sustainability assurance engagement are not (yet) present. This is more likely to be the case in circumstances where entities are preparing sustainability information for the first time, as well as when there are changes in respect of a sustainability assurance engagement in subsequent periods, which we note are situations that are expected to occur more frequently given the rapidly evolving environment.

Include additional practical considerations to establishing the preliminary knowledge

Accordingly, we recommend that the proposed standard explicitly acknowledge this reality and include additional practical considerations in the application material to assist practitioners in navigating these challenges, such as considering whether to establish the “preliminary knowledge” as a separate engagement in the form of a “readiness for assurance” engagement. We note that paragraph A189 refers to the practitioner performing an agreed-upon procedures engagement or a consulting engagement in preparation for an assurance engagement at a later date, when an entity has little experience with the preparation of sustainability information, and therefore we suggest expanding/clarifying this paragraph to also address the preliminary stages of an assurance engagement itself.

Clearer linkage of the evaluation of preconditions for an assurance engagement, including whether there is a rational purpose to the engagement

Furthermore, we recommend that the standard place greater emphasis on the inter-relatedness of the preconditions for an assurance engagement, e.g., that the determination as to whether the underlying sustainability matter is appropriate (including whether the particular topics and aspects of topics are capable of consistent measurement/evaluation and are sufficiently distinct/disaggregated, and the subject matter information is complete in accordance with the criteria) is interlinked with the evaluation of other preconditions. In connection with this, we note that paragraph 74 may be interpreted as suggesting that the determination as to whether there is a rational purpose to the engagement is an ultimate, and binary, conclusion based on the evaluation of the other preconditions for an assurance engagement being in place. However, we do not consider that this appropriately reflects the fact that a rational purpose being in place is itself a precondition for an assurance engagement and the determination as to whether there is a rational purpose also requires evaluation of relevant factors, as for the other preconditions, with the evaluation as to whether the preconditions are present being interlinked. We note that this is more clearly expressed in ISAE 3000 (Revised), at paragraph 24. Accordingly, we recommend that ED-5000 make reference to the practitioner’s “determination” as to whether the preconditions for an assurance engagement are present, based on evaluations of key aspects of each of the preconditions. We also recommend that related application material clearly recognise the complexities and challenges in respect of evaluating each precondition, the need to use professional skepticism and professional judgement, and set out guidance for the practitioner to help them navigate these challenges. These would include factors to consider, scalability considerations and illustrative examples to assist practitioners in considering the interlinkage of the different preconditions.

We also note that the consideration as to whether the precondition that there is a meaningful level of assurance for the intended users, in respect of a limited assurance engagement, may be a highly judgemental matter that involves thoughtful consideration of the needs of the intended users. We believe that it is also a more iterative determination than the proposed standard appears to envisage. Whilst paragraph A193L makes reference to this, we consider that more guidance (e.g., in the form of illustrative examples) would be helpful for practitioners to guide them in making appropriate decisions. We recommend that the IAASB explore the development of such examples for inclusion in the EER Guidance, and work with NSS and other bodies to develop these.

Greater emphasis on the iterative nature of the practitioner’s evaluation as to whether the preconditions for an assurance engagement are present

We consider that the proposed standard does not sufficiently acknowledge the complexity and iterative nature of the practitioner’s determination that the preconditions for an assurance engagement are present. We believe that the evaluation of the preconditions, e.g., whether the sustainability information is appropriate and whether the practitioner expects to be able to obtain sufficient appropriate evidence, would need to be evaluated further during the planning and risk procedures stage. Whilst these more detailed considerations could build on the preliminary knowledge obtained for making the engagement acceptance/continuance decision, the practitioner would need a more extensive understanding than such preliminary knowledge. Please refer also to our comments in response to Question 10, regarding our recommendation that ED-5000 include an additional requirement within the *Risk Procedures* section of the standard to explicitly require the practitioner to determine whether the criteria are suitable to the engagement circumstances.

Additional application material relating to the evaluation of whether the sustainability matters within the scope of the engagement are appropriate

In connection with this, whilst we are supportive of the application material addressing practitioner considerations as to whether the topics and aspects of topics to be reported, and the reporting boundary(ies), have been or will be determined by management through an appropriate process, we do not consider that the standard addresses this in sufficient detail. We believe that in order to evaluate whether the sustainability matters within the scope of the engagement are appropriate, identifiable and capable of consistent measurement, the practitioner would need to develop a relatively robust understanding of the entity’s activities and the related sustainability matters that could influence intended users’ decisions as well as the process to develop the sustainability information. We also believe the practitioner would need to understand the wider sustainability information that is outside the scope of the particular assurance engagement (if any), considering the information needs of intended users. Please refer to our response to Question 9, which sets out our concerns in this area in more detail. Accordingly, we recommend that the application material to the standard provide guidance as to the factors that practitioners may consider when making these evaluations.

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: [Yes, with comments below](#)

Detailed comments (if any): Overall, we believe that ED-5000 does appropriately address the practitioners consideration of the entity’s “materiality process”. We consider that this is a critical part of the assurance engagement, and we are supportive of the development of sustainability-specific requirements and guidance to address this area. In particular, we welcome the requirements at paragraphs 69 and 70 for the practitioner to obtain a preliminary knowledge of the sustainability information expected to be reported, and to evaluate whether management has a reasonable basis for the sustainability information, with related application material.

However, we have certain concerns regarding the approach taken by ED-5000, particularly that such considerations are addressed explicitly within the *Preconditions for an Assurance Engagement* section of the proposed standard, whereas we believe a preliminary understanding would be obtained at this stage,

and that understanding would be developed further when designing and performing risk procedures. Accordingly, we set out certain recommendations below to enhance or improve the clarity of ED-5000 itself, as well as to develop accompanying guidance.

Clarify the extent of understanding required in the *Preconditions for an Assurance Engagement* section versus the *Risk Procedure* sections of the proposed standard

We highlight that the extent of understanding that the practitioner would need to obtain in order to make the evaluation required at paragraph 70 would likely need to be more detailed than would be expected to be obtained from a preliminary understanding. We note that the application material at paragraph A162 describes how this may involve consideration as to “*whether the entity has a formal process with robust controls to enable the preparation of the sustainability information that is free from material misstatement*”, which appears to go beyond what would be required to determine that management has a “reasonable basis” for the sustainability information. Accordingly, we recommend that the *Preconditions for an Assurance Engagement* section of the standard include pared back requirements and application material that would be more aligned to determining that management has a “reasonable basis” for the sustainability information, and that there be an explicit requirement, within the *Risk Procedures* section of the standard, for the practitioner to understand management’s “materiality process”, where applicable, which would build on this preliminary understanding of management’s process. We consider this to be important in light of the fact that the entity’s “materiality process” is a key feature of a number of sustainability reporting frameworks, and that certain frameworks may require practitioners to conclude explicitly in respect of the entity’s “materiality process”. For example, we suggest that such reference be made within the requirements at paragraphs 98-99, and also within 102L and 102R in respect of understanding the entity’s system of internal control, with related application material to guide practitioners as to factors to consider. These factors may include:

- Developing an understanding of intended users and their information needs;
- Consideration of the reporting framework criteria, and whether these have been applied appropriately, including with respect to the intention of the relevant requirement, and including consideration of matters such as scope outs/limitations;
- Consideration of management bias and fraud risks in this area, and, therefore, the need for the practitioner to exercise professional skepticism and professional judgement.

Clarify that understanding the entity’s materiality process is a two-step exercise

In connection with the above, we recommend that the practitioner’s required understanding of the entity’s “materiality process” be more clearly addressed within the standard as a two-step exercise, i.e. understanding management’s process to determine topics and aspects of topics about which to report, as a first step, and understanding management’s process to determine/develop the information to include in the form of disclosures about such topics and aspects of topics, as a second step. We consider that addressing this as a two-step process would be clearer for practitioners, and would provide practitioners with a more appropriate basis to identify and assess risks of material misstatement. It would also be more closely aligned to the criteria set out within certain of the established frameworks, which are focused on the identification of sustainability-related risks and opportunities, with less prescriptive direction in terms of the information to report about these risks and opportunities.

Clarify the extent of understanding required in the *Preconditions for an Assurance Engagement* section versus the *Risk Procedure* sections of the proposed standard (continued)

Accordingly, we also recommend that the preliminary understanding of the practitioner, when determining whether the preconditions for an assurance engagement are present, be more clearly directed at a higher-level understanding focused on the topics and aspects of topics about which to report, and the reporting boundary. We also recommend that a more detailed understanding be obtained at the planning/risk assessment stage, which would build on the preliminary knowledge and focus on management's process to develop the sustainability information itself. These risk assessment procedures would include obtaining a more in-depth understanding of the intended users and their information needs, as well as an understanding of the requirements or principles set out in the applicable criteria in this regard. This understanding may involve:

- More detailed procedures, such as more in-depth inquiry of relevant parties;
- Reading stakeholder engagement studies that have been conducted;
- Evaluating the work of a management's expert, if one has been involved, e.g., to assist management in identifying the intended users and their needs;
- Considering qualitative factors to identify aspects of the sustainability information that may be more significant to different intended users;
- Considering whether the extent of aggregation/disaggregation and grouping of the disclosures is appropriate; and
- Understanding management's system of internal control over the development of the sustainability information.

Application material, e.g., at A268-A269, addresses aspects of the above, but not necessarily in the context of understanding/evaluating management's processes in this area. We also highlight that a two-step approach would be clearer in terms of where and why there is an overlap between preparer and practitioner considerations of "materiality", which is primarily regarding the disclosures about the topics and aspects of topics, and would help to improve understanding of this overlap. Please refer to our responses to Questions 11 and 12 regarding materiality and "double materiality".

Requirement for the practitioner to determine whether the requirements of the criteria (if any) regarding management's materiality process have been met

Furthermore, we refer to our comments elsewhere in this response regarding the consideration of the interlinkage of the preconditions, noting that considerations in respect of management's materiality process are connected to considerations as to whether the subject matter is appropriate, and whether the criteria are suitable. If the practitioner does not consider that the sustainability information would meet the information needs of intended users, this may indicate that the criteria are not suitable, or that there is not a rational purpose to the engagement. For example, where the reporting criteria are high level and are focused on topics/aspects of topics, the entity may need to develop their own criteria in respect of determining what information to report regarding these topics/aspects of topics. The practitioner would need to consider whether the criteria as a whole are suitable and whether they are described appropriately as part of the sustainability information, and whether they will be made available to the intended users. We highlight that the proposed standard does not make reference to the requirements of the criteria in terms of the entity's "materiality process" and we recommend that the standard explicitly require the practitioner to determine whether the requirements set out within the criteria, if any, regarding management's materiality process, have been met.

Address conceptual differences across different sustainability reporting frameworks

In addition to the above, we recognise that the requirements and guidance in the proposed standard in respect of management's "materiality process" are high-level, appropriate to the standard as a principles-based, foundational standard, which is reporting framework-neutral.

However, we highlight that certain key reporting frameworks envisage an entity's materiality process as being either "process-based" (for example, dependent on consultation with users about their needs) or "outcome-based" (for example, dependent on whether a piece of information is expected to influence users' assessments of an entity's prospects sufficiently to influence their decisions) and we note that the practitioner would therefore focus on different aspects of management's process when evaluating each type. We recommend that the application material to ED-5000 or accompanying guidance (such as the EER Guidance) describe and discuss these conceptual differences in more detail, as examples of how reporting frameworks may address the materiality process, with illustrated examples of practitioner considerations and judgements in respect of each.

Clarify relationship of the materiality process to the concept and definition of "materiality"

Furthermore, we note that paragraph A157 also states that "the concept of materiality in this regard is not the same as the practitioner's materiality" and refers to the definition of materiality at paragraph 91 in respect of practitioners. We believe this statement may confuse practitioners and other stakeholders, as we consider that the concept of "materiality" for both preparers and practitioners is fundamentally based on the consideration of the information needs of the intended users for their decision-making purposes. Therefore, there is significant overlap between "materiality" applied by the entity both in identifying reporting topics/aspects of topics, particularly in developing the sustainability information in the form of disclosures about these topics/aspects of topics, and the application by practitioners of "materiality" in planning and performing the engagement and in evaluating whether the disclosures within the sustainability information are free from material misstatement. The entity's "materiality process" as described in the standard currently does not appear to envisage the second step of that process, i.e., the development of the information to be reported at a more granular level in the form of disclosures about the topics/aspects of topics, which is the level at which practitioners would identify and assess material misstatements. Accordingly, we recommend that the sentences which state that the concepts are different be clarified further, to explain instead the difference is in the granularity of the considerations, and that the second step of the entity's "materiality process" that we recommend addressing has significant overlap with the practitioner's application of the concept of "materiality" as opposed to these being fundamentally different concepts. We also note that the application material that is linked to paragraph 91, addressing the concept of "practitioner's materiality", may also be relevant and helpful to practitioners when considering the second step of the entity's materiality process, particularly the guidance regarding qualitative materiality considerations at paragraph A278, and we therefore suggest that such material is cross-referenced.

Requirement to evaluate management's materiality process at the "stand back" stage of the engagement

We also recommend that, in addition to the evaluations of management's materiality process when determining whether the preconditions for an assurance engagement are present and when designing and performing risk procedures, the practitioner evaluate management's materiality process at the "stand back" stage of the engagement, as we consider this to be a fundamental aspect of the engagement and it involves highly iterative considerations.

Suitability and Availability of Criteria

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

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

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

Detailed comments (if any): We welcome the inclusion of requirements and related application material in the proposed standard that we believe appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information. We consider this to be appropriate in light of the fact that there are several frameworks that are/will be applicable in this area, as well as the fact that the entity may need to supplement recognised criteria and/or in certain circumstances develop their own. However, we do have recommendations for the IAASB to consider, including enhancements to the proposed standard in this area.

Additional guidance regarding the evaluation of the suitability of the criteria

We highlight that for a number of engagements the practitioner’s considerations in this area are likely to be complex and involve the exercise of professional skepticism and professional judgement to a significant extent. Accordingly, we recommend that the IAASB explore the possibility of including additional material in the EER Guidance to assist practitioners in this area, such as more detailed examples across different types of sustainability assurance engagements. We suggest that the IAASB consider working with, and drawing on the experience of, NSS and other bodies in this regard.

Additional requirement within the *Risk Procedures* section to determine whether the criteria are suitable

We are concerned that the placement of the requirement for the practitioner to evaluate the suitability of criteria and whether the criteria will be available to intended users, at paragraph 72, is included in the section addressing *Preconditions for an Assurance Engagement*, based on the practitioner’s *preliminary* knowledge of the engagement circumstances. We consider that such knowledge would be relatively high level and, whilst appropriate to a practitioner’s decision as to whether to accept or continue with an engagement, would likely not be sufficiently detailed for purposes of concluding whether the criteria are suitable. The explanatory memorandum refers to the practitioner building on this preliminary knowledge when planning the engagement (at paragraph 88 of the proposed standard) and in performing risk procedures (at paragraph 95); however, we do not consider that the standard appropriately reflects the IAASB’s intention for the practitioner to “build on” their preliminary knowledge, as both paragraphs refer only to the practitioner “*considering* information from their procedures regarding acceptance/continuance [emphasis added]” (i.e. drawing on this understanding rather than developing it further). Furthermore, paragraph 98 (within the section addressing *Risk Procedures*) requires the practitioner to evaluate whether the entity’s policies or procedures to identify or develop, evaluate the suitability of, and apply the applicable criteria are appropriate for the circumstances of the entity. However, this section is focused on the application of the criteria by the entity and identifying the susceptibility of the disclosures to misstatement, rather than whether the criteria are, themselves, suitable. Accordingly, we recommend that ED-5000 include an additional requirement within the *Risk Procedures* section (e.g., as part of paragraph 98) to require the practitioner to determine whether the criteria are suitable for the engagement circumstances. We highlight that an equivalent requirement is included at paragraph 41 of ISAE 3000 (Revised) and we consider it would be necessary in ED-5000 also.

Additional application material relating to evaluating the suitability of criteria

We also highlight that the application material acknowledges that there is a wide variety of suitable criteria that may be applied by an entity. Whilst we agree with this observation, we highlight that one of the aims of the IAASB in developing ED-5000 is to drive consistency and engagement quality in practice, and therefore we recommend that the IAASB provide more guidance in respect of evaluating the suitability of criteria in this area by setting out factors that the practitioner may consider. These factors may include whether or not criteria are recognised criteria developed by an appropriate body and following due process, making comparisons to industry peers, as well as relating their considerations of suitability to the needs of intended users. Such guidance may also address scalability considerations, e.g., if the criteria are recognised criteria, then the determination as to whether these are suitable is likely to be more straightforward.

In connection with this, paragraph A181 discusses matters such as whether the criteria address the basis for significant judgements in preparing the sustainability information, the source of significant inherent uncertainties, and the reporting boundary(ies). We also highlight that it is important that criteria address the provision of transparency to intended users, i.e., that they drive entities to make appropriate “disclosures” in respect of these matters, such that users have an appropriate basis for informed decision-making. Accordingly, we recommend that throughout the application material addressing suitable criteria, such considerations be included, linked to the need for the practitioner to understand the intended users and their information needs, and linked to their exercise of professional skepticism and professional judgement in assessing the suitability of criteria. Please also refer to our response to Question 9 in respect of the entity’s “materiality process”.

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): We believe that ED-5000 appropriately addresses the notion of “double materiality”, and the application material at paragraphs A180 and A274 clearly explain this.

Consider more guidance to explore “double materiality” further

However, we note that the proposed standard does not explore “double materiality” further, and we recommend that the IAASB consider including more guidance in the application material with reference to the information needs of intended users in this area and how such information may affect their decision-making. We highlight that the evaluation of what is “material” to users (in particular, with respect to the “impact materiality” of the entity on sustainability matters) is likely to involve the exercise of significant professional judgement and professional skepticism by practitioners, in evaluating management’s “materiality process” and determining the sustainability information to report, as well as how to present this in a clear, understandable, and transparent way. Accordingly, we believe ED-5000 should give greater prominence to the factors to consider in making these evaluations, as they are likely to be of particular importance in sustainability assurance engagements given that the intended user population may be significantly broader, with a greater diversity in their information needs, and consequently less well-defined decision-making parameters. We therefore also recommend that the application material addressing double materiality cross-refer to “materiality” considerations more broadly. Please see our responses to Questions 9 and 12 for further information.

We also highlight that requirements and guidance in this area are cross-referenced to the application material that refers to the entity's process to identify topics and aspects of topics to be reported. However, whilst we consider this linkage to be important, we believe the concept of double materiality also applies to the entity's process to determine information to include in the sustainability information at the disclosure level. Please refer to our comments in our response to Question 9, in which we recommend that management's "materiality process" be described as a two-step process.

Materiality

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

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

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

Detailed comments (if any): We are supportive of the inclusion of principles-based, framework-neutral requirements and guidance addressing materiality in respect of sustainability assurance engagements. We welcome the application material that provides greater context in terms of the concept of "materiality", how this applies in the context of sustainability assurance engagements (including the purpose of determining/considering materiality) and the fact that this involves professional judgement in light of the surrounding circumstances but is not affected by the level of assurance. In general, we consider that as an overarching, principles-based and framework-neutral foundational standard, the IAASB has struck an appropriate balance in terms of how "materiality" is addressed. We welcome the IAASB's approach to develop the existing concept of "materiality", which is largely understood in the context of its applicability to audits or reviews of historical financial information, and adapt this as appropriate for a sustainability assurance engagement. However, we highlight that there are likely to be challenges in applying this concept to sustainability assurance engagements. Accordingly, we recommend that the IAASB monitor the development of practice in this area and consider the development of a separate ISSA that is more sustainability-specific and with more detailed guidance for practitioners in the medium term. In the meantime, we make certain recommendations below to enhance the clarity of this standard further and provide more guidance to practitioners.

Clarify the relevance of qualitative factors to the determination of quantitative materiality in the application material

We recognise the IAASB's aims in setting out a bifurcated approach in respect of materiality at paragraphs 91-92, i.e., that the practitioner is required to "consider" materiality for qualitative disclosures and "determine" materiality for quantitative disclosures. We support the rigour and specificity that we believe is intended by the use of "determine" in respect of quantitative information, and we concur with the IAASB's view that it may not be practicable for a practitioner to "determine" materiality in respect of qualitative information and therefore that "consideration" is more appropriate in this regard. In connection with this, we welcome the application material, at paragraphs A278 and A279, setting out qualitative and quantitative materiality factors, and we believe that these will be helpful to practitioners in making their determinations/considerations. However, we highlight that many of the qualitative factors will likely be relevant to practitioners when determining quantitative materiality, since quantitative materiality is determined based on the understanding of users' information needs. For example, matters such as the form and presentation of the sustainability information, the number of persons that could be affected by, and the severity of, a particular impact, and/or whether the information affects the ability of the entity to

achieve a goal or target are qualitative factors that, where applicable, might be expected to affect the practitioner's determination of materiality in respect of quantitative information. Accordingly, we recommend that this application material be cross-referenced to both 91(a) and 91(b) and additional clarification included within the application material that these factors are considered together with quantitative factors.

Clarify how financial materiality is considered when applying a percentage to a non-financial metric to determine materiality

Whilst we welcome the application material at paragraph A280, we recommend that in discussing the determination of materiality by the application of a percentage to the reported metric, ED-5000 clarify that applying a percentage to a reported metric when that metric is a non-financial metric and financial materiality is relevant to the intended users will involve the exercise of professional judgment, with the practitioner's considerations focused on the changes in the metric that could have material financial impacts, as opposed to material impacts relative to the non-financial metric.

Explore the challenges with respect to considering the "common information needs of the intended users as a group" further and link materiality considerations to other relevant application material

We are supportive of the references in the application material to the needs of the intended users, which the qualitative and quantitative factors develop further, providing helpful examples of factors to consider. However, we note that the application material states that the practitioner addresses the "common information needs of the intended users as a group" and that "unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary, is not ordinarily considered". Whilst we agree, we believe this is a principle that is clearly understood in connection with financial statement audits and it is generally well established in most jurisdictions by laws and regulations, including legal precedent, who the intended users of an auditor's report are and to whom the auditor owes a duty of care. This may be less clear in respect of sustainability assurance engagements, and there may be a wider range of intended users, with more varied information needs and in respect of which their decision-making parameters may be less well defined. This may be the case, in particular, in respect of information regarding the impact of the entity on sustainability matters. We recommend that the standard discuss this more specifically and link to the application material in respect of the addressees of the report, the description in the assurance report of the inherent limitations and the procedures performed, and considerations regarding restriction of use and/or distribution of the report.

Development of a separate ISSA to address materiality

In addition to the above, whilst we welcome the acknowledgement that materiality may differ across different disclosures, and that the information needs of users may be different in respect of different disclosures (paragraph A277), we highlight that significant judgement may be required in determining both whether information is qualitative or quantitative (with certain "disclosures" including elements of each type) and/or at what level, in terms of aggregation/disaggregation, to consider such disclosures when determining/considering materiality. Furthermore, even when disclosures include qualitative and quantitative information that may be clearly separate, practitioners may need to consider whether to address materiality in respect of such information in totality/on an aggregated basis, or whether information should be disaggregated and materiality considerations made at an appropriate level of disaggregation or de-grouping. For example, the information may contain data about water usage in gallons, which may be appropriate to a determination of materiality, however, users may not be focused on water usage in gallons *per se*, but rather would be focused on trends in usage over time, or whether an entity is on track to meet a particular target and would consider water gallon usage together with broader information (including

related qualitative information). In such situations, it may be appropriate to determine materiality across several data sets, rather than individual pieces of data, or at a higher level in terms of a broader set of disclosures that encompass both qualitative and quantitative information. Additional complexity may arise when that information is included across multiple topics/aspects of topics, as well as because many reporting frameworks afford entities flexibility in terms of deciding how best to present and group information. Whilst paragraphs A266-269 refer to these considerations at a high level, including that the practitioner may group the sustainability information as they consider appropriate for the purposes of determining/considering materiality, and the overarching need to consider the needs of intended users, they do not discuss the considerations in detail. We believe there are significant challenges involved in making such materiality considerations, however, the content in ED-5000 is built on the concept of “materiality” and how to apply this as envisaged by the ISAs, which do not necessarily envisage such challenges. Accordingly, we recommend that the IAASB explore this area further following the issuance of this standard. This may involve the development of a separate ISSA, within the ISSA 5000 suite, addressing materiality and/or further developing the EER Guidance in this respect, discussing more common practical challenges in this area (with illustrative examples) as practice evolves.

Consider exploring performance materiality and aggregation risk concepts further in a separate ISSA to address materiality

We welcome the material regarding how performance materiality may assist the practitioner in addressing aggregation risk. However, we consider that this concept is less applicable to sustainability assurance engagements (including in respect of quantitative information) for the reasons discussed above, i.e., that this interacts with considerations of the presentation, grouping and aggregation/disaggregation of information, different sub-types of information (including, in respect of quantitative information, different units of measure), the application of qualitative factors, and the consideration of the needs of the intended users. We suggest the IAASB explore the interaction of these matters further and how a practitioner may consider these, with practical examples of common scenarios, either within a specific ISSA to be developed following the issuance of this standard or within expanded EER Guidance.

We also highlight that the concept of “performance materiality” may be helpful when applied to “groups” and “consolidated” or aggregated sustainability information to address aggregation risk, similar to component performance materiality when performing an audit of group financial statements in accordance with ISA 600 (Revised). Accordingly, we recommend that the IAASB consider the application of performance materiality to sustainability information that is “consolidated” or aggregated from different sources (including when such sources are from the entity’s value chain) to address aggregation risk, with examples of factors a practitioner may consider, if relevant. Such material could be included in a separate ISSA within the ISSA 5000 suite of standards, addressing “consolidated” or aggregated sustainability information, or within the EER Guidance, taking account of practice as this evolves. Please also refer to our comments in response to Question 18 in respect of “groups” and “consolidated”/aggregated sustainability information.

Consider exploring the evaluation of the effects of uncorrected misstatements further in a separate ISSA to address materiality

We welcome the requirements at paragraphs 143-144 to consider whether materiality needs to be revised based on the results of the procedures performed and evidence obtained, and to determine whether uncorrected misstatements are material, individually or in the aggregate. We believe the application material in this regard is helpful, for example the recognition that information may or may not be measured using a common base, as well as the fact that misstatements of amounts smaller than the quantitative materiality threshold may have a material effect on the reported sustainability information qualitatively (e.g.,

if the error results in a reversal of a negative trend, or indicates that a target may not be met). We also believe the material at paragraphs A415-416 regarding “grouping” of misstatements or considering whether they indicate a common direction will help the practitioner to operationalise the requirements, including in respect of qualitative misstatements. We highlight that considerations in this area are likely to involve significant judgement and we suggest that the IAASB explore this area further within a separate standard or the EER Guidance, including consideration as to how multiple material misstatements may relate to the concept of “pervasiveness”, which would have reporting consequences also.

Understanding the Entity’s System of Internal Control

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

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

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

Detailed comments (if any): We generally agree with the differentiation in the approach taken by ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements. In particular, we welcome the alignment of the approach with ISA 315 (Revised), which we consider will drive the practitioner to obtain an appropriately robust understanding of the entity’s system of internal control. We also support the differentiated approach to understanding the components of the entity’s system of internal control relevant to sustainability matters and the preparation of sustainability information at paragraph 102 in respect of reasonable and limited assurance engagements and we consider the requirements to be appropriate to each type of assurance engagement. However, we do have recommendations below to further enhance ED-5000 in this area.

Include a requirement for the practitioner to develop an understanding of the entity’s process to monitor the system of internal control for a limited assurance engagement

We consider that it would usually be appropriate for the practitioner to develop an understanding of the entity’s process to monitor the system of internal control for a limited assurance engagement and therefore we recommend the inclusion of this component also, with the differentiation focused on the fact that the understanding required for a limited assurance engagement would be on the *results of* the process, and not the underlying process itself, similar to the understanding that is required regarding the results of the entity’s risk assessment process. We believe this approach would be appropriately scalable to the engagement circumstances, and more appropriate.

Additional guidance and examples to address a lack of clarity regarding the nature and extent of procedures for a limited assurance engagement

We highlight that there appears to be a lack of clarity in terms of the nature and extent of procedures that a practitioner would perform to understand the entity’s system of internal control for a limited assurance engagement. We welcome the application material at paragraph A314 which states that the nature and extent of the practitioner’s understanding may vary depending on the complexity of the assurance engagement itself, as well as the nature and complexity of the topics and aspects of the topics comprising the sustainability matters. We note that paragraph A315L emphasises the need for the practitioner to exercise professional judgement to determine the extent of understanding necessary to identify disclosures where material misstatements are likely to arise, and that a detailed understanding of the components of internal control may not be necessary, and that the procedures to obtain such an understanding may be

less in extent, and of a different nature, than those required in a reasonable assurance engagement. However, A315L notes that a sufficient understanding may be obtained through inquiry for a limited assurance engagement but that a practitioner may need to perform a walk-through in a reasonable assurance engagement. We are concerned that this may be too simplistic and may suggest a distinction that practitioners may apply as a “rule of thumb” across limited assurance engagements when this may not be appropriate. This also appears inconsistent with other application material (e.g., at paragraph A302) which applies to both reasonable and limited assurance engagements and which states that inquiry alone ordinarily is not sufficient to identify disclosures where a material misstatement is likely to arise.

We recommend that paragraph A315L instead provide examples of procedures a practitioner may perform to develop their understanding of the entity’s system of internal control for a limited and reasonable assurance engagement over the same sustainability information, to help provide greater clarity and consistency in application. We also note that there may be differences in the nature and extent of a walk-through performed for each type of engagement, since the purpose of a walk-through for a limited assurance engagement is focused on identifying disclosures that are likely to be materially misstated (and to design further procedures when these are identified) whereas the purpose of a walk-through for a reasonable assurance engagement is to identify and assess risks of material misstatement (and design and perform further audit procedures when these are identified) and to identify relevant controls. We believe it would be helpful to describe these differences in the guidance.

Clarification of terminology

Lastly, we highlight that the equivalent paragraphs 25L and 25R of ISAE 3410 refer to “the information system, including the related business processes... [emphasis added]” and we recommend including this terminology in paragraphs 102L(c) and 102R(d), for clarity, with related application material focused on the entity’s policies and procedures to identify the information to include in the “sustainability information”.

Using the Work of Practitioner’s Experts or Other Practitioners

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

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

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

Detailed comments (if any): We consider that ED-5000 is clear that those on the engagement team are performing assurance procedures and the practitioner is able to direct, supervise and review their work, and that when another practitioner performs assurance procedures and the practitioner is unable to direct, supervise and review that work, such firms and the individuals from those firms who performed those assurance procedures are not members of the engagement team and are referred to as “another practitioner”. We make several related recommendations below to improve the clarity and consistency of application of the proposed standard.

Explore the definitions of practitioner’s expert and management’s expert further

The definitions of a practitioner’s expert and a management’s expert in ED-5000 refer to an individual or organisation possessing expertise in “a field other than assurance”. We have concerns that these definitions are too broad, particularly for a management’s expert, and that, as a result, it is likely that many individuals or organisations within the sustainability ecosystem could be identified as experts if applying

this definition. However, we acknowledge that aligning these definitions with their equivalents in ISA 620 and ISA 500 by modifying the reference from expertise in “a field other than accounting or auditing” to “a field other than sustainability matters or assurance” may narrow the definition too much and result in very few individuals or organisations being identified as experts.

We therefore recommend that the IAASB explore the definitions further, in particular, in respect of a management’s expert, to enable clearer differentiation between a subject matter expert in sustainability matters and the measurement or evaluation of these when such measurement or evaluation is highly complex/technical, versus individuals or organisations involved more broadly in the ecosystem, e.g., personnel at an entity whose role is to develop and prepare the sustainability information.

Consider narrowing the use of the term “involvement” to reduce the risk of confusion

We highlight that there may be potential for confusion in respect of the use of the term “involvement” at paragraph 42 and the related application material with respect to using the work of other firms, as we believe many professional accountants may equate this concept to involvement of the group auditor in the direction, supervision and review of the work of component auditors, when performing a group audit in accordance with ISA 600 (Revised). As a result, it may be confusing as to how ED-5000 could require the practitioner to be “involved” in work that has already been performed and which they are unable to influence. To avoid confusion resulting from any suggestion that the nature of such “involvement” would be similar for another practitioner that is part of the engagement team as compared to the nature of involvement for another practitioner that is not part of the engagement team, or is a practitioner’s external expert, we recommend that the proposed standard not use the term “involvement” when addressing the subject of a practitioner using the work of another practitioner.

Enhancement to structure and flow of requirements in respect of using the work of a firm other than the practitioner’s firm

We recommend a change to the sequence of the requirements and related guidance to first focus on those that relate to resources that are part of the engagement team, including firms other than the practitioner’s firm that are part of the engagement team, followed by requirements focused on firms that are “another practitioner” that is not part of the engagement team, and then followed by those related to a practitioner’s external expert. We consider that this sequence would be more logical and we believe this would help to avoid any confusion regarding the roles of others, and help clarify why and how these are different, with different related requirements for the practitioner.

Further clarify the spectrum of ability of the practitioner to access the work of another practitioner

With respect to the involvement of “another practitioner” who is not part of the engagement team because the practitioner is not able to direct, supervise and review their work, we recommend that the standard provide further clarity and guidance as, whilst the practitioner may not be able to direct, supervise and review the work of another practitioner in respect of such information, there may be varying degrees of ability of the practitioner to access and/or use the other practitioner’s work. We recommend that the IAASB explore this further, both in terms of the ability to obtain sufficient, appropriate evidence, as well as reporting implications. Please see our response to Question 15 for further details.

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: [Yes, with comments below](#)

Detailed comments (if any): In general, we believe the requirements in respect of a practitioner's external expert are clear and capable of consistent implementation and are aligned with the equivalent requirements in both ISAE 3000 (Revised) and ISA 620. However, we have certain concerns relating to using the work of another practitioner, as we describe below, together with suggestions to enhance clarity and consistent application of ED-5000. We also set out a recommendation to clarify the appropriate use of internal audit.

Requirement to determine whether there is a need to use the work of a practitioner's external expert

We recommend that the section beginning at paragraph 41, addressing engagement resources, include an explicit requirement for the practitioner to determine whether there is a need to use the work of a practitioner's expert (whether internal or external) in order to obtain sufficient appropriate evidence, prior to paragraph 42, which addresses requirements when the practitioner intends to do this.

Consider prohibiting making reference to the work of a practitioner's expert in the practitioner's report unless required by law or regulation

We note that ISA 620 clearly prohibits reference to the work of an auditor's expert in the auditor's report, unless required by law or regulation, in which case the report is required to indicate that this does not reduce the auditor's responsibility for the opinion. ED-5000 paragraph 172 appears more permissive, noting that if such reference is made, the wording of the report shall not imply that the practitioner's responsibility is reduced. We recommend that the IAASB consider including an explicit prohibition on making such reference to an expert, unless such reference is required by law or regulation.

Consider developing a separate ISSA in future

We also highlight that certain matters, which are requirements in ISA 620, are included within the application material to ED-5000. We recognise that, as a foundational standard, the IAASB aims to avoid an unwieldy volume of requirements within ED-5000 itself. However, we suggest that the IAASB consider the development of a separate ISSA addressing using the work of experts with these "matters to consider" elevated to requirements, supported by related application material to provide greater context and guidance, in the medium term.

Clarify the term "Using the work of another practitioner" and include a requirement to consider the need to use the work of another practitioner

We welcome the inclusion of material addressing when a practitioner intends to use the work of another practitioner that is not a member of the engagement team, as we believe this scenario is likely to occur relatively frequently in respect of sustainability assurance engagements. However, we do not consider ED-5000 to be clear as to the meaning of "use" in respect of the work of another practitioner, and we recommend that this be clarified, as it has important implications for the approach to the assurance engagement. We believe that the term "use" may be analogised to a group auditor using the work of a component auditor when performing an audit of group financial statements in accordance with ISA 600 (Revised), where they would need to evaluate the component auditor and their work to establish whether

they can use it. However, on a sustainability assurance engagement, this may not be necessary, or even practicable, e.g. when a practitioner intends to “use” the publicly available assurance report of another practitioner on information from within an entity’s value chain as part of their procedures to evaluate the relevance and reliability of that information.

Accordingly, we recommend that the IAASB clarify ED-5000 as follows:

- Clarify that “use” of the work of another practitioner is intended to mean when the work of another practitioner relates to information that forms a significant part of the sustainability information that is subject to assurance, and the practitioner intends to obtain access to the work of the other practitioner and “use” this in order to obtain sufficient appropriate evidence. In these circumstances, the practitioner would need to:
 - consider whether the other practitioner has complied with relevant ethical requirements, including in respect of independence;
 - assess the competences and capabilities of the other practitioner; and
 - be able to access their workpapers;
- Explicitly acknowledge that “using” the work of another practitioner may not always be necessary to obtain sufficient appropriate evidence over information from the entity’s value chain that is included in the sustainability information;
- Include a requirement for the practitioner to consider whether they need to use the work of another practitioner to obtain sufficient appropriate evidence, with application material providing factors to consider, such as the significance of the information subject to the work of the other practitioner, and the requirements of the applicable criteria in respect of such information;
- Address the approach the practitioner would be required to take to obtain sufficient appropriate evidence over such information when the practitioner determines that they do not need to use the work of another practitioner to do so. Please see our response to Question 18 for further discussion.

We highlight that communicating with, and obtaining access to the work papers of, other practitioners may be more challenging for sustainability assurance engagements, and therefore we recommend that the IAASB work with other stakeholders to educate those within the sustainability reporting ecosystem about these challenges and how these may be overcome. Such education may address mechanisms to effect cooperation between sustainability assurance professionals across a wider value chain.

In relation to challenges in using the work of another practitioner, we also highlight that another practitioner may perform procedures/ have performed procedures for a different purpose, and as a result use/have used a different assurance standard to ISSA 5000, different criteria to those of the entity subject to assurance (which may constitute “special purpose” criteria), and different levels of materiality, and that the information may have been prepared in respect of a different, but overlapping, time period. This is most likely to be the case when the engagement is performed over information from the entity’s value chain and/or in circumstances where the entity has relatively limited ability to exert influence over management at such other entities. In such circumstances, the practitioner would need to consider whether the work of the other practitioner constitutes sufficient appropriate evidence, or whether the practitioner would need to perform or request the other practitioner to perform (if that is possible) additional procedures. Depending

on the significance of the information subject to assurance by the other practitioner to the sustainability information as a whole, and whether sufficient appropriate evidence can be obtained by the performance of additional procedures, the practitioner would need to determine whether or not there is a scope limitation. We suggest that the IAASB consider developing the material at paragraphs A120-A121 to address these matters, and also include examples of more common reporting scenarios that are expected to arise.

Clarify the practitioner's responsibilities when using the work of the internal audit function

We highlight that ED-5000 does not sufficiently address matters such as whether the internal audit function can provide direct assistance to the practitioner and, in particular, does not embed the core principle that the practitioner is required to make all significant judgements in the engagement and must not make undue use of the work of the internal audit function. We refer the IAASB to ISA 610.18 and 19 in this regard, and recommend that these core concepts are explicitly stated within ED-5000 itself.

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): We welcome the IAASB's efforts to address estimates and forward-looking information in the proposed standard, recognising that many assurance engagements are likely to include sustainability information of this nature, and that these may be challenging aspects of an assurance engagement. However, we have a number of significant concerns in this area, which we describe below along with our recommendations.

Whilst somewhat similar, forward-looking information is sufficiently distinct from estimates to warrant being addressed separately in ED-5000

We are concerned that the section of the standard beginning at paragraph 134L combines estimates and forward-looking information when setting out requirements and related guidance as to how the practitioner should address these. Whilst we recognise that there are several similarities in respect of estimates and forward-looking information (e.g., that both involve inherent uncertainty) and that there may be some overlap (e.g., forward-looking information may include estimates) we highlight that these are distinct matters, and we recommend that they be addressed separately within the standard, with specific requirements and guidance in respect of each. For example, certain aspects of the requirements relating to estimates, such as evaluating the selection and application of the method used and developing a point (estimate) or range to evaluate management's estimate, may not be applicable for forward-looking information in respect of a longer-term timeframe. Additionally, forward-looking information is likely to be included in respect of a considerably longer time horizon, involve a highly significant degree of uncertainty, and include predictions about future events or conditions. Information may also involve targets or goals, with related management actions to achieve these falling mainly towards the end of long-term horizons. As a result, such information would require a different practitioner response to risks arising from estimates, such as evaluating whether such risks, and potential mitigating factors/actions, have been appropriately identified and described within the sustainability information, as well as critical dependencies, which, in many cases may be outside the control of the entity (e.g., these may relate to government actions, or industry innovations/solutions). We recommend that ED-5000 also include requirements and application material to address targets and goals, perhaps drawing on material from ISA 570 regarding the evaluation of management's plans for future actions. However, given the time horizons involved, additional guidance

may be needed with respect to evaluating management intent and ability over longer time horizons, particularly when planned actions may necessarily need to be flexible to adapt to unforeseen events and conditions.

Considerations when evaluating management’s process versus the estimate or forward-looking information itself

Additionally, we recognise that certain sustainability reporting frameworks set out requirements that focus on management’s process to develop the estimate/forward-looking information to include in the sustainability information, rather than the outcome of that process, and we recommend that ED-5000 include requirements and application material that are more specific to the practitioner’s evaluation as to whether management has appropriately applied the framework criteria in this regard. The IAASB may consider drawing on content in ISAE 3420 and ISAE 3400 in this regard. This would include evaluation by the practitioner as to whether the sustainability information is a “faithful representation” of the process and is in accordance with the characteristic of “neutrality” in terms of the description of the process. We recommend that the proposed standard set out factors to consider in making this evaluation, including considering the information needs of the intended users and whether the description would constitute “useful information” in terms of supporting their decision-making. This may involve alerting intended users via the assurance report if the practitioner does not consider the process to be fit for purpose (e.g., if this is “reckless” as described in certain sustainability reporting frameworks). In connection with this, it would be important for the application material addressing reporting matters, such as the description of inherent limitations, to guide practitioners to explain that in performing the assurance engagement, the practitioner is concluding specifically on the process itself, as to whether the description of the process is fairly stated in accordance with the criteria, and does not provide assurance regarding the outcome of that process. Please refer to our response to Question 21 for further details regarding reporting considerations.

Disclosure of inherent limitations relating to assumptions and data

Other sustainability reporting frameworks encompass the outcome from management’s process, and in such circumstances, we consider it critical that the assurance report clearly describe the inherent limitations in terms of data and assumptions used, and/or point (estimates) or ranges applied, and the fact that these are significantly more likely to be subject to change over an extended timeframe (or cross refer to where this is explained in the sustainability information). Please refer to our response to Question 21 for more detail regarding our concerns and recommendations in connection with the clarity of the assurance report. In connection with the above, we consider that the proposed standard does not sufficiently emphasise the importance of clear and appropriate disclosure in respect of estimates and forward-looking information, including regarding related assumptions and judgements, in the sustainability information, and the factors that the practitioner would consider in evaluating whether such disclosures are appropriate. Although paragraph A392 makes reference to “disclosures”, we believe the term “disclosures” is in respect of “specific sustainability information related to an aspect of a topic” as defined in the standard, rather than in terms of additional information necessary to the intended users’ understanding, as envisaged by the term “disclosure” in the context of financial statements, and in which context we believe would be critical to intended users in terms of their understanding of estimates and forward looking information. We highlight that certain sustainability reporting frameworks may establish criteria in terms of including supplementary “disclosures” about key aspects of estimates, including assumptions and judgements, and we consider it critical and recommend that the proposed standard refer to these, both as a feature of determining the suitability of the criteria, as well as at the planning stage to ensure that practitioners design procedures to appropriately assess the proper application of the criteria by management in developing the sustainability information. We note that this is particularly important for sustainability assurance engagements when the

criteria may allow management some flexibility in making assumptions and judgements, or in selecting methods and models, and therefore it is all the more important that these are fully transparent to users to enable their informed decision-making.

Linkage of material relating to susceptibility to management bias

Furthermore, we welcome the recognition in the application material that estimates and forward-looking information may be susceptible to management bias. To strengthen the standard in this area, we recommend that the application material be linked to other sections of the standard that discuss examples of sustainability-specific fraud-risk factors, such as incentives and pressures to misstate information (e.g., pressure to meet a specific green target, or market expectations that a trend will continue in a particular direction).

Requirements for estimates on limited and reasonable assurance engagements

In terms of the differentiated requirements for reasonable and limited assurance engagements in respect of estimates and forward-looking information, we are supportive of the approach taken to make such a differentiation. However, we highlight that the proposed requirements for limited assurance engagements do not address the appropriateness of the assumptions used or of the data. Whilst the standard does require the practitioner to consider whether other procedures are necessary in the circumstances, we recommend that the IAASB make specific reference to the practitioner's evaluation of the appropriateness of the assumptions used, and of the data, for limited assurance engagements, as we believe that for many sustainability assurance engagements, including those which address GHG information, the selection of assumptions and data by management are areas where material misstatements, whether due to fraud or error, are likely to arise.

We also note that the proposed requirements for reasonable assurance engagements do not address the practitioner's evaluation as to whether management has appropriately applied the requirements of the applicable criteria relevant to estimates and forward-looking information, which are included at paragraph 134L. We recommend that an equivalent requirement be included for reasonable assurance engagements at paragraph 134R.

Development of a separate ISSA to address estimates and forward-looking information

Whilst we welcome the introduction of material from ISA 540 (Revised) in respect of estimates, which we consider will be beneficial to practitioners in addressing this area, we note that the material included is high-level, with a number of requirements of ISA 540 (Revised) addressed within the application material of ED-5000. Furthermore, much of the application material from ISA 540 (Revised), which provides greater context and helpful considerations, is not included at all. As a result, whilst we consider that this approach is appropriate to a principles-based, foundational standard, we recommend that the IAASB address this area as a priority on issuance of the standard, with a view to developing a separate ISSA focused on this area, with expanded requirements and application material, adapted to the specific circumstances of a sustainability assurance engagement.

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: [Yes, with comments below](#)

Detailed comments (if any): We support the approach taken in ED-5000 in setting out a differentiated approach for the design and performance of risk procedures for reasonable and limited assurance engagements. We believe that each approach is appropriate to the two different types of assurance engagement, and commensurate with the understanding that the practitioner is required to obtain, for each type of assurance engagement, about the entity and its environment.

Relevant considerations as to whether disclosures are appropriately aggregated/disaggregated

We note that the identification of material misstatements may involve consideration as to whether the “disclosures” are sufficiently and appropriately aggregated/disaggregated, or otherwise grouped, in order to provide meaningful information to intended users, and so as not to obscure or omit information that may affect their decision-making. We recommend that the proposed standard include guidance in respect of such considerations, which may or may not be explicitly addressed by the criteria, and which are likely to require significant exercise of professional judgement and professional skepticism. We also recommend that such guidance be clearly linked to that addressing materiality considerations.

Requirement to identify pervasive risks

We highlight that the emphasis in the proposed standard is on identification of risks of material misstatement in respect of instances of individual material misstatements, and the standard does not require the practitioner to identify risks that may relate to the “sustainability information” more pervasively, e.g., potential “greenwashing”, or management override of controls, which may be potential concerns across the sustainability information as a whole, and which would require an overall response. Whilst paragraphs 116L and 116R require the practitioner to design and implement overall responses in certain circumstances, e.g., when there are concerns with the control environment, fraud or suspected fraud, or (risks of) material misstatement pervasively, we consider there should be an explicit requirement to identify such risks/areas of risk, considering the practitioner’s knowledge of the entity and its environment and the engagement circumstances. We also recommend that the application material clearly highlight that a limited assurance engagement may not be appropriate in such circumstances. Please refer to our responses to Questions 21 and 23 for further details.

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): We acknowledge the decision of the IAASB not to include requirements based on ISA 600 to address groups/“consolidated” or aggregated sustainability information as part of this proposed standard.

Requirements and application material relating to consolidated or aggregated sustainability information

However, we do not consider that the requirements and related application material in the proposed standard are sufficiently clear and specific in this area, even for an overarching standard. We highlight that this is the only standard, currently, addressing sustainability assurance engagements and also recognise that the “consolidation” or aggregation of information from across the wider value chain is likely to be a key feature of many sustainability assurance engagements. Accordingly, we recommend that certain material be included, at least at a high level, within the standard itself, prior to issuance, to ensure that there is sufficient content to enable practitioners to perform engagements over “consolidated” or aggregated sustainability information. In particular, we consider it critical that the standard address obtaining sufficient appropriate evidence in respect of the entity’s “consolidation” or aggregation process itself, which should include clear linkage to related considerations regarding the entity’s “materiality process”.

In connection with this, we refer also to our response to Question 9 regarding materiality and we note that ED-5000 does not address materiality in the context of “consolidated” information, or concepts such as establishing a lower level of materiality (similar to performance materiality in an audit) to address aggregation risk, which may be particularly relevant when information is “consolidated” or aggregated from different sources in the entity’s value chain, using different processes to develop the information, and even, in some cases, different criteria.

Concept of “consolidation” of information and recognizing alternative means to obtain sufficient appropriate evidence in respect of such information

We highlight that the “consolidation” or aggregation of sustainability information is different to the concept of consolidation of component financial information for group financial statement purposes, in particular, because information may be “consolidated”, aggregated, or otherwise reported from the entity’s value chain and this aspect is a unique feature of sustainability reporting that impacts assurance. We do not consider that the proposed standard gives sufficient recognition to this type of “consolidated” or aggregated sustainability information and the different ways to obtain sufficient appropriate evidence in respect of such information. Instead, the focus is primarily on “using” the work of other practitioners over such information, with a lack of clarity around the meaning of the term “use”, as we describe in our response to Question 15.

We recommend, therefore, that ED-5000 make explicit reference to a broader approach to obtaining sufficient appropriate evidence in respect of information that is “consolidated” or aggregated from across an entity’s value chain but outside its organizational boundary.

We highlight that the criteria, in the form of a number of recognised sustainability reporting frameworks, appear to address this feature of sustainability reporting and may be less stringent in terms of the “measurement” or “evaluation” of information from the value chain. Accordingly, they include flexibility in the form of:

- Practical workarounds for management to prepare such information, e.g., they permit the use of “proxies”, such as industry averages for certain information;
- Transition reliefs on initial adoption of the standards in the form of scope outs or “work arounds” as a result of undue cost or effort, or the impracticability of obtaining certain information; and
- Permitting the use of “best efforts” to obtain information.

These workarounds acknowledge the initial challenges in obtaining information at the start of the sustainability reporting “journey”, with such reliefs being phased out over time, recognising that the ability of an entity to obtain information is likely to improve as reporting practice matures. We recommend that the application material to ED-5000 explicitly recognise the flexibility afforded by certain criteria and clarify that the practitioner is required to obtain sufficient appropriate evidence that the sustainability information has been prepared/presented in accordance with the criteria, but that their work effort should not need to go beyond the requirements of the applicable criteria when evaluating relevance and reliability. In other words, the practitioner is providing assurance that the sustainability information is prepared/presented in accordance with the criteria and the practitioner is focused on evaluating whether the evidence that they have obtained is sufficient and appropriate for this purpose, but does not necessarily need to “use” the work of another practitioner in order to do this.

Accordingly, we recommend that the standard discuss the practitioner’s considerations in respect of whether information that is intended to be used as evidence obtained is relevant and reliable, considering the attributes of relevance and reliability, as applicable, and how these may apply when the information is from an external information source. Such guidance could draw on concepts from ISA 500, *Audit Evidence* and also consider the proposed changes to that standard as part of the ED-500 project, regarding evaluation of information intended to be used as evidence. In addition, such material may guide the practitioner to consider whether concepts such as undue cost or effort, or impracticability have been appropriately applied.

Furthermore, although the practitioner may determine that they do not need to “use” the work of another practitioner, i.e., they do not need to obtain access to and review their workpapers, in order to obtain sufficient appropriate evidence, the practitioner may consider that another practitioner’s assurance report that is publicly available is nonetheless helpful to the practitioner. In such circumstances, the practitioner may perform procedures to evaluate the relevance and reliability of the information from the entity’s value chain and whether they can use it as evidence. For example, the practitioner may consider matters such as whether that information has been independently assured or not by another practitioner, the level of that assurance, the reputation of the practitioner etc. as well as perform other procedures to obtain evidence as to its reliability, such as applying analytical procedures to the information or comparing it to other independent sources.

Clarification of considerations relating to sources of information

As the requirements in respect of sustainability information are developed from the ISAs, they focus on whether information is prepared by the entity or is obtained from an external information source. We highlight that this distinction may be less clear in respect of sustainability information, in particular where

this is obtained from the wider value chain, e.g., an industry average or proxy may be developed by the entity using inputs that are from external information sources, including information that is publicly available, but which are adjusted based on the assumptions and judgements of management, and may therefore be considered to be information produced by the entity. Accordingly, the consideration of attributes of relevance and reliability that are applicable to such information is likely to be a matter of professional judgement, and the attributes of completeness and accuracy may not be the primary applicable attributes. Additionally, it may not be practicable for the practitioner to evaluate these attributes, e.g., when information has been developed by a service provider using a proprietary model. The standard may acknowledge this, e.g., at paragraph 84 when referring to evaluating reliability, the standard requires the practitioner to obtain evidence about the accuracy and completeness of the information “as necessary in the circumstances”. We recommend that the IAASB provide more explicit clarification regarding this in the application material, to emphasise the link to the flexibility of the criteria and the principle that the practitioner’s work effort should be to evaluate that of the preparer.

Meaning of “assurance” over different aspects of sustainability information

We are also concerned that it may be misleading to users if practitioners appear to “assure” information from the value chain in the same way as information for which the policies and procedures to measure or evaluate such information are wholly within the entity’s system of internal control. Accordingly, we suggest that the IAASB explore mechanisms to highlight the differences in the meaning of “assurance” in respect of different types of information in the reporting section of the standard. This may include:

- Where the reporting standards require preparers to include information regarding significant assumptions and judgements made in “consolidating” or aggregating information from elsewhere in the value chain, highlighting these disclosures within an Emphasis of Matter paragraph within the assurance report;
- Describing the inherent limitations in terms of the reliability of such information, within the inherent limitations section of the assurance report, including in respect of the criteria themselves; and
- Clarifying also what has not been done, to provide greater transparency to intended users. Please refer to our response to Question 21 for further details.

Development of a separate ISSA to address “consolidated” or aggregated sustainability information from across the value chain

In light of the fact that an assurance “journey” is contemplated, with practice evolving over time, we also recommend that the IAASB monitor the development of practice in this area and consider developing a more comprehensive set of requirements and guidance addressing “consolidated” or aggregated sustainability information. This may be in the form of a separate standard, following the issuance of ISSA 5000, or may be in the form of additional guidance in the EER Guidance, focused on the special considerations in respect of such engagements.

Close liaison with IESBA with respect to ethics and independence requirements

We understand that the IESBA and IAASB are working together to address responsibilities of practitioners performing assurance engagements in terms of ethics and independence requirements. This includes when sustainability information is “consolidated” or aggregated and we encourage both Boards to coordinate closely to ensure that terminology, definitions, and approaches are fully aligned, such as the meaning of the term “consolidated”, as well as the approach to information obtained from the wider value chain and therefore the applicable requirements in respect of independence of practitioners regarding related entities. In particular, we highlight that an approach based on ISA 600 (Revised) concepts alone

may not be practicable, and that proposals would need to take into account the sustainability information-specific features of information within the value chain and the significance of this to the sustainability information subject to the assurance engagement, as well as the requirements of the applicable reporting criteria in this area. We recommend that the IAASB continue to liaise closely with the IESBA to explore these matters further, with a focus on developing appropriate and proportionate ethics and independence requirements in respect of related entities within the broader value chain.

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): We welcome the inclusion of the requirements and related application material in respect of fraud, as well as regarding laws and regulations and we agree ED-5000 appropriately addresses the topic of fraud. We consider these requirements and guidance to be helpful, noting that this is an area of increased risk due to the relative immaturity of sustainability reporting and assurance thereon, both in terms of an entity’s processes and controls to develop and report sustainability information, as well as the fact that criteria themselves are relatively less mature than for historical financial information, and are continuing to evolve. We make recommendations below with respect to areas where we consider ED-5000 could be enhanced for the IAASB to consider.

Consider requirement to address the risk arising from management override of controls

In connection with the respective responsibilities of management and the practitioner, we highlight that the proposed standard does not identify the risk of material misstatement due to fraud in respect of management override of controls as being present in all entities, and therefore does not establish related requirements. We consider that this risk would be as relevant to the preparation and presentation of sustainability information as for financial statement preparation, if not more so, and we recommend that the IAASB consider including an equivalent requirement to that at ISA 240.32, supported by appropriate application material, within ED-5000, to provide guidance to practitioners as to the differentiation in response to such a risk for reasonable versus limited assurance engagements. This could potentially address the risk of management override arising from matters such as possible management bias in estimates, or a lack of neutrality in the preparation of qualitative disclosures and forward-looking information.

Link to materiality process

We welcome the application material at paragraph A296, which provides examples of matters in respect of which material misstatements due to fraud may relate. Whilst we welcome the inclusion of these examples, we recommend that the IAASB include further examples with a specific focus on the nature of sustainability information and how this may be particularly susceptible to fraud (or management bias), e.g.:

- The fact that there may be extensive use of estimates and forward-looking information, which include significant assumptions and judgements;

- Narrative information, as well as other forms of non-quantitative information, such as pictures and graphics are more likely to be a significant feature of sustainability information. An entity may develop this to “tell a story” and/or put a particular “spin” on this, or may use it to obscure other aspects of the sustainability information.

This may result in information that is misleading to users, and, if intentional, this may constitute a material misstatement due to fraud. Accordingly, we suggest that the standard make an explicit link to the practitioner’s evaluation of the entity’s “materiality process” and the practitioner’s materiality considerations. (Please also refer to our response to Question 9, in respect of materiality considerations). We highlight that such information may not necessarily be linked to specific criteria and therefore we recommend that the examples also draw attention to this.

Inclusion of a “Stand back”

We recommend that ED-5000 include a “stand back” requirement in respect of consideration as to whether there are any actual or suspected instances of fraud/non-compliance with laws and regulations, as these may be clearer at the end stages of the engagement when the practitioner considers the evidence obtained in totality, across different aspects of the engagement. This may be the case, in particular, for sustainability assurance engagements, where the sustainability information may comprise disparate areas and types of information, and it is only when considering evidence in totality that issues such as management bias, or inconsistency in the use of assumptions may become evident.

Development of a separate ISSA to address fraud

We note that the requirements and related application material regarding fraud are relatively high level and we consider this approach to be commensurate with the fact that this is a principles-based, foundational standard. We suggest that the IAASB monitor the development of practice in this area and consider whether there is a need for a separate and more detailed standard addressing fraud, in the medium term. This could better link fraud-related considerations together, and address areas such as:

- Management bias;
- Estimates and forward-looking information;
- Narrative reporting; and
- Fraud considerations in terms of the preconditions for an assurance engagement, such as whether there is a rational purpose to the engagement (which may be particularly relevant in respect of a limited assurance engagement), and considerations in respect of the appropriateness of the entity’s “reporting boundary” in more detail.

Education of stakeholders

Furthermore, we highlight that there will sometimes be a broader range of stakeholders/intended users in respect of sustainability assurance engagements performed in accordance with ED-5000 than for engagements to audit financial statements in accordance with the ISAs and, accordingly, we note that matters such as the “expectation gap” regarding the responsibilities of the practitioner in relation to fraud may be greater. This may be the case, in particular, for a limited assurance engagement. We recommend that the IAASB liaise with other bodies within the sustainability ecosystem to develop educational materials for users to help clarify their understanding. We refer to the Association of Chartered Certified Accountants’ *Ethical Dilemmas in an Era of Sustainability Reporting*, which may be a helpful starting point.

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: [Yes, with comments below](#)

Detailed comments (if any): We are supportive of the inclusion of the requirement, at paragraph 62, to address communication regarding significant matters with management, those charged with governance and/or others. We note that this content is consistent with the requirement at ISAE 3000.78, and we consider such two-way communication to be an important part of both reasonable and limited assurance engagements. In addition to such communication and related discussions being an important source of evidence for the assurance engagement, we also highlight that the communication of significant matters in relation to the sustainability information and the assurance engagement of which the practitioner is aware is important to those charged with governance, in terms of their ability to properly discharge their oversight responsibilities. Whilst we are supportive of the high-level communication requirements, we make several recommendations below that we believe the IAASB should consider to further strengthen these requirements in the proposed standard.

Include an explicit requirement to communicate

We understand the IAASB's rationale to include a requirement to "determine whether" there are any significant matters that should be communicated, rather than establish an absolute requirement to communicate. However, we consider that were an absolute requirement to be included, this would be inherently scalable because if the sustainability matter is relatively less complex or narrow in scope, and/or the system of internal control is less mature, then any related communications would also likely be less extensive, and/or it would be less likely that the practitioner would identify a significant matter in respect of which there would be a need to communicate.

Furthermore, we highlight that several sustainability reporting frameworks are focused on matters of governance and internal control systems. Therefore we believe that a stronger requirement to communicate in respect of matters such as deficiencies in internal control, or application of the criteria to the entity's specific circumstances, would be aligned to the intention underpinning such frameworks and likely would provide information that would be valuable to those charged with governance both in discharging their oversight responsibilities and in seeking to make improvements to their processes and controls, recognising that an assurance "journey" with continual improvement is envisaged. Additionally, we note that ISAE 2400, which addresses limited assurance only in the form of a review of historical financial statements, includes an explicit requirement, at paragraph 42, to "*communicate with management or those charged with governance, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review engagement, that, in the practitioner's professional judgement, are of sufficient importance to merit the attention of management or those charged with governance, as appropriate.*" Accordingly, we recommend that the requirement at ED-5000.62 also be expressed as an explicit and absolute requirement to communicate, i.e., as "the practitioner shall communicate significant matters to management, those charged with governance, and others (as appropriate)".

Include required matters to communicate

We also recognise the IAASB's intentions not to establish required matters about which to communicate, and instead to provide examples in the application material. However, we consider that the types of matters set out as examples in the application material, which we note are derived from ISA 260, are matters that we expect would always be of sufficient importance to communicate to those charged with governance. Accordingly, we recommend that these be included in the body of the standard as required communications, with the caveat of "as applicable" to recognise that not all of these matters would be relevant to every engagement.

Furthermore, we recommend that certain additional matters are also included as required communications (as applicable), as follows:

- Matters relating to independence, with related application material. This may include more detailed information about relationships and other matters in respect of entities across the wider value chain (please also refer to our response to Question 18);
- The planned scope and timing of the engagement (which is particularly important to understand for a limited assurance engagement);
- Significant findings, including the practitioner's views about significant qualitative aspects of the entity's policies and procedures to prepare the sustainability information, including in relation to estimates and forward-looking information, as well as in respect of disclosures;
- Matters relating to estimates, forward-looking information, and inherent uncertainties, and related disclosures;
- Matters affecting the assurance report, e.g., expected modifications; and
- Any other relevant matters, designed to be a "catch all" with application material to explain that this would include any other significant matters that may be of importance to those charged with governance and/or may have a significant impact on the sustainability information and/or affect the form and content of the assurance report thereon. We believe that the inclusion of such a general requirement is important to accommodate the evolution of sustainability assurance engagements.

We consider that the above would appropriately align the requirements of ED-5000 with those of the ISAs, in particular, ISA 260, as we consider that communications should be similar in nature and scope to those for an audit engagement.

Communicating with external bodies

Lastly, we recommend that the requirement in respect of communicating with others, where "others" are external bodies, be distinguished from the required communications with management/those charged with governance, and continue to be expressed as a requirement to "determine whether" to communicate. We note that certain jurisdictions may establish requirements to report certain matters to bodies external to the entity, e.g., to a regulator, and therefore separation of this requirement would give this more prominence, and it would be appropriate to express this as a conditional requirement.

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): We are supportive of the proposed reporting requirements in ED-5000 and in general we believe these will drive assurance reporting that meets the information needs of intended users. We welcome the changes proposed to the structure and flow of the assurance report to align these with the revisions made to the ISA 700 suite of reporting standards. We also welcome the inclusion of illustrative reports for both reasonable and limited assurance engagements, including reports with modified assurance conclusions, and believe these will be very helpful to practitioners and other stakeholders. We make the following recommendations for the IAASB to consider.

Greater clarity with respect to Inherent Limitations and Emphasis of Matter paragraphs

We are supportive of the conditional requirement at paragraph 170(g) to include a section within the assurance report titled “Inherent Limitations in Preparing the Sustainability Information” to describe any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria, as we consider that such inherent limitations will be a key feature of many/most sustainability assurance engagements.

We are also supportive of the application material that states that it may be useful for management to disclose such inherent limitations in the sustainability information itself in greater detail, and that, in certain cases, the inherent measurement or evaluation uncertainties may be fundamental to the users’ understanding of the sustainability information and therefore may be described within the sustainability information. We recommend giving more prominence to this guidance as we believe it is likely to be much clearer for intended users to be able to understand these limitations when they are presented *in situ* within the sustainability information itself. Accordingly, we suggest including cross-references within this application material to other requirements/application material that discuss determining whether there are sufficient and appropriate disclosures within the sustainability information, and material discussing estimates and forward-looking information (including targets and goals) as such limitations are likely to be a key feature in respect of these areas.

In connection with this, we also note that paragraph A420 refers to requirements of the criteria regarding the disclosure of the inherent limitations, including considering whether the sustainability information is as precise as required by the applicable criteria and whether the disclosures regarding the inherent uncertainties are appropriate. Whilst we support the inclusion of these considerations, we recommend that they are placed earlier in the standard or cross-referenced to material addressing the suitability of the criteria, as we believe that the adequacy and appropriateness of disclosures should be considered when performing the engagement, and not only at the reporting stage.

Additionally, although paragraph A499 explains that describing inherent limitations is different to including an Emphasis of Matter in the assurance report, as inherent limitations are present irrespective of whether they have been disclosed by management, we consider that there is likely to be significant overlap for a number of engagements, in the circumstances where these matters are described by management in more detail in the sustainability information. We recommend that the application material further explore this as

to whether an Emphasis of Matter paragraph that draws attention to these matters would be sufficient, or whether they also need to be described within the Inherent Limitations section of the report, which may seem duplicative, or at least cross-referenced from there. Additionally, assuming that it would be the inherent limitations that are the most significant to users' understanding that would be highlighted by management in the sustainability information itself and would be referenced by the Emphasis of Matter paragraph, if these are not also included in the Inherent Limitations section of the assurance report to avoid duplication, this may mean that it is the remaining, less significant inherent limitations that would be described as such in the Inherent Limitations section, which may be misleading to intended users.

Guidance for practitioners to consider explaining certain matters in the practitioner's report to help avoid misunderstandings by users regarding the nature of assurance provided

We consider it may be helpful for the assurance report to clearly explain the nature of the assurance provided, i.e. what assurance "means" in respect of different aspects of the sustainability information, for both reasonable and limited assurance engagements.

Whilst the standard requires the assurance report to include a clear description of inherent limitations in the form of significant measurement or evaluation uncertainty, in some instances, due to the nature of the sustainability information, users may be unclear as to what the assurance relates to. Whilst our conclusion may state that the sustainability information is prepared/fairly presented in accordance with the applicable criteria, it may be important in some cases to further clarify in the assurance report the nature of the assurance in the context of how the criteria are applied. We recommend that the application material to the standard set out guidance for practitioners to consider explaining the following matters, when relevant, to avoid users misunderstanding the nature of "assurance" provided and inferring that assurance is provided over aspects of the sustainability information that the practitioner does not intend:

- When the criteria relate to a description of a process as the sustainability information, the practitioner is required to determine whether the description is fairly stated, but is not providing assurance as to the effectiveness of the process or the outcome of the process, e.g., that "net zero" will be achieved by a particular date;
- The criteria may include elements of flexibility, such as transition provisions that allow for less robust information to be provided, e.g., the use of industry averages or "proxies", as well as the ability to scope out certain information. Criteria may also include provisions not to prepare information as a result of matters such as undue cost or effort in preparation, or the impracticability of obtaining the information in the early stages of the assurance journey. In such cases the practitioner evaluates whether the entity has appropriately complied with the criteria, including disclosing that they have used "proxy" information, or not prepared information, but users should not interpret assurance as giving increased credibility to such information;
- In respect of estimates and forward-looking information, the practitioner evaluates the reasonableness of management's assumptions and judgements, but does not provide assurance as to whether certain events or conditions will occur in the future. This is likely to be particularly important in respect of targets and goals, which may be ambitious and include an element of "stretch"; and
- If the engagement addresses an entity's goals and targets, the practitioner evaluates whether information about these is prepared/presented in accordance with the criteria, including any description of plans to achieve these and/or progress towards these, but does not provide assurance as to whether these will be met. It is particularly important to clarify this to users when such matters extend over a longer timeframe, and involve critical dependencies, which may be outside the entity's control. Over time, targets and goals may also be updated/revised and uncertainty as to whether they will be met

may actually increase, as there are likely to be diminishing returns in respect of costs/benefits of actions.

We note that the risks of users inferring that assurance is provided over an aspect of the sustainability information when this is not the case is likely to be greater when assurance is expressed as a single conclusion in respect of the sustainability information as a whole.

Explore the concept of pervasiveness and how it applies sustainability assurance engagements further in the application material

We are supportive of the requirements and related application material addressing modification of the assurance conclusion, with material based on ISAE 3000 (Revised) and ISAE 3410, and the inclusion of concepts from the ISAs, adapted for sustainability assurance engagements.

We note that the standard addresses modified conclusions that may be qualified or adverse conclusions, depending on whether or not a material misstatement is considered to be pervasive, as well as qualified conclusions or disclaimers of conclusion in the event of scope limitations. We acknowledge that the application material describes the concept of “pervasiveness” at paragraph A10. However, we recommend that the IAASB explore the applicability of this concept to sustainability assurance engagements more specifically, recognising the unique characteristics of these, including when sustainability information:

- Comprises different information sub-types, which may also use different units of measure;
- Is designed for different groups of intended users with different information needs;
- Is narrative in nature or includes both qualitative and quantitative aspects.

We recommend that the application material set out more detail regarding sustainability-specific considerations in determining “pervasiveness” and also cross-refer to application material addressing accumulation of misstatements, consideration of management bias, and also emphasise the need to exercise professional skepticism and professional judgement when considering whether a material misstatement(s) is pervasive. We also recommend that such material provide examples of matters which may be pervasive, such as:

- Deficiencies in an entity’s system of internal control;
- Scope-outs of sustainability matters, which may be more likely to be a pervasive issue the greater the interconnectivity of different aspects of the sustainability information as a whole; and
- Management bias, if this is identified throughout the sustainability information, even when the different aspects of this are less interconnected.

We also recommend that the IAASB give greater consideration to the concept of “fair presentation” of the sustainability information in circumstances where there are permitted scope outs, transition arrangements or other reliefs, such as the use of “proxies”, or consideration of matters such as undue cost or effort. Whilst these may be permitted by the criteria, we believe these are factors that the practitioner should consider in terms of whether, as a result of such flexibility, the criteria may be considered to represent a compliance framework as opposed to a fair presentation framework. Practitioners may need to make this determination in respect of each assurance engagement, and their conclusion may change over time, as such flexibility is removed/reduced. We recommend, therefore, that this be addressed in the application material, with guidance included as to the factors that the practitioner should consider. We also suggest that such material be linked to the guidance addressing the preconditions for an assurance engagement, including whether the scope of the engagement and the underlying subject matter would be considered to be appropriate and whether the level of assurance is meaningful etc.

Requirement with respect to the implications of disclaimers of conclusion

We recommend that ED-5000 include a requirement regarding the implications for the assurance report when there is a disclaimer of conclusion, similar to paragraph 19 of ISA 705 (Revised).

Include reporting considerations for Other Information when the Other Information includes the audited financial statements, and the practitioner is also the auditor

When the assurance report is required to include an Other Information section, paragraph 182(c) requires the practitioner to state in the assurance report that the practitioner's conclusion does not cover the other information and, accordingly, that the practitioner does not provide a conclusion thereon. Whilst we recognise that this requirement relates specifically to the description of the responsibilities of the practitioner in respect of the sustainability assurance engagement and the Other Information in relation to that engagement, we believe that this statement may cause confusion for users of the assurance report when the practitioner is also the auditor of the entity's financial statements, and such financial statements form part of the Other Information for the sustainability assurance engagement (as the practitioner, in their capacity as the auditor of the financial statements, will express an opinion on those financial statements). Accordingly, we recommend that this requirement be modified to make it conditional on the practitioner not also being the auditor of the entity's financial statements when these are included in the Other Information. Furthermore, we recommend that an alternative statement be required when the practitioner is also the auditor of the entity's financial statements when these are included in the Other Information. In this scenario the practitioner would state that their assurance conclusion does not cover the Other Information, would identify that the practitioner is the auditor of the entity's financial statements and expresses an opinion on those financial statements, and cross reference to where this may be found.

Findings, recommendations, and additional information are kept separate from the assurance report as a whole

We note that paragraph 169 requires the practitioner's conclusion to be clearly separated from information or explanations that are not intended to affect the practitioner's conclusion, including Emphasis of Matter and Other Matter paragraphs, findings and recommendations, and additional information. We support the inclusion of this requirement; however, we note that the characteristics of the matters described are somewhat different, as Emphasis of Matter and Other Matter paragraphs are widely understood to be included within an assurance report, including an auditor's report on financial statements, with reasonable frequency, whereas the other matters would not generally be expected to be part of the assurance report. As a result, we consider that inclusion of these within the main body of an assurance report, even if separated from the conclusion, may undermine the assurance conclusion, and/or lead to misinterpretation of this by users. Accordingly, we recommend that this requirement focus on findings, recommendations and additional information (e.g., when this is required by laws and regulations) and that such matters are required to be clearly separated from the assurance report as a whole, and not only the assurance conclusion. For example, these could be included within a broader Report of the Independent Practitioner, with a sub-heading for the Assurance Report on the Sustainability Information, and a sub-heading for each of these additional matters, as applicable, or included in an Appendix to the Report.

Other reporting matters to consider

In addition to the above, we also suggest that the IAASB explore the following in more detail:

- Whether and when it may be helpful for a practitioner to include explanations about the concept of materiality in the assurance report, given that materiality is expressed in relation to the information needs of intended users and the effects of matters on their decision-making;

- Changes in comparatives over time, which may occur more frequently for sustainability assurance engagements than for audits of financial statements, including due to changes in criteria as elements of flexibility are reduced/removed, and the implications of this in terms of restatements and/or additional scope-ins;
- Changes in baseline information, including in respect of estimates and forward-looking information, which may be more likely given the relatively extended timeframes in this area, and the implications in respect of re-estimations and providing transparency to users regarding such changes; and
- Whether to require the assurance report to identify not only the “jurisdiction of origin” of the relevant ethical requirements (or refer to the IESBA Code), but also to specifically identify the applicable ethical requirements, including independence requirements.

Consider updating the EER guidance to expand content in relation to the identification of intended users and to conform reports to align with ISSA 5000 reporting requirements

ED-5000 contemplates a potentially broad intended user base, with a wide range of interests in sustainability information, including both the impact of the environment on the entity, as well as the impact of the entity on the environment, and with different areas of focus/granularity for different users. We recommend that the EER Guidance include more guidance regarding the identification of intended users when this may be a broad group, as we consider this important, in particular, as legal precedents are developed across jurisdictions regarding the duty of care owed to such users and the reliance that they may place on the assurance report. Please refer also to our comments in response to Questions 9 and 12 in respect of materiality considerations, and our suggestion above regarding the description of the concept of materiality in the assurance report.

We note that there are further examples set out in the EER Guidance, including in respect of integrated reporting. We recommend that the IAASB make conforming amendments to update these to align with the ISSA 5000 reporting requirements, in the medium term.

Educational materials for the marketplace

We understand that there may be market expectations that qualified (or modified) conclusions will be more frequent for sustainability assurance engagements than for other assurance engagements, including audits of financial statements, and that in the earlier stages of the assurance “journey” these may even be considered to be the “norm”. We suggest that the IAASB explore this further and, if this is considered to be the case, that this messaging is shared clearly with other stakeholders across the assurance ecosystem as a key educational issue.

In connection with this, we note that a number of sustainability reporting frameworks include flexibility to address matters that may potentially give rise to qualifications, e.g., in relation to measurement and estimation uncertainty, such as permission to use “proxies” within the sustainability information, as well as transition provisions and other reliefs, as described earlier. Accordingly, when entities make appropriate use of these provisions within frameworks that are considered to represent suitable criteria, rather than qualification of conclusions, we consider it more likely, and appropriate, that sustainability information would include more extensive disclosure of such matters. As a result, related descriptions of these provisions in Inherent Limitations and Emphasis of Matter paragraphs would be a key feature of assurance engagements in terms of providing clarity and transparency to intended users. We recommend that the IAASB explore this further as a key educational issue, to ensure there is consistent understanding and approach in practice, across the ecosystem.

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 are supportive of the IAASB’s decision not to address the concept of “key audit matters” (KAMs)/KAM equivalents, i.e., “key sustainability assurance matters” in ED-5000. In particular, we agree with the IAASB’s concerns that users may perceive that a greater level of assurance may appear to be imparted by the assurance report than is intended when KAMs are included in a limited assurance report, and therefore this may be misleading to intended users. We also recognise the IAASB’s view that KAMs are intended to meet the information needs of intended users of audit reports on complete sets of general purpose financial statements of listed entities and therefore may not be necessary or appropriate for assurance engagements over non-listed entities, assurance engagements with a narrow scope and/or when a “special purpose” reporting framework is applied. These situations are more likely to arise when performing a sustainability assurance engagement than when performing an audit.

In addition to the above, we highlight that the inclusion of KAMs in longer-form assurance reports, assurance reports that include information regarding inherent limitations, and assurance reports with modified conclusions and/or Emphasis of Matter paragraphs may be potentially confusing to intended users as it may be unclear how KAMs interact with such matters. We note that assurance reports are expected to include these features more frequently than audit reports and we understand that the IAASB instead will consider addressing KAMs in the future suite of ISSAs. We support this approach and suggest that the IAASB explore this concept more broadly, adapted as appropriate to a sustainability assurance engagement, recognising that the engagement circumstances in respect of an audit of financial statements are different to those of a sustainability assurance engagement, as described above.

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): We are supportive of the requirement to include a statement that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, those for a reasonable assurance engagement, and that the level of assurance obtained is substantially lower.

We also consider that the proposed placement of this statement, within the *Basis for Conclusion* paragraph, is the most appropriate placement as this paragraph immediately follows the *Conclusion*, and therefore gives this statement appropriate prominence as it is important context regarding the conclusion. We recognise that this placement is different to that under extant assurance standards, i.e., immediately following the summary of procedures performed, and prior to the limited assurance conclusion. We acknowledge the IAASB’s intentions in making these changes, to align the structure and flow of ED-5000 to the new and revised reporting standards within the ISA 700 suite, in particular, the placement of the conclusion up front in the assurance report.

Consider a cross-reference from the explanation in the Basis for Conclusion section to the Summary of the Work Performed

Notwithstanding the above, we consider that under the extant assurance standards the placement of this statement immediately following the summary of work performed provides important context regarding those procedures and the limitations of these. Accordingly, we recommend that a cross-reference is included from the statement to the summary of work performed to emphasise this link more clearly.

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):

Amendment regarding the Engagement Leader’s responsibility to consider information from the firm’s monitoring and remediation process

We note that ED-5000 paragraph 58 states that the engagement leader “shall” consider information from the firm’s monitoring and remediation process and determine whether this may affect the engagement. However, we highlight that the equivalent requirement at ISA 220.39 states that the engagement partner “shall take responsibility for” these matters. We note that the concept of the engagement leader “taking responsibility for” certain matters is included elsewhere in ED-5000, and is explained in the application material, therefore we recommend that the requirement at paragraph 58 be amended to also refer to the engagement leader “taking responsibility for” the matters described within that paragraph. We consider that it would be clearer for ED-5000 and the ISAs to be aligned in this regard.

Additional content relating to the terms of the assurance engagement

We are supportive of the requirements at paragraphs 78-81 addressing the terms of the assurance engagement. We highlight the following areas for additional content or further clarification within the terms that are formally agreed with the engaging party:

- The reporting period(s), including whether comparative information will be subject to assurance. In this regard, we note that recalculations of comparative information are common in sustainability reporting (e.g., base year recalculations) and therefore it is important to clarify the extent of work effort intended in the engagement terms;
- Clarification at paragraph 78(a)(iv) that the assurance report should explicitly identify which sustainability information is subject to limited assurance and which to reasonable assurance, when the engagement includes aspects of both;
- In respect of bullet (c)(ii) which refers to the identification, selection or development of suitable criteria, to include explicit acknowledgement by management for its responsibility to determine that the criteria are suitable;

- Clarification at bullet (d) that there may be modifications to the *conclusion* rather than the report more generally. We highlight that given the extent of information to be included in sustainability assurance reports, such as in respect of inherent limitations, as well as matters emphasised, which are likely to be applicable to most, if not all, such assurance reports, we believe the focus in bullet (d) should rather be in relation to modified conclusions, to clearly notify management at this stage that, based on the evidence obtained, a practitioner may not be able to issue an unqualified conclusion; and
- The requirement at bullet (a)(ii) to include “the sustainability information that is not within the scope of the assurance engagement” may not be practicable to describe in many cases. At the time of the formal agreement of engagement terms, entities and practitioners may not be able to identify in full the sustainability information that is not within the scope of the assurance engagement, which in certain instances may be extensive.

Part C: Request for General Comments

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

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

Overall response: [No response](#)

Detailed comments (if any):

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

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

Detailed comments (if any):