

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)	The European Commission Platform on Sustainable Finance Platform on Sustainable Finance (europa.eu)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Marie Baumgarts, member of the Platform on Sustainable Finance
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	marie.baumgarts@kpmg.se
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.	Europe
	If “Other”, please clarify Europe and Global
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Other (if none of the groups above apply to you)
	If “Other”, please specify The Platform is an advisory body subject to the Commission’s horizontal rules for expert groups
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Platform on Sustainable Finance (europa.eu)

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: No response

Detailed comments (if any):

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: No response

Detailed comments (if any):

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

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

(See Explanatory Memorandum Section 1-C)

Overall response: No response

Detailed comments (if any):

Relevant Ethical Requirements and Quality Management Standards

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

(See Explanatory Memorandum Section 1-D)

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

Detailed comments (if any):

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

Detailed comments (if any):

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

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

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

Detailed comments (if any):

Differentiation of Limited Assurance and Reasonable Assurance

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

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

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

Detailed comments (if any):

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

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

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

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

Detailed comments (if any):

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

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

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

Detailed comments (if any):

The Platform's response to question 9 should be considered in conjunction with other materiality consultation questions. Considering that the proposed ISSA 5000 is a comprehensive standard, the Platform observes a gap and a lack of sufficient guidance on how assurance providers should evaluate the relevance and completeness (i.e., correctness) of various topics to determine their materiality. This concern is pertinent to all three questions related to materiality in the consultation.

The Platform expresses its concern about leaving materiality assessment at the discretion of either assurers or corporates. The current proposal lacks detailed guidance on how to assess materiality, leaves room to differing interpretation and denotes ambiguity. This position is consistent with the Platform's response to the Consultation on the European Sustainability Reporting Standards (ESRS) regarding materiality assessment, in which it recommended the European Commission to issue proper guidance. Currently, in the EU materiality assessments are allowed to be carried out in various ways, without explicitly prescribed right or wrong approaches.

In the absence of such guidance, the Platform foresees challenges when assurance providers are tasked with considering or determining materiality for qualitative and quantitative disclosures during both the planning and execution phases of the assurance engagement. Users of information may have diverse opinions on what may be material and at what level a topic is material to their decision-making, leaving room for variability, especially in quantitative disclosures.

The Platform disagrees with assigning this task to assurance providers in the planning and signing-off stages. It might place assurers in conflicting positions vis-à-vis their clients.

Diverging opinions might also emerge between assurers or be determined exclusively by those owning the largest shares of the assurance market.

The Platform therefore stresses the need for:

- defining a detailed materiality process with clarity on relevance and completeness or at least a minimum expected level of activities carried out to define double materiality with reasonable accuracy, and,
- setting a baseline framework at sectoral level to determine material Sustainability issues.

The European reporting framework is subject to double materiality, as opposed to ISSB and other standards.

While guidance on financial materiality is welcome and needed, much more critical is to develop specific and clear guidelines when assessing impact-materiality. The latter ought to be science and evidence based. The Platform reiterates its strong belief that impact materiality ought to be the subject of guidance issued by the European Commission.

The Platform believes that it is the role of the European Commission alongside EFRAG, in the European context, and the ISSB, when referring to the international standards to develop such guidance for double materiality in the case of the former and on financial materiality in the case of the latter.

The Platform recommends ISSB to work together with standard setters from regional and national jurisdictions, notably EFRAG to develop an assurance framework for financial materiality.

Detailed guidance on how to conduct (double) materiality brings multiple benefits. It ensures comparability, consistency and standardisation not only on the assessment but in reporting, allowing to compare apples to apples. Additionally, such guidance helps minimize costs, as obtaining assurance may become expensive if assurance providers have to invest considerable time in assessing the relevance and completeness of criteria without standardised guidance.

Suitability and Availability of Criteria

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

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

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

Detailed comments (if any):

The Platform is concerned about the lack of specific guidance for assurance providers on how to assess and assure the criteria, used by the reporter, and when these are fulfilled. In Europe the ESRS specifies criteria for reporters in 3.4 Impact materiality and 3.5 Financial materiality in Annex 1 ([csrd-delegated-act-2023-5303-annex-1_en.pdf \(europa.eu\)](#)). The 3.4 states "A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term". The paragraph continues

with likelihood and severity including factors such as scale, scope and remendability. In addition, the ISSA 5000 have assurance criteria, for example relevance and completeness criteria. Little guidance is provided in ISSA 5000 on how to assess the criteria and more importantly how the assurance provider shall determine when criteria, such as relevance and completeness, are fulfilled or not.

While guidance on financial materiality is welcome and needed, much more critical is to develop specific and clear guidelines when assessing impact-materiality. The latter ought to be science and evidence based. The Platform reiterates its strong belief that impact materiality ought to be the subject of guidance issued by the European Commission.

The Platform believes that it is the role of the European Commission alongside EFRAG, in the European context, and the ISSB, when referring to the international standards to develop such guidance for double materiality in the case of the former and on financial materiality in the case of the latter.

The Platform recommends ISSB to work together with standard setters from regional and national jurisdictions, notably EFRAG to develop an assurance framework for financial materiality.

Detailed guidance on how to conduct (double) materiality brings multiple benefits. It ensures comparability, consistency and standardisation not only on the assessment but in reporting, allowing to compare apples to apples. Additionally, such guidance helps minimize costs, as obtaining assurance may become expensive if assurance providers have to invest considerable time in assessing the relevance and completeness of criteria without standardised guidance.

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

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

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

Detailed comments (if any):

As stated in our responses to questions 9 and 10, the Platform believes that guidance on impact materiality ought to respond to science and evidence. Given that the ESRS as the only standards to date that require impact materiality (as part of the double materiality), the Platform strongly believes it is the responsibility of the European Commission to develop such guidance that is, in turn, fitted for the European standards, e.g. ESRS and taxonomy.

The Platform perceives financial materiality as the primary shared element between the ISSA 5000 and Europe's ESRS. The ISSA 5000 could potentially offer additional guidance to practitioners on the assurance of financial materiality. This guidance should complement detail guidance on financial materiality to be provided to preparers by the different standard setters, notably ISSB in conjunction with EFRAG among others.

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: [Disagree, with comments below](#)

Detailed comments (if any):

The ISSA 5000 Explanatory Memorandum Section 1-F, paras. 68 states: “Materiality is a matter of professional judgment and is affected by the practitioner’s perception of the information needs of intended users of the sustainability information.”

The Platform is concerned about the capacity, skillset and need for extensive work for the assurance provider to fulfil this obligation, without further guidance and specification.

The quality of the external assurance will mostly depend on the competency and skills of the service provider. The Platform believes that all assurance service providers should demonstrate the necessary level of know how. ESG expertise is instrumental to the success of verification, not least to assess whether and the extent to an ESG indicator can be verified. For example, life-cycle emissions require sectoral and environmentally proven knowledge; or expertise in social areas namely on labour and human rights due diligence processes.

Providing assurance on sustainability reporting requires competences in both financial reporting and ESG matters.

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: [No response](#)

Detailed comments (if any):

Using the Work of Practitioner's Experts or Other Practitioners

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

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

Overall response: [No response](#)

Detailed comments (if any):

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

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

Overall response: [No response](#)

Detailed comments (if any):

Estimates and Forward-Looking Information

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

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

Overall response: [No response](#)

Detailed comments (if any):

Risk Procedures for a Limited Assurance Engagement

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

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

Overall response: [No response](#)

Detailed comments (if any):

Groups and “Consolidated” Sustainability Information

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

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

Overall response: [No response](#)

Detailed comments (if any):

Fraud

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

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

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

Detailed comments (if any):

The Platform discerns a distinction between fraud and greenwashing, emphasising that fraud is a legal term, while greenwashing is more subjective and pertains specifically to sustainability, such as environmental claims. The following considerations are noted:

Divergent Perspectives: Stakeholders may not draw the same line between what constitutes greenwashing and fraud, nor the size of errors and greenwashing, given that fraud has a legal definition. Perspectives on greenwashing may vary, with NGOs potentially identifying greenwashing where the highest standards are not met, while reporting companies might downplay certain topics as material. Regulation though is increasing across geographies to tackle environmental claims at entity and product level, including for financial products and institutions e.g. proposed EU Directive on Green Claims and, for consumer protection, the proposed Directive on Empowering Consumers for the Green Transition. As these are developed, the discerning gap between fraud and greenwashing might close, and then be reduced to “negligent fraud or breach” vs. “intentional fraud or breach”.

Process and Result: Evaluation should extend beyond determining whether fraud or errors have occurred. It should encompass assessing whether processes have been conducted in a manner that achieves the

intended result, such as disclosing the development, performance, position and impact of the company related to sustainability.

Communication with Those Charged with Governance

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

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

Overall response: [No response](#)

Detailed comments (if any):

Reporting Requirements and the Assurance Report

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

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

Overall response: [No response](#)

Detailed comments (if any):

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

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

Overall response: [No response](#)

Detailed comments (if any):

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: [No response](#)

Detailed comments (if any):

Other Matters

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

Overall response: [No response](#)

Detailed comments (if any):

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

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

Detailed comments (if any):

Part C: Request for General Comments

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

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

Overall response: [No response](#)

Detailed comments (if any):

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

Overall response: [No response](#)

Detailed comments (if any):