

## 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)	Ceres, Inc.
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Thomas L. Riesenber, Senior Advisor, Ceres Accelerator for Sustainable Capital Markets
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Thomas L. Riesenber, Senior Advisor, Ceres Accelerator for Sustainable Capital Markets  Jim Coburn, Senior Manager, Ceres Accelerator for Sustainable Capital Markets
E-mail address(es) of contact(s)	<a href="mailto:triesenber@ceres.org">triesenber@ceres.org</a>
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	North America
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Other (if none of the groups above apply to you)
	If “Other”, please specify Non-governmental organization
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Ceres ( <a href="http://www.ceres.org">www.ceres.org</a> ) is a nonprofit organization working with influential leaders to solve the world’s greatest sustainability challenges. Through our powerful networks and global collaborations of investors, companies, and nonprofits, we drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future. The Ceres Accelerator is a center of excellence within Ceres that aims to transform the practices and policies that govern capital markets to reduce the worst financial impacts of the climate crisis. Our Investor Network currently includes more than 220 institutional investors that collectively manage approximately \$45 trillion in assets. These investors are concerned about the impact of climate change on financial markets and the economy. Our Company Network includes more than 50 of the largest global companies with whom we work on climate

strategy and disclosure, among other issues. The Ceres Policy Network known as BICEP comprises 85+ companies, including dozens of leading consumer brands and Fortune 500s, advocating for strong climate, clean energy and water policies at the state and federal levels.

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):** ED-5000, as described in paragraph 14 of the EM, is intended to have a broad or “overarching” reach, serving as the foundation for a future suite of ISSAs. Thus, the standard is designed to be applied to all sustainability topics and aspects of topics; all mechanisms or reporting; any suitable criteria; all intended users; both limited and reasonable assurance engagements; and use by all assurance practitioners. This is, of course, an ambitious approach, but we agree that it is appropriate.

### 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):**

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

There is considerable evidence that financial reporting has not adequately reflected the impact of climate change and that auditors have not sufficiently considered the impact of climate-related matters. A report from the Carbon Tracker Initiative, *Flying blind: The glaring absence of climate risks in financial reporting* (September 16, 2021), examined financial reporting from 107 carbon-intensive firms and found over 70% of these firms and 80% of auditors fail to disclose climate-related risks in the financial statements. See *Flying blind*, p. 1, available at <https://carbontracker.org/reports/flying-blind-the-glaring-absence-of-climate-risks-in-financial-reporting/>. The follow-up report, *Still Flying Blind: The Absence of Climate Risk in Financial Reporting* (October 6, 2022), examined 134 highly carbon-exposed companies, focusing on financial statements and audit reports in annual reports or filings. The report found that 98% of these companies did not demonstrate “how their financial statements include consideration of the financial impacts of material

climate matters”, and “96% of auditors did not sufficiently address how they considered the impact of climate.” See *Still Flying Blind*, pp. 6, 56, available at <https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/>. To address the deficiency in financial reporting of climate issues in the oil and gas industry, Ceres has published expectations for key stakeholders regarding climate change and financial reporting: oil and gas companies, their audit committees, and their external auditors. See Ceres, *Lifting the Veil: Investor Expectations for Paris-aligned Financial Reporting at Oil and Gas Companies* (May 2021), pp. 5-20, available at <https://www.ceres.org/resources/reports/lifting-veil-investor-expectations-paris-aligned-financial-reporting-oil-and-gas>. While the report is focused on U.S. SEC filings and U.S. GAAP, many of the principles in the report are applicable elsewhere.

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

### 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 \(with no further comments\)](#)

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

**Detailed comments (if any):**

We appreciate the IAASB’s goal of allowing firms other than accounting firms to provide sustainability assurance engagements pursuant to the proposed standard. There may well be other types of organizations, such as engineering and consulting firms, that are capable of providing this service. However, we are concerned that these non-accounting firms may not adhere to the type of ethical and quality control standards that exist for the accounting profession. We should note that our knowledge in this area is anecdotal.. Accordingly, it is important that the IAASB, presumably through this comment and outreach process, obtain as much hard information as possible.

The proposed standard would allow non-accounting firms to perform these engagements as long as they meet the accounting profession's ethical or quality management standards or meet another set of requirements that "are at least as demanding" as the accounting profession's standards. Our understanding is that there currently are no such alternative standards, and it is not clear who would determine whether any newly developed alternative standards are "at least as demanding." And, more significantly, we are not aware of any mechanisms in place to enforce compliance with professional standards by non-accounting firms (other than the perhaps unlikely possibility of civil liability). Accounting firms, by contrast, are generally subject to significant oversight both by the profession itself and by government or other regulators.

For these reasons, we believe it is appropriate for the IAASB to work with the International Organization of Securities Commissions to develop means for determining standards that "are at least as demanding" and for enforcing compliance with such standards.

*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 have some uncertainty however about the list of topics that are described as "sustainability matters," that is, "topics relating to environmental, social, economic and cultural matters . . ." We have not previously seen the inclusion of "cultural" matters in this context, and we are uncertain of its meaning and significance. Moreover, because of the breadth of this definition, is it essentially the same as saying that "sustainability matters" can encompass anything other than the financial statements themselves? There might be a benefit in further explanation of this basic definition.

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 \(with no further comments\)](#)

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

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

The proposed standard's treatment of a limited assurance engagement (also referred to as a review in the United States) and a reasonable assurance engagement (also referred to as an examination in the United States) largely seems appropriate to us. This portion of the ED is highly significant since almost all sustainability assurance engagements to this date have been limited rather than reasonable and this will continue to be the case for some period of time under the mandatory climate risk and sustainability disclosure standards that are going into effect throughout the world, which initially require limited assurance engagements before transitioning to reasonable assurance.

In submissions to the U.S. Securities and Exchange Commission, Ceres has urged the adoption of mandatory disclosure standards that require reasonable assurance rather than limited assurance. A reasonable assurance engagement may typically cost more, take longer, and require more resources from the company, but it is also more likely to discover errors in disclosures, which is why Ceres has urged that regulators push forward in requiring it.

In this regard, our impression is that the average user of sustainability assurance reports does not, and will not, appreciate the differences, which are considerable, between limited and reasonable assurance. We note that the example of a limited assurance report included in Appendix 2 of the ED titles the report a "limited assurance report" and, in paragraph 5, explains that a limited assurance engagement is less extensive than is a reasonable assurance engagement. To us, there is much more that could and should be done to make the reader aware of the differences. For example, paragraph 5 could be set in italics or a bold font. Or, perhaps a warning of some kind could be included, such as, under the title of the report, a statement that "The user of this report should understand that in a limited assurance engagement the practitioner collects less evidence than in a reasonable assurance engagement." Such measures would not only make the user more informed of the nature of the sustainability report but might also prompt the issuer to reconsider whether limited assurance is sufficient to meet the expectations of investors and others.

Also, standard-setters – responding to the entreaties of issuers – are permitting a "phase-in" of reasonable assurance because it seems that the quality and availability of some sustainability information may be inadequate for a reasonable assurance engagement. Query whether that approach gibes with ED paragraph A164, which states, "if a sustainability matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa."

In any event, it would be helpful for the IAASB to use its influence among regulators to urge a rapid phase-in of a reasonable assurance requirement.

*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):**

Paragraph A199 states that in determining whether the sustainability information within the scope of the engagement is appropriate the practitioner may consider whether the information “is likely to meet the information needs of intended users.” It is not clear to us how the practitioner will go about doing this, and further guidance might be useful.

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):**

Although we generally agree with ED-5000's treatment of the entity's “materiality process,” we are uncertain of the meaning and significance of the sentence in paragraph 55 stating that “the engagement may not have a rational purpose if, for example, the scope of the engagement includes only part of the sustainability information expected to be reported, and that would be misleading to intended users.” Currently, many companies only obtain assurance on a portion of a report, such as on GHG emissions. Given the breadth of sustainability issues that companies disclose, and the wide range of maturity of reporting metrics for different sustainability issues, it seems likely that going forward companies may continue only to seek assurance on a portion of their sustainability reporting, which may be rational in some cases. Is the IAASB suggesting that this approach may be contrary to a “rational purpose”? Some additional clarity here would be helpful.

*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 \(with no further comments\)](#)

**Detailed comments (if any):**

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

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

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

**Detailed comments (if any):**

We suggest that the standard provide additional guidance in this area since some standard-setters will be requiring sustainability “impact” disclosures, or double materiality. It may be helpful for the IAASB to add language similar to the ISSB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* standard paragraph 2, which states: “Information about sustainability-related risks and opportunities is useful to primary users because an entity’s ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity’s value chain. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity’s dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.”

#### *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 \(with no further comments\)](#)

**Detailed comments (if any):**

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

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

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

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

**Detailed comments (if any):**

*Using the Work of Practitioner's Experts or Other Practitioners*

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

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

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

**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:** [Yes \(with no further comments\)](#)

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

**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:** [Yes \(with no further comments\)](#)

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

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

**Detailed comments (if any):**

We endorse the discussion of fraud, including “greenwashing,” in ED-5000. The members of Ceres’ Investor Network on Climate Risk and Sustainability have long been concerned about greenwashing, and that concern has provided much of the impetus for our support of mandatory, decision-useful, comparable sustainability standards such as those the ISSB has developed. However, we do note that the text of paragraph 108 seems to suggest that greenwashing is a type of fraud, and that in our view is incorrect. The term “greenwashing” is used generally to describe disclosures that seek to present a company in a better light than is appropriate, either through statements or through omissions. This activity can be fraudulent, but in most cases it is more likely to be exaggeration or puffery which may be misleading or inaccurate but is not necessarily fraudulent.

*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 \(with no further comments\)](#)

**Detailed comments (if any):**

*Reporting Requirements and the Assurance Report*

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

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

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

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

**Detailed comments (if any):**

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

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

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

**Detailed comments (if any):**

See discussion above in response to No. 7, *Differentiation of Limited Assurance and Reasonable Assurance*.

*Other Matters*

24. Are there any public sector considerations that need to be addressed in ED-5000?

(See *Explanatory Memorandum Section 1-I, para. 135*)

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

**Detailed comments (if any):**

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

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

**Detailed comments (if any):**

We have one very minor additional comment. Paragraph A206 uses the word “minister” in referencing the person to whom a practitioner might report in the context of a governmentally-appointed engagement. Unlike the United Kingdom and elsewhere, that word is not used in the U.S. to describe a government official, so it would be better to replace it with “government officer” or “government official.”

### **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):**