

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) | Institute of Chartered Accountants of Sri Lanka |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above) | |
| Name(s) of contact(s) for this submission (or leave blank if the same as above) | Gayani Perera |
| E-mail address(es) of contact(s) | gayani.perera@casrilanka.org |
| 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. | Asia Pacific |
| | 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. | Member body and other professional organization |
| | 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 agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14. We do, however, need further guidance to understand, how to apply this standard to all of the items mention in para 14. As the standard references other frameworks, we assume additional guidance regarding the use of each framework would be made available and the mechanisms to verify defined metrics for the measurement of the sustainability matters, as well as the evaluation basis to be used.

Further, we understand that ED-5000, does not apply to assurance on GHG statements when the practitioner is providing a separate conclusion on a GHG statement. However, the requirements and application material dealing with assurance engagements on GHG statements should be aligned with ED-5000 instead of ISAE 3410. Therefore, it would be appropriate to revise ISAE 3410 as soon as possible after the issuance of final ISSA 5000. Please also note that some aspects of ISAE 3410, such as the encouragement to exclude scope 3 information from the scope of sustainability assurance engagements, appear obsolete and contradictory with ED-5000 requirements and scope.

We understand that ED-5000 should be able to be used by both professional accountants and non-accountant assurance practitioners. Non-accountant assurance practitioners may need additional guidance to apply ED-5000 consistently due its overarching nature.

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

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

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

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

Detailed comments (if any):

The scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000. However, clarity on the future state of ISAE 3000(revised) and ISAE 3410 is required at this stage. Applicability of the standards appears to be not clear when the practitioner is performing an assurance engagement that includes GHG information, but that GHG information does not comprise a GHG statement. Further, additional guidance is needed to understand scenarios for which final ISSA 5000 would apply.

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 suggest including more explanatory guidance on how to apply ISQM in assurance engagements on sustainability information in cases where non practicing accounting professionals provide such assurance.

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):

Generally, we support the definitions of sustainability information and sustainability matters in ED-5000; However, it would be appropriate to include definitions for historical, forward-looking or extant information about the sustainability matters, as the proposed standard has provided a framework to give an assurance on all of such information. Further, there may be challenges in applying the definition to certain matters to determine whether they are sustainability matters (e.g., cyber, GDPR).

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):

In determining sustainability matters, sustainability information and disclosures, sources of additional guidance should be available with examples for defining the same. We suggest that the IAASB provide “real life” examples of the concepts illustrated in Appendix 1.

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):

We believe that further clarification is needed for paragraph 134L(a)(i) which states that the practitioner shall evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information.

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 noted that aspects such as reporting boundaries and materiality process of this preliminary knowledge may be difficult to obtain before the acceptance of an engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. Therefore, suggest to include the fact that some detailed aspects of the scope of the proposed

engagement may not be known during the preliminary understanding phase (and provide examples) and that this situation should not preclude the practitioner from accepting the engagement.

It is also appropriate to bring, “ Intended users of the sustainability information” also as part of paragraph 69.

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):

It is vital that preparers and users understand the materiality process and how to apply it in practice. Further, the type of materiality needs more guidance and selection of the method would need to be validated. Therefore, a more detailed guide for preparers to follow when assessing materiality in relation to this regard is required.

Further, as stated in our response to Q8, some aspects of the preliminary knowledge may be difficult to obtain before the acceptance of the engagement, especially when the entity is preparing the sustainability information for the first time in accordance with a given criteria. An example of this includes obtaining a detailed understanding of the materiality process that the entity will apply, as this materiality process may still be under development.

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):

It would be appropriate to recommend the Boards of Directors to align with relevant frameworks covering the reporting of all types of investor-focused information or stakeholder-focused information.

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 do not believe that ED-5000 answers the question, “When the criteria include the “double-materiality” concept, does the practitioner also apply “double materiality” to perform the procedures on

the engagement?”. This question could be answered in a Q&A on materiality considerations in sustainability assurance.

Additional explanatory material such as application guidance would be useful in relation to double materiality since it is not applicable for all the engagements.

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):

Because the difference in work effort between “determine” and “consider” may be difficult to understand, especially in translation, we encourage the IAASB, to further explain these in the application material.

We also agree with the need to determine performance materiality for quantitative disclosures as applicable in the circumstances to reduce aggregation risk to an appropriately low level. We suggest that the IAASB clarify in ED-5000 that the determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment.

Therefore, we believe that including illustrative examples would be helpful to demonstrate the requirements of consideration and determination of materiality, including determination of performance materiality.

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):

It may not be appropriate to require an understanding of the components of the entity’s system of internal control relevant to sustainability matters, as this goes beyond what is required in ISA 315 (Revised) (paragraphs 21-25) to understand the components “relevant to the preparation of the financial statements.” That is, the scope should be an understanding relevant to the preparation of sustainability information.

In addition, we do not believe it is practical to require an understanding of the entity’s system of internal control relevant to detailed sustainability matters (i.e., topics and aspects of topics). Further, we do not believe a practitioner should be required to design and implement overall responses to address the risks of material misstatement for limited assurance engagements in ED-5000 since practitioner is not required to identify risks of material misstatement in a limited assurance engagement.

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 comments below](#)

Detailed comments (if any):

We believe the application of paragraph 134R of ED-5000 could be very challenging for practitioners as it will involve evaluation of various scenarios. Additional guidance is needed related to procedures and testing of estimates and forward-looking information.

Since the estimates and forward-looking information will be based on forecasts, projections, future plans of the entity, assumptions or hypothetical assumptions, we believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information. ED-5000 could also encourage the practitioner to include “additional information” in the assurance report on forward-looking information (as suggested in Paragraph A490 (a)) or an emphasis of matter paragraph (reference to forward-looking information may be added to Paragraph A499).

We welcome the introduction of material from ISA 540R in respect of estimates, which we consider will be beneficial to practitioners in addressing this area. However, we note that the material included is high-level, with a number of requirements of ISA 540R addressed within the application material of ED-5000, and much of the application material from ISA 540R, 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 standard focused on this area, with expanded requirements and application material, adapted to the specific circumstances of a sustainability assurance engagement.

More guidance, including giving examples trends, factors, and relationships, as well as related leading indicators that would support investors' understanding of the financial implications.

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: [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. 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, noting that this is the only standard, currently, addressing sustainability assurance engagements and also recognizing 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" sustainability information. In particular, we consider it critical that the standard address obtaining sufficient appropriate evidence in respect of the entity's "consolidation" process itself, which should include clear linkage to related considerations regarding the entity's "materiality process". Most of the time entities disclosed information relating to parent entity level only, therefore more guidance required on what level of information should be included (if not entity to make a statement in the report).

We believe that the IAASB should add certain additional requirements and guidance to ED-5000 for group engagements, including:

- ▶ Guidance on situations where there may be restrictions on access to information on people.
- ▶ Guidance stating that when a practitioner has used the work of "another practitioner", the assurance report shall not refer to the "another practitioner".

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 note that the word “greenwashing” is not used in ED-5000 and agree that it is not appropriate to refer to “greenwashing” as this term may have different and evolving legal definitions in various jurisdictions. In addition, “greenwashing” tends to focus on environmental matters only, while there could also be other matters of focus such as “socialwashing” and “impactwashing”. We also encourage the IAASB to continue to liaise with IESBA about the term that may be retained in the IESBA Code to deal with “greenwashing”. Further, Intentional greenwashing can be cumbersome to identify and report.

We suggest that the IAASB consider including guidance in ED-5000 on how a practitioner should identify and or respond to fraud risk for the information coming from value chain entities.

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):

Sustainability assurance engagements may relate to a single disclosure at a point in time or to a “full” annual sustainability report covering sustainability, social and governance topics. In addition, laws and regulations may prescribe timing and content of communication with those charged with governance. Therefore, illustrative guidance are useful for identifying matters to be communicated with TCWG.

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):

Because the estimates and forward-looking information included in sustainability information will be based on forecast, projections, future plans of the entity, assumptions or hypothetical assumptions, we

believe that the assurance report should include a statement on the procedures performed by the practitioner on forward-looking information.

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

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: [Yes, with comments below](#)

Detailed comments (if any):

A public sector entity may be involved in operations of a nature that may have a huge impact on the environment. The information about the operations of these entities may not be disclosed due to confidentiality. The IAASB could consider including some guidance in ED-5000 to assist practitioners in dealing with these situations. Also, we propose that the IAASB liaise with IPSASB on how best to address implementation challenges for ED-5000 due to confidentiality obligations.

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

Overall response: [No other matters to raise](#)

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: [Agree, with comments below](#)

Detailed comments (if any):

We encourage to carefully consider the responses from preparers regarding the time they need to prepare for implementation of the standard.