

Response Template for
EXPOSURE DRAFT OF
Proposed ED 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)	Australian Auditing and Assurance Standards Board (AUASB)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Doug Niven – AUASB Chair
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Matthew Zappulla Rene Herman
E-mail address(es) of contact(s)	mzappulla@auasb.gov.au rherman@auasb.gov.au
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.	Jurisdictional/ National standard setter
	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:

Draft

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):

Other than our strong disagreement with the approach to quality management and ethics in ED-5000 (see response to Question 4 below), the AUASB agrees that ED-5000 can be used as a global baseline for accountants. However, the AUASB considers that ED-5000 would not be very accessible or easily understood by non-accountants with no knowledge of the IAASB Standards.

The IAASB may also wish to consider further standards and guidance in a number of areas in the future. In particular, the AUASB will be considering whether to issue a standard and guidance to supplement the final ISSA 5000 under the Australian climate reporting framework (governance, strategy, emissions, other metrics, scenario analysis and transition plans). This may include enhanced requirements for the use of experts, on materiality and about information and assurance received and given through value chains.

Para 14 of the EM deals with all sustainability topics and aspects of topics; all mechanisms for reporting; any suitable criteria; all intended users; Limited and reasonable assurance; use by all practitioners. The AUASB's comments on these matters are detailed below:

All sustainability topics and aspects of topics:

There is some confusion amongst Australian non-accounting practitioners regarding the scope and applicability of ED-5000. The IAASB should clarify in paragraphs 2 and 3 of ED- 5000, whether the standard would apply to contractual and voluntary assurance over sustainability information in general purpose reports in addition to assurance required over mandatory disclosures. The wording 'general purpose external reporting' in paragraph 2 of the Explanatory Memorandum indicates a much narrower focus than paragraph 2 of ED-5000.

The title of the proposed standard, *General Requirements for Sustainability Assurance Engagements*, could imply that assurance is over whether an entity is sustainable and is taking appropriate action to be sustainable whereas it is about the disclosures made in period reports under a reporting framework. For clarity, the title could be changed to *General Requirements for Sustainability Reporting Assurance Engagements*.

It may be difficult for practitioners to achieve consistency in practice without appropriate supporting guidance material providing sufficient specificity into assurance of specific topics or aspects of topics. The AUASB suggests that the IAASB issue future standards or guidance and examples across multiple topics or aspects of topics.

All mechanisms for reporting:

The information being assured may be spread across parts of a financial report and accompanying documents. There is concern as to how the information subject to assurance will be readily identified in an assurance report. The AUASB suggests that the IAASB issues guidance to assist practitioners in this regard.

Any suitable criteria:

While the proposed standard is framework neutral, it may be difficult to achieve consistency in practice without appropriate material for common reporting frameworks (e.g., the ISSB's S1 and S2 Framework). The AUASB suggests that the IAASB issues future standards or guidance that link cover the most commonly used sustainability reporting frameworks.

All intended users:

The AUASB agrees that in principle, ED-5000 is appropriate for all intended users, however the different reporting frameworks may be applied on a mandatory and voluntary basis that can have different intended users. Assurance may also be sought on information needed for reporting by others in the entity's value chain. Identifying the intended users will affect determining materiality both from the entity's perspective and the practitioner's perspective. The IAASB should develop guidance materials to aid practitioners in identifying the intended users of the assurance report.

Limited and reasonable assurance:

Refer AUASB comments included under response to Question 7.

Use by all practitioners:

Refer AUASB comments included under response to Question 4.

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):

The AUASB agrees that ED-5000 has achieved the standard setting characteristics of timeliness, comprehensiveness and enforceability. However, the proposed standard is difficult for non-accountant and small practitioners to implement. In time, the IAASB should develop a suite of standards supporting ED-5000 and significant guidance to achieve appropriate outcomes and consistency in practice (refer paragraph c in the response to Question 25 below).

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):

The AUASB agrees that the scope of and applicability of ED-5000 including when ISAE 3410 is applicable is clear from a theoretical perspective. Paragraph 2 of ED-5000 specifies that ISAE 3410 applies where a practitioner is providing a separate conclusion on a GHG statement.

However, there may be confusion where a practitioner undertakes an engagement under both ISAE 3410 and ED-5000. The AUASB understands that in some cases the practitioner is requested to provide assurance on GHG information that is both included with other sustainability information and in a separate statement. In such circumstances it may not be readily apparent to practitioners which standard should be applied (ED-5000, ISAE 3410 or ISAE 3000).

Conducting such engagements that are required to comply with multiple standards may result in duplication of effort. Specifically, the risk assessment requirements for limited assurance engagements under ED-5000 and ISAE 3410 differ, which may lead to risk procedures being performed at a different depth for the same metrics disclosed in different reports, and consequently different procedures to respond to the risks of material misstatement, while the same level of assurance is provided.

The IAASB should consider providing further guidance for the scenarios described above.

Relevant Ethical Requirements and Quality Management Standards

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

(See Explanatory Memorandum Section 1-D)

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

Detailed comments (if any):

The AUASB strongly disagrees with the approach to quality management and ethics underpinning ED-5000. Our concerns are as follows:

- (a) *Imposing firm quality management and ethics through an assurance standard:* We believe that it is not appropriate for an assurance standard to ‘back door’ requirements concerning firm quality management and ethics. The ED-5000 does this through requirements on the engagement leader to be a member of a firm with certain quality management and ethical requirements, and a

requirement to report that there is compliance. Failure to report compliance with standards 'at least as demanding as' ISQM1 and the Code of Ethics would result in non-compliance with ISSA 5000.

- (b) Firm quality management should be dealt with through a separate dedicated project of the IAASB. Ethics should be a matter solely for the IESBA. Any reporting requirement should be about what requirements were followed and to what extent.

In particular, we are concerned that:

- I. *The AUASB and other standards setters will not be able to make ISSA 5000 compliant standards:* The AUASB and some other national sustainability assurance standard setters do not have a remit to set firm quality management and ethical requirements. These standard setters may need to remove all references to quality management and ethics from the final ISSA 5000, with the resulting standard not being ISSA compliant. In Australia, legislative amendments would be required for the AUASB to be able to impose any firm quality management requirements and such amendments could take years, if ever made. A professional board (the Accounting Professional Ethical Standards Board) sets ethical requirements;
- II. *Standards for non-accountant assurance providers:* The IAASB should assess whether for assurance over particular information requiring particular technical expertise, different quality management and ethical requirements could be applied by non-accountant practitioners that are more appropriate than requirements at least as demanding as ISQM 1 and the Code of Ethics ED-5000; and
- III. *Ethics and Quality Management "at least as demanding":* A lack of clarity on the concept of "at least as demanding" could result in inconsistent firm quality management and ethical requirements. If the IAASB were to retain the requirements concerning firm quality management and ethics, and we do not support this, the term "at least as demanding" should be to be sufficiently clear and risks inconsistency in practice. For example, high level principles might be regarded as being 'at least as demanding as the Code of Ethics. Alternative quality management specific to another profession might be regarded as more demanding than ISQM 1.

If the requirement on firm quality management and ethics were to remain, the IAASB should consider allowing non-accountants time to transition to those requirements which may necessitate new processes.

Definitions of Sustainability Information and Sustainability Matters

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

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

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

Detailed comments (if any):

The AUASB supports the definition of 'sustainability matters'.

There may be some confusion from the interaction of the definition of "sustainability information" in paragraph 17(uu) and the statement in paragraph 4 "When the assurance engagement does not cover the entirety of the sustainability information, the term sustainability information is to be read as the

information that is subject to the assurance engagement”, and how the term is subsequently used throughout the standard.

The IAASB could integrate material from paragraph 4 into the definition of ‘sustainability information’ in paragraph 17(uu) to create a standalone definition. Thereafter, ‘sustainability information’ could be used throughout the standard when referring to all information reported by the entity and using ‘sustainability information subject to assurance’ when referring to information within the scope of the assurance engagement.

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):

Appendix 1 is critical in understanding the relationship between sustainability matters, sustainability information and disclosures and should be brought into the body of the application material.

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: [No, with comments below](#)

Detailed comments (if any):

There is a need to further differentiate the requirements for limited assurance and reasonable assurance. While different words may be used, the differences may be too subtle, particularly for non-accountant and smaller practitioners. There could be confusion as to the nature, timing and extent of procedures expected to be applied to the sustainability information subject to assurance. This could create inconsistency in practice across assurance engagements.

This is especially the case for assurance practitioners performing a limited assurance engagement under ED-5000 that are not the auditor of the entity as they will not have the accumulated understanding of the entity and previous knowledge of risks to assist in "identifying disclosures where material misstatements are likely to arise". The AUASB suggests that the IAASB incorporates content from Appendix 3 to the Non-Authoritative EER Guidance that analyses and explains the differences between limited and reasonable assurance engagements as guidance material in ED-5000.

Australian outreach has indicated that users of assurance reports are not clear as to what limited assurance means, particularly given that limited assurance can range from ‘more than inconsequential but less than reasonable assurance’. We encourage the IAASB to facilitate or develop application material or guidance in this area to increase user and practitioner understanding. Education material should cover the

difference between limited and reasonable assurance, and the trust and confidence that intended users could place on each level of assurance. It is also important to emphasise that limited assurance involves a higher tolerance for material misstatements and does not necessarily result in unmodified opinions where reasonable assurance would not do so.

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):

Before accepting an engagement, assurance providers should understand the sustainability information expected to be reported and the scope of the proposed assurance engagement. We have the following comments:

(a) *Risk of inappropriate acceptance of an engagement*

The breadth of sustainability reporting and present lack of preparedness of entities in this area, creates a risk of inappropriately taking on an assurance engagement that does not meet assurance preconditions. The IAASB should include appropriate guidance and examples in ED- 5000, to reduce the risk of modified assurance reports where practitioners misjudge the preconditions for assurance being met.

(b) *Extent of pre-engagement work*

Application material (paragraphs A156, A157 and A192) suggests a more extensive pre-engagement activity than would ordinarily be necessary to understand the scope of an engagement. The ability to obtain information pre-engagement may also be constrained by confidentiality restrictions and it may not be practical to determine information available for the entire value chain and assurance to be demanded by those in the value chain.

Some practitioners see the “process to identify reporting topics” and “materiality process” in paragraph A157 as being distinct from one another, while A157 treats them as the same. Moreover, the term ‘materiality process’ is seen to imply that the pre-acceptance activity is far more extensive than identifying the scope of the information covered by the assurance engagements and could result in significant unrecoverable costs.

The IAASB should consider clarifying what constitutes sufficient knowledge about the entity's processes, considerations when evaluating an entity's process and how to obtain such knowledge with appropriate examples of how to evaluate this process. The Chapter 4 of the EER guidance *Considering the entity's process to identify reporting topics* has materials that could be incorporated into the application material of ED- 5000.

(d) *Planning of an accepted engagement*

Understanding the entity's processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement. The IAASB could consider the need for additional requirements in this regard.

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):

Comments as per Q8 above, both questions have been dealt with together.

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 response](#)

Detailed comments (if any):

11. Does ED-5000 appropriately address the notion of "double materiality" in a framework-neutral way, including how this differs from the practitioner's consideration or determination of materiality? If not, what do you propose and why?
- (See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)*

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

Detailed comments (if any):

The AUASB considers that the concept of "double materiality" is appropriately explained and clearly distinguished from the practitioner's consideration or determination of materiality. However, there may be inconsistencies in the definition of "double materiality" across reporting frameworks. Additionally, the concept of "double materiality" is GRI focused and if it is used is not framework neutral.

The AUASB suggests that the IAASB provide additional examples beyond double materiality to cover different frameworks.

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):

The AUASB is supportive of the approach for the practitioner to consider materiality for qualitative disclosures and determine materiality for quantitative disclosures. However, some Australian stakeholders found the split approach to be confusing. It was seen by some to have qualitative materiality at a lower level of consideration than quantitative materiality. Determining materiality of numerical information has a qualitative aspect as well as a quantitative aspect and it is difficult to separate the two. These stakeholders considered that the determination could be a threshold or characteristic not necessarily a number or a percentage. The AUASB encourages the IAASB to clarify that the bifurcation approach is not intended to diminish the importance of qualitative materiality.

To aid in consistency between assurance engagements, the IAASB should provide practical guidance and examples on how to consider/determine materiality for the purpose of determining risks of material misstatement, designing further procedures and evaluating disclosures both individually and in the context of the sustainability reporting as a whole.

Additionally, the IAASB should better structure the requirements and application material by clearly separating the entity's materiality from the practitioner's performance materiality. The two materialities are currently intermingled particularly through the application material and this is causing confusion (for example paragraphs A273 and A274 relate to entity materiality but the placement is within the practitioner's materiality determination).

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: [Disagree, with comments below](#)

Detailed comments (if any):

The difference in the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements is not clear. Given the diversity in assurance practitioners performing sustainability assurance engagements, the AUASB suggests the requirements in ED-5000 (e.g., paragraphs 102L, 102R, 106) should provide a clearer distinction between the work effort for limited assurance and reasonable assurance rather than relying on the application material to provide clarity.

Furthermore, the table on control activities in paragraph 107 is populated for limited assurance engagements and states "if the practitioner plans to obtain evidence by testing the operating effectiveness of controls...". This may create misunderstanding as it is not clear in what circumstances the practitioner would be testing the operating effectiveness of controls and what impact this would have on other procedures in a limited assurance engagement. The AUASB suggests that these requirements are revisited by the IAASB. Illustrative examples would assist in clarifying what and how the extent of understanding would differ between a reasonable and 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 comments below](#)

Detailed comments (if any):

While the AUASB has no concerns with the theoretical content of the ED-5000, the AUASB has concerns regarding the practical implementation of the requirements of the standard as it relates to assurance by others on entities outside of the entity's organisational boundaries as well as the expected extensive use of experts. This includes how the practitioner would be expected to:

- assess competencies and independence;
- access information and proprietary information and what this may mean for scope limitations;
- determine whether the work is adequate for the practitioner's purposes, particularly when the other practitioner is performing work related to the entity's value chain;
- have knowledge of sustainability subject matters; and
- deal with unaligned reporting timeframes of entities up/down stream.

The AUASB considers that the Application Material in ED-5000 could be strengthened to encourage the use of the assurance providers own experts particularly for more complex entities/industries. The application material in ED-5000 could better reflect the expectations of the IAASB that there would be a greater use of experts owing to the complexity and breadth of sustainability information that will be reported, as well as clarifying when a practitioner's expert is expected to be engaged. Additionally, the AUASB encourages the IAASB to strengthen requirements and guidance in relation to the use of experts more broadly, both for sustainability assurance and financial report assurance.

The IAASB should also consider giving prominence through requirements on the practitioner's need to understand whether the expert has sufficient understanding of the assurance process.

The AUASB suggests that the IAASB consider strengthened requirements in relation to Quality Management and Ethics as it pertains to experts used by an assurance practitioner i.e. there may be a conditional requirement dependent on the nature and extent of the use of that expert, that the expert's firm is subject to and complies with appropriate quality management and ethical standards.

In relation to the use of other practitioners, the AUASB suggests that guidance is needed to assist practitioners with the likely practical challenges in obtaining access to information external to the entity to test directly, or in determining whether the scope of the work of the other practitioner is sufficient, particularly where the entity itself has no contractual right to access this information.

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):

As per Q14 above. Additionally, paragraph 172 (and the supporting explanatory material) of ED-5000 seems to be inconsistent with the requirements in ISA 620 (paragraphs 14 and 15). Paragraph 172 seems to focus on not reducing the assurance practitioner's responsibility if reference is made to the work of a practitioner's expert in the assurance report, whereas paragraph 14 of ISA 620 explicitly states that the auditor shall not refer to the work of an auditor's expert unless it is specifically required by law or regulation, or it is appropriate to be included in a modified report. The AUASB suggests that this be revisited by the IAASB to consider whether the inconsistencies are intentional and appropriate.

The IAASB should consider whether assurance providers should be required to report on their use of their own experts as a means to promote the use of experts. The nature of the work of the expert, their competence and objectivity could be covered. However, there should be a statement that using the work of an expert does not in any way diminish the responsibility of the auditor and the experts should not be named.

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):

The AUASB considers that the high-level requirements regarding work required to be performed on estimates and forward-looking information are appropriate for an overarching standard.

Practitioners have indicated that assurance conclusions over forward looking information can be challenging. They refer to the relative immaturity of reporting by many entities, the lack of established systems and processes, and availability of data from value chains.

The IAASB should highlight the importance of disclosures about estimation uncertainty and key assumptions, as well as reporting on significant limitations on scope. Reasonable assurance that reports are free of material misstatement may also be more achievable where the assurance report covers the financial report and sustainability information as a whole. Where reasonable assurance cannot be given

for the reports as a whole due to issues with forward looking information in the sustainability report, this may also affect forward looking information affecting asset values in the financial statements and going concern assessments.

The AUASB suggests that application material in dealing with forward looking information (paragraph A178), needs to draw together and highlight the importance of the preconditions of the engagement, including rational purpose and a meaningful level of assurance in a limited assurance engagement as well as the importance of the entity's disclosures.

For limited assurance engagements, paragraph 134L related to estimates and forward-looking information does not require an independent evaluation of the assumptions and judgments of management. Given the potential significance of estimates and/or forward-looking information to users of sustainability information, the AUASB suggests that the requirements for performing limited assurance include some consideration by the practitioner of the appropriateness of the assumptions used by the entity.

Since estimates and forward-looking information can be a highly subjective with a high degree of estimation uncertainty and can be heavily subject to management bias, the AUASB suggests the IAASB develop support materials including examples and considerations for the practitioner, particularly in understanding what would be considered sufficient appropriate evidence to assure such information. The current application material associated with paragraphs 134L and 134R is very limited.

The AUASB would support the IAASB's considerations of a topic specific ISSA for forward looking information in the future.

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, with comments below](#)

Detailed comments (if any):

The AUASB understands that a risk-based approach for both reasonable and limited assurance is currently occurring in practice. A single risk-based approach across limited and reasonable assurance will assist in consistency in application and overall improved quality of engagements. Additionally, the risk procedures for both limited and reasonable assurance and scope of work expected to be performed are unclear.

The AUASB considers that a risk-based approach is required for limited assurance (the same as for reasonable assurance) and that additional guidance is required on the nature, timing and extent of procedures required to be performed.

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 comments below](#)

Detailed comments (if any):

ED-5000 provides only high-level principles that can be applied for sustainability assurance engagements for group or consolidated information. Significant judgement will be required by assurance practitioners when determining the most appropriate approach to obtaining evidence for group engagements. As such the AUASB considers there to be a strong need for a standard to be developed dealing with Groups that sits under ED-5000. Such a standard may include many fundamental concepts from ISA 600 (e.g. 2-way communication with others, materiality, planning and strategy) that will need to be developed and established for sustainability assurance. In the interim, additional guidance is needed to clarify the requirements for performing assurance over group sustainability information.

The AUASB encourages the IAASB to consider the practical challenges around: access to information from outside the entity’s organisational boundary and evidence of sufficient appropriate assurance, as well as assessment of an assurer’s competencies and independence. Further the assurance provider may be asked to provide assurance on information provided to others in the entity’s value chain.

The AUASB strongly encourages the IAASB’s consideration of a topic-specific ISSA that is aligned, where relevant to the requirements of ISA 600.

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):

The AUASB supports the way fraud has been dealt with in ED-5000. There are numerous references in the requirements and application material (including various examples), at different stages throughout the engagement lifecycle, that address the practitioner’s consideration of the risks of material misstatement due to fraud and appropriate response to actual or suspected fraud identified during the engagement.

The AUASB is supportive that the term ‘greenwashing’ is not specifically used in the proposed standard, but rather is addressed indirectly through examples. The term greenwashing is a ‘transient’ undefined term, largely linked to climate reporting.

However, significant professional judgement will be required to identify and understand the difference between the risk of intentional fraud and misrepresentation and the risk of management bias, particularly for qualitative disclosures. The IAASB could provide additional guidance, including examples, linking intentional bias with fraud and unintentional bias with management error.

The AUASB suggests that the IAASB consider what revisions in the proposed ISA 240 should be incorporated into ED-5000 (for example – the emphasis on authenticity of documentation).

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

Detailed comments (if any):

The AUASB recognises that given the qualitative and subjective nature of many of sustainability disclosures, regular and high-quality engagement between directors and assurance practitioners will be crucial to quality sustainability assurance. Paragraph A137 covers ‘what’ is communicated to management and those charged with governance. The AUASB suggests that guidance is included within the final standard on how management or those charged with governance and assurance practitioners should communicate. Additionally, the final standard should require for timely communication throughout the engagement.

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):

While the AUASB is largely supportive of the requirements in relation to reporting, further to our response to Question 7, the AUASB considers that more needs to be done to highlight the difference between the content of a limited assurance report and that of a reasonable assurance report. Feedback from Australian stakeholders indicates that users of reports do not sufficiently understand the nature of a limited assurance engagement and may not distinguish between limited assurance and reasonable assurance engagements. To reduce the expectation gap, the assurance report needs to be clearer in relation to the nature and extent of procedures performed and evidence obtained.

Additionally, the AUASB considers the IAASB should produce multiple example reports to aid with consistency and comparability. These could include example reports that cover:

- Different reporting frameworks;
- Modifications of reports e.g. scope limitation / inherent limitations;
- Other Assurance engagement types (e.g. compliance and controls engagements); and
- Other Matter paragraphs required for the situations described in paragraphs 189-191 of ED-5000.

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):

The AUASB agrees with the approach taken by the IAASB to not address the concept of “key audit matters” in the sustainability assurance report. On outreach, the AUASB heard mixed responses on this matter but on balance, the AUASB would like to see more maturity in sustainability reporting and assurance before requiring reporting key sustainability assurance matters, recognising that voluntary reporting by practitioners is not prohibited by ED ISSA 5000.

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):

As highlighted in our response to Question 7, limited assurance engagements are not well understood by users. Accordingly, the AUASB encourages the IAASB to facilitate or develop application material or guidance in this area to increase user and practitioner understanding. Education material should cover the difference between limited and reasonable assurance, and the trust and confidence that intended users could place on each level of assurance.

In addition, the caveat that a limited assurance engagement is substantially less than for a reasonable assurance engagement has been ‘moved up’ the assurance report compared to the IAASB’s examples for other assurance reports. The IAASB should consider consistency in the format of the assurance report with the other ISAEs.

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, with comments below

Detailed comments (if any):

While ED-5000 is sector neutral and the requirements can be applied to the public sector, the AUASB encourages the IAASB to consult with INTOSAI to confirm whether there are any specific public sector matters that need to be considered within the requirements or application material of ED- 5000. For example, the pre-acceptance procedures would not apply where the reports for a public sector entity are required by statute to be subject to assurance by a government auditor.

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):

a. Other information:

Consistency in disclosures and assumptions between the sustainability information and the financial is critical. In this regard:

- i. The AUASB agrees that ED-5000 should contain similar requirements to ISA 720 for Other Information. However, we do not agree that the practitioner should not be required to obtain and consider Other Information not available until after the date of the assurance report, as required in ISA 720 for listed entities. The AUASB considers this to be inconsistent with policies and practices currently reflected in ISA 720 and diminishes the importance of Other Information in the context of sustainability assurance engagements.
- ii. The AUASB is conscious of the practical challenges and expectations of practitioners in relation to Other Information, particularly if the practitioner was not the financial statement auditor. Where the practitioner was not the financial statement auditor, they would need to meet / engage with the financial statement auditor or treat them as 'another practitioner' to meet the requirements of ED-5000 in relation to this Other Information. The AUASB encourages the IAASB to provide additional guidance for such a scenario.

b. Qualitative disclosures:

The guidance and examples in ED- 5000 relate almost exclusively to measurement of metrics as compared to guidance and examples related to evaluating qualitative disclosures such as the description of an entity's business. Additionally, all the procedure-specific examples in the ED-5000 relate to metrics. The AUASB suggests that the IAASB add examples to guide assurance practitioners in making often-complex evaluation judgements on qualitative disclosures.

c. Working with others in the sustainability eco-system and Guidance:

The AUASB encourages the IAASB to work with other parties in the sustainability eco-system (including report preparers, directors, financial statement auditors and sustainability assurance practitioners) to educate all parties about the assurance being provided over the sustainability reporting and key concepts being used. Additionally, the IAASB should continue to work with non-accounting practitioners to bridge the gap between different assurance standards with the intention of creating a truly profession agnostic standard. Furthermore, the IAASB should develop guidance (in the areas throughout this submission including materiality, experts, forward looking information, limited and reasonable assurance).

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):

The AUASB may amend the final Effective Date to a date earlier than being proposed by the IAASB should mandatory assurance be in place in Australia for earlier reporting periods or for the purposes of voluntary assurance.



AUASB Comments Received and Proposed Disposition Paper

AGENDA ITEM NO.	1.2
Meeting Date:	23 November 2023
Subject:	Comments received on Exposure of the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards
Date Prepared:	14 November 2023
Document Type:	Consultation Paper
Proposed Title:	Comments received on Exposure of the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards

EXHIBIT 1:	Comments received on Exposure of the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards	Page Number 3
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LISTING OF RESPONDENTS

Short Form Name	Name	Date Received
Pitcher Partners	Pitcher Partners	3 November 2023
CA ANZ	Chartered Accountants Australia & New Zealand (Informal responses from staff)	10 November 2023
Deakin	Deakin University	10 November 2023
Leon Olsen	Mr Leon Olsen (personal submission)	10 November 2023
AICD	Australian Institute of Company Directors	10 November 2023
Deloitte	Deloitte Touche Tohmatsu	13 November 2023
	Note to AUASB members: The Australian specific elements of comments received have not been included in this disposition paper. The Australian specific elements will be considered at the December 2023 AUASB meeting. PwC and CA ANZ/CPA made separate submissions on the Australian specific elements and these will be covered in a comments and disposition for the December 2023 AUASB meeting.	

EXHIBIT 1: Comments received on Exposure of the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards

No.	Question	Respondent Comment	Preliminary Office of the AUASB Commentary
	IAASB Questions (Overall Questions)		
1	Do you agree that IAASB ED 5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of the IAASB EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 of the IAASB EM to which your detailed comments, if any, relate (use a heading for each relevant item).	<p><u>Pitcher Partners</u></p> <p>Yes, we agree that IAASB ED 5000 is structured to be used as an overarching standard. The use of ISAE 3000 as the baseline for IAASB ED 5000 means that in principle it is highly flexible and can account for the items described in paragraph 14 of the IAASB EM.</p> <p><u>Deakin</u></p> <p>We believe that ED-5000, as an overarching standard:</p> <ul style="list-style-type: none"> • <i>Cannot</i> be applied for all sustainability topics and aspects of topics for the reasons set out in our covering letter. <p><i>Cover letter points:</i></p> <p>In our view, the proposed ISSA 5000 provides suitable standards for assurance practitioners in relation to assuring metrics and associated disclosures. However, it is unbalanced in relation to application guidance for assuring the descriptions of a business and other qualitative descriptive disclosures required by certain sustainability reporting mechanisms, frameworks and standards. With some targeted adjustments, the IAASB's proposed global sustainability assurance standard has the potential to become the comprehensive global standard that enhances trust and confidence across capital markets and society.</p> <p>The guidance and examples in the proposed ISSA 5000 relate almost exclusively to measurement of metrics as compared to guidance and examples related to evaluating qualitative disclosures such as the description of an organisation's</p>	<p>Covered in response to Question 1 of AUASB submission to IAASB.</p> <p>We will include a recommendation to the IAASB in the AUASB response to widen the examples used within ISSA 5000 – refer response to Q25.</p> <p>There is no need to explicitly include the purpose of the business model (including internal control), governance, innovation and risk management, as 'Sustainability Matters', 'Sustainability Information', these are already captured as 'Sustainability Information' per Application Material paragraph 32.</p>

No.	Question	Respondent Comment	Preliminary Office of the AUASB Commentary
		<p>business. All of the procedure-specific examples in the proposed ISSA 5000 relate to metrics.</p> <p>We believe that a solution can be achieved by adding examples and making a relatively simple change to the definition of 'sustainability matters' in ISSA 5000. This would clarify that all matters relating to enterprise value, a whole-of-business financial concept, are sustainability matters under ISSA 5000.</p> <p>The above theme permeates the following submission including our answers to the IAASB's key questions. In summary, we recommend that the IAASB:</p> <ul style="list-style-type: none"> ○ Change the definition of 'sustainability matters' and so improve the bridge between sustainability matters, sustainability information, sustainability topics and aspects of sustainability topics. Refer our answer to Question 1. ○ Add examples to guide assurance practitioners in making often-complex evaluation judgements on qualitative descriptions of the following as part of sustainability information: <ul style="list-style-type: none"> c) the business - refer answer to Question 7. d) whether the pre-conditions for assurance have been met - refer answer to Question 8. c) the materiality process - refer answer to Question 9. d) internal control – evaluation when part of sustainability information - refer answer to Question 10. <p>To achieve this, descriptions of the components of a business – its purpose, business model (including internal control), governance, innovation and risk</p>	

No.	Question	Respondent Comment	Preliminary Office of the AUASB Commentary
		<p>management must be explicitly recognised as sustainability matters and therefore sustainability information and sustainability topics in ISSA 5000.</p> <p>The corollary of 'framework-neutral' is framework-inclusive. We believe that the IAASB must provide standards, guidance and examples covering the key aspects of the global baseline of IFRS Sustainability Disclosure Standards as well as other sustainability reporting mechanisms, frameworks and standards which are built on comprehensive or partial descriptions of an organisation's business. Such descriptions provide context for the reporting of sustainability metrics and associated disclosures.</p> <ul style="list-style-type: none"> • If this matter is adjusted for, ED-5000 can be applied for: <ul style="list-style-type: none"> - all mechanisms for reporting - any suitable criteria - all intended users, including investors and other stakeholders - limited and reasonable assurance engagements - all assurance practitioners. 	
		<p><u>Leon Olsen</u></p> <p>No comment – haven't reviewed the proposal in sufficient detail to comment.</p>	N/A
		<p><u>AICD</u></p> <p>Given the intent is for Draft ISSA 5000 to improve comparability and trust in sustainability disclosures and be 'profession agnostic' (i.e. be applied by those outside of the accounting profession), we consider that more work could be done to improve the accessibility and understandability of Draft ISSA 5000.</p> <p>Whilst we appreciate that the standard needs to be technical, we recommend that guidance/outreach/education be undertaken aimed at variety of stakeholders, including report preparers, directors, financial auditors and sustainability</p>	<p>The draft submission includes the need for guidance. Additionally raised in Question 25 of the AUASB submission to the IAASB.</p>

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Comments and Disposition on Comments received on Exposure of the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards

No.	Question	Respondent Comment	Preliminary Office of the AUASB Commentary
		<p>assurance practitioners, to address areas of confusion or uncertainty. Topics for engagement (some of which we discuss above) may include:</p> <ul style="list-style-type: none"> • materiality; • working with qualitative information, estimates and forward-looking information; • engagement with directors; • engagement with other experts; and • the difference between limited and reasonable assurance from the perspective of non-assurance practitioners, such as directors and investors. 	
		<p><u>Deloitte</u></p> <p>Yes. ISSA 5000 provides a baseline for sustainability assurance engagements and can be reasonably applied to each of the following items as described in paragraph 14 of the IAASB EM.</p>	N/A
2	Do you agree that the proposals in IAASB 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?	<p><u>Pitcher Partners</u></p> <p>Yes, we agree that the proposals in IAASB ED 5000 are responsive to the public interest considerations, except for the implementability characteristic based on our comments included below particularly relating to the differentiation between limited and reasonable assurance engagements.</p>	Covered in responses to Questions 2, 7 and 13 of AUASB submission to the IAASB.
		<p><u>Deakin</u></p> <p>Yes, the proposals in ED-5000 are responsive to the public interest in conjunction with the work being performed by IESBA on ethics and independence standards for sustainability reporting assurance.</p>	N/A

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No.	Question	Respondent Comment	Preliminary Office of the AUASB Commentary
		The key issue will be regulating compliance with ISSA 5000 and the companion IESBA ethics and independence and quality management system standards. This is not a matter within the IAASB's control.	
		<u>Leon Olsen</u> No comment – haven't reviewed the proposal in sufficient detail to comment.	N/A
		<u>Deloitte</u> Yes. We agree that ISSA 5000 addresses the qualitative factors of timeliness, relevance, comprehensiveness, implementability, enforceability and scalability set out in the project proposal. However, in our responses to specific questions, we have highlighted areas where there may be practical challenges with implementing the standard or where guidance will be required to aid in consistent application of the standard by practitioners.	Noted throughout the submission.
3	Is the scope and applicability of IAASB ED 5000 clear, including when ISAE 3410 should be applied rather than IAASB ED 5000? If not, how could the scope be made clearer?	<u>Pitcher Partners</u> Yes, we believe this is clear.	Covered in response to Question 3 in AUASB submission to IAASB.
		<u>CA ANZ</u> As currently drafted the interaction between ISSA 5000 and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements is not clear, so needs to be clarified.	Covered in response to Question 3 of AUASB submission to IAASB.
		<u>Deakin</u> Yes	Covered in response to Question 3 of AUASB submission to IAASB.

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		<p><u>Leon Olsen</u></p> <p>It is clear enough in principal – the challenge is when both ISSA 5000 and ISAE 3410 applies to an engagement – as it would for many Australian energy and emissions reporting engagements – because it is assuring both scope 1 and 2 emissions (ISAE 3410) and energy production and consumption (currently ISAE 3000, in future ISSA 5000) – under current ISAE 3000 / ISAE 3410 the two standards are obviously aligned – with ISAE 3410 having to operate alongside ISSA 5000 this may change – obviously, ISSA 5000 is based on the same overarching assurance framework as ISAE 3000 and ISAE 3410, but it also includes significantly new requirements – this may result in unnecessary additional work to perform assurance without any discernible benefit – refer also response above to Australian specific questions.</p>	<p>Covered in response to Question 3 of AUASB submission to IAASB.</p>
		<p><u>Deloitte</u></p> <p>We understand the IAASB has adopted a straight-forward approach, to exclude sustainability engagements when the practitioner is providing a separate conclusion on a GHG statement, from the scope of ISSA 5000. However, from our experience, in many cases the practitioner is requested to provide assurance on GHG information that is both included with other sustainability information and in a separate statement. In such circumstances it may not be readily apparent to practitioners which standard should be applied (ISSA 5000, ISAE 3410 or ISAE 3000). In addition, conducting such engagements that are required to comply with multiple standards will result in duplication of effort (particularly in areas of planning, documentation, and other processes necessary to comply with ASQM 1 and ASQM 2).</p> <p>Specifically, in the case of limited assurance, the risk assessment requirements under ISSA 5000 and ISAE 3410 differ, which may lead to risk procedures being performed at a different depth for the same metrics disclosed in different</p>	<p>Covered in response to Question 3 of AUASB submission to IAASB.</p>

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		<p>reports, and consequently different procedures to respond to the risks of material misstatement, while the same level of assurance is provided.</p> <p>Consequently, we are concerned that users of the assurance reports may be confused about the nature and extent of the work performed when the subject matter refers to GHG statements under ISAE 3410 and/or when GHG information is included with other sustainability information under ISSA 5000. We are also concerned that assurance engagements may be designed to fit a particular assurance standard given the perceived difference in the level of effort. Having this diversity on the same subject matter for a limited assurance engagement is not in the public interest.</p>	
4	Is IAASB 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?	<p><u>Pitcher Partners</u></p> <p>Yes, the concept in theory is sufficiently clear.</p> <p>Practical implementation challenges arise with respect to what constitutes "at least as demanding", who makes this assessment, and how and when this will be assessed and regulated at a jurisdictional level (and more broadly whether this is consistently applied across jurisdictions).</p> <p>Additional guidance (outside the standard) may be useful going forward to set a consistent "benchmark" or expectation as to what (e.g., there are no areas that can be transitioned to at a later date) needs to be in place and when (e.g., prior to proposing for an engagement or prior to commencing the engagement) to comply with these requirements.</p> <p>How each jurisdiction assesses other frameworks as being comparable or "at least as demanding" in substance is something each of the local standard setters and regulators will need to resolve.</p> <p><u>CA ANZ</u></p>	<p>Covered in response to Question 4 of AUASB submission to IAASB.</p> <p>Covered in response to Question 4 of AUASB submission to IAASB.</p>

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No.	Question	Respondent Comment	Preliminary Office of the AUASB Commentary
		<p>In relation to the overarching principles of ethics, independence and quality management, stakeholders were generally supportive of the need for a level playing field so that nonaccountants can use the proposed standard while maintaining consistent high-quality assurance.</p> <p>However, stakeholders raised concerns around how the assessment of 'at least as demanding' will be made, monitored and enforced. It may be necessary for non-accountants to have transitional periods on first time adoption to allow them to establish a system of quality management and other necessary policies and processes for management of ethics and independence issues.</p> <p>We also heard concerns that the language of the ED is based on that used in the ISAs. This may present challenges for non-accountants to understand key concepts and they may require additional guidance and transitional considerations on first time adoption so as not to deter non-accountants from adopting ISSA 5000.</p>	
		<p><u>Deakin</u></p> <p>Yes</p>	<p>Covered in response to Question 4 of AUASB submission to IAASB.</p>
		<p><u>Leon Olsen</u></p> <p>In principle yes – in practice, what does this in fact mean? As per above, GHD is primarily an Engineering and Environmental Services company (firm), and applies a certified ISO9001 quality management system across the company – which is the appropriate quality management standards for these services – and therefore it would appear inappropriate to require ISQM1 and the IESBA code to apply across the whole company (firm) to be able to provide assurance services under ISSA 5000 – that would seem disproportionate and unreasonable.</p> <p>We have implemented additional procedures for our climate-related assurance practice to meet these requirements – that seems more proportionate and</p>	<p>The importance of level playing field is noted in the AUASB response, hence Office of the AUASB is not supportive of different standards applying to different practitioners. However, the AUASB submission does note the importance of including principles as to what at least as demanding is.</p> <p>Covered in response to Question 4 of AUASB submission to IAASB.</p>

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		<p>reasonable – and therefore we are confident that we apply something that is ‘at least as demanding’, as we believe we in fact apply the standard where applicable – however, it goes to the question of ‘what does this in fact mean’? More guidance on what it means would probably be required – and also more flexibility to allow firms / companies that need to meet other quality management requirements in unrelated fields to focus more on an approach that manages the assurance practice’s quality management, rather than the whole firm’s / company’s quality management – at least if this is a serious attempt at allowing other non-financial audit firms to also enter the field for sustainability assurance using ISSA 5000. Refer also response to Aus 10 above.</p>	
		<p><u>AICD</u></p> <p>In light of the directors’ role in recommending/appointing assurance practitioners and in reviewing and maintaining audit quality, more consideration needs to be given as to which quality management, ethics and independence standards apply to non-accounting sustainability assurance practitioners. Specifically, there needs to be clarification as to how to assess whether a non-accounting standard is “at least as demanding” as the relevant accounting standards, by whom this assessment can be made, and how compliance will be monitored and enforced.</p>	<p>The AUASB submission does note the importance of including principles as to what at least as demanding is. Compliance enforcement/monitoring is not in the remit of the IAASB nor the AUASB.</p> <p>Covered in response to Question 4 of AUASB submission to IAASB.</p>
		<p><u>Deloitte</u></p> <p>The concept of “at least as demanding” is not sufficiently clear and risks inconsistency in practice that could result in assurance reports that are similar in form but not in substance. Further guidance is needed for determining whether ethical requirements qualify as “at least as demanding” as the IESBA Code and whether the firm’s system of quality management is at least as demanding as ISQM 1. Additionally, it is unclear who is responsible for making this determination and who is responsible for monitoring execution. Given that the IESBA Code is being revised to be relevant to other assurance practitioners providing assurance on sustainability reporting, ISSA 5000 should require the</p>	<p>The AUASB submission notes the importance of including principles as to what ‘at least as demanding’ is.</p> <p>Covered in response to Question 4 of AUASB submission to IAASB.</p>

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		use of the IESBA Code, unless the assurance practitioner is required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated as at least as demanding as the IESBA Code.	
5	Do you support the definitions of sustainability information and sustainability matters in IAASB ED 5000? If not, what suggestions do you have to make the definitions clearer?	<p><u>Pitcher Partners</u></p> <p>Yes, the definitions of themselves are clear.</p> <p>We believe that the overriding premise that "sustainability information" referred to in the standard is that which is subject to assurance should be more clearly and prominently stated.</p> <p>We also suggest that the title of the standard be changed so that it is not misconstrued as the practitioner is not providing assurance on "sustainability". The title could be changed to something like: "General Requirements for Sustainability Information Assurance Engagements".</p>	Covered in response to Questions 5 and 25 in AUASB submission to IAASB.
		<p><u>CA ANZ</u></p> <p>Stakeholders have some concerns over the clarity of various terms used in the ED to refer to sustainability information and its aspects/topics and the information being assured.</p>	Covered in response to Question 5 in AUASB submission to IAASB.
		<p><u>Deakin</u></p> <p><i>Extract of the submission:</i></p> <p>We believe that there is a lack of alignment between the IFRS Foundation's enterprise-value based concept of 'sustainability' and definition of 'sustainability-related financial', and the IAASB's definition of 'sustainability matters'. It is not clear at this stage that an organisation's business is a sustainability matter for the purposes of ISSA 5000.</p>	The Deakin response has a particular framework focus. As ED-ISSA 5000 is a framework neutral standard, the AUASB does not intend to raise the Deakin comments in the submission to the IAASB. Additionally, the Deakin response in relation to this question does not represent a wider Australian stakeholder response to the AUASB. Office of the AUASB notes that the

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		(The remainder of the Deakin response to this question has been included at Appendix A to this Paper.)	Deakin submission has gone directly to the IAASB.
		<u>Leon Olsen</u> No comment.	N/A
		<u>AICD</u> Given the qualitative and assumption/judgement/contingency-laden nature of the majority of sustainability disclosures, consideration should be given to the suitability of the proposed “appropriateness of sustainability matters” test set out in paragraph 70 of the Draft ISSA 5000. Paragraph 70 of the Draft ISSA 5000 requires that the sustainability assurance practitioner evaluate the appropriateness of sustainability matters by considering whether those sustainability matters are “identifiable and capable of consistent measurement or evaluation against the applicable criteria, such that the resulting sustainability information can be subjected to procedures for obtaining sufficient appropriate evidence.” Whilst the Application Guidance provides some guidance as to how this may be assessed, it fails to recognise that some, if not a significant portion, of sustainability disclosures are incapable of consistent measurement or evaluation because of the inherent uncertainties of climate disclosures. These uncertainties arise because sustainability disclosures are often dependent on technological, regulatory, market and scientific assumptions which are subject to regular, and often significant, change. Many disclosures are also forward-looking in nature, and require estimation of the impact of inherently unknowable outcomes or events 5, 10 or 20+ years into the future (e.g. as part of transition plan disclosure). Given these inherent uncertainties, there is often debate between experts as to the reasonableness of disclosures. Key examples	Paragraph 70 references paragraphs 71-74 and all the associated application Material A164- A201. The requirements and application Material read together provide practitioners with sufficient guidance. Consistent measurement is against applicable criteria. Additionally, all these requirements come together as part of the pre-condition requirements of the assurance engagement. This is not dissimilar to a financial statement audit engagement where preconditions are required to be met. No further action.

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		<p>include the reasonableness of relying on emerging technologies, carbon offsets and/or particular decarbonisation pathways or strategies.</p> <p>In light of these complexities, more consideration needs to be given as to how assurance practitioners can assess the appropriateness of qualitative and uncertain sustainability matters, and how this assessment is recorded and communicated, including to directors and management.</p>	
		<p><u>Deloitte</u></p> <p>Yes. We are supportive of the definitions of sustainability information and sustainability matters, noting that it allows ISSA 5000 to be applied as a baseline for all sustainability assurance engagements.</p> <p>However, with respect to the definition of “sustainability information”, we note that there may be some confusion resulting from the interaction of the definition in paragraph 17(uu), the statement made in paragraph 4 “When the assurance engagement does not cover the entirety of the sustainability information, the term sustainability information is to be read as the information that is subject to the assurance engagement”, and how the term is subsequently used throughout the standard.</p>	Covered in response to Questions 5 of AUASB submission to IAASB.
6	Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?	<p><u>Pitcher Partners</u></p> <p>Yes, the relationship is clearly distinguished.</p> <p>We do highlight that it will be critical that practitioners particularly practitioners not familiar with the concepts in the other assurance standards, entities and intended users are all aware of and understand the definitions, relationship, and differentiation between these terms.</p>	Covered in response to Questions 1 and 5 of AUASB submission to the IAASB.
		<u>Deakin</u>	As per Question 5 above.

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		<p>Refer to our answer for Question 5.</p> <p><u>Leon Olsen</u></p> <p>It seems clear. However, a key comment in respect is the requirement to review 'other information' when performing assurance under ISSA 5000 – this sounds nice in theory, but it is too open ended a requirement. ISSA 5000 needs to be applicable in many different situations, including broad and narrow scope assurance engagements, as well as voluntary and mandatory assurance scopes – and noting the 'other information' can comprise a lot of very different information unrelated to a narrow scope voluntary assurance engagement that a responsible party has requested. In financial auditing we are talking about mandatory audits, and also largely mandatory disclosures that must be provided in the annual report together with the financial statements – therefore, the 'other information' in that respect is defined in legislation or standards (even as there is discretion to provide further information) and obviously should be reviewed for consistency with the financial statement audit, as the financial statements clearly are to be read in conjunction with that other information. In many cases this may also be valuable for assurance over sustainability information – however, as some or a lot of it will be voluntary, and bespoke or narrow scope, and the 'other information' can be open ended in scope, this requirement is simply too open ended. It may be better to clarify this requirement further – for example, for mandatory assurance require that 'other information' that is related to the matter assured should be reviewed for consistency – and then also provide requirements for disclosing in the assurance report whether or what 'other information' has been subject to a consistency review, for clear and transparent communication in this respect – including clearly communicating if it hasn't been reviewed – this may be a much better approach that allows flexibility, avoids a too open ended scope, and is transparent.</p>	<p></p> <p>The premise of ISSA 5000 is based on the existing suite of IAASB standards, this includes ISA 720. Office of the AUASB acknowledges the challenges here and this is included at Question 25 of the AUASB submission to the IAASB.</p>

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		<p><u>Deloitte</u></p> <p>The inclusion of Appendix 1 is critical in understanding the relationship between sustainability matters, sustainability information, topics, aspects of topics and the related disclosures.</p> <p>However, in addition to the point made in relation to the definition of “sustainable information” in Q5 above, we note that there may also be some confusion when using the term “disclosures” as defined in ISSA 5000, particularly in the context of assurance engagements conducted under disclosure frameworks for financial statement reporting.</p>	<p>Covered in response to Questions 5 and 6 in the AUASB submission to the IAASB.</p> <p>Office of the AUASB has not included the point on disclosures – Office of the AUASB considers that the term is well understood and that this has not come up through general outreach.</p>
7	Does IAASB 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?	<p><u>Pitcher Partners</u></p> <p>IAASB ED 5000 does include definitions, different language and tables to differentiate between a limited and reasonable assurance engagement, however it doesn't sufficiently address the differentiation in work effort from a practical perspective. We acknowledge that ISAE 3000 was used as a baseline and similar challenges currently exist in the application of this standard, however the challenges are further heightened within IAASB ED 5000 based on the qualitative nature of many disclosures for which assurance will be provided and the likelihood of more "non-auditor" assurance practitioners performing these engagements.</p> <p>The challenges predominantly arise in planning and risk assessment, and when providing assurance on qualitative (rather than quantitative) based information. A good example of this is in paragraph 94 whereby it states the practitioner shall design and perform risk procedures sufficient to:</p> <ul style="list-style-type: none"> For limited assurance, "identify disclosures where <u>material misstatements</u>, whether due to fraud or error, are <u>likely</u> to arise and thereby provide a basis for <u>designing further procedures to focus on</u> 	<p>Covered in response to Question 7 of the AUASB submission to the IAASB.</p> <p>No amendment made to take into account commentary around assertions. The assertions of consistency and responsibility are already contained within ISRS 3410, so these assertions are not new. Office of the AUASB do not consider these create additional confusion.</p>

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		<p>those disclosures".</p> <ul style="list-style-type: none"> For reasonable assurance, "identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures; and design and perform further procedures." <p>Given that materiality is a measure of magnitude and 'likely' is potentially the same as 'likelihood' then we don't believe in substance that "disclosures where material misstatements are likely" is substantially different to "risks of material misstatement at the assertion level", given risks are identified based on likelihood and magnitude.</p> <p>Whilst we acknowledge that different words have been utilised to describe the risk procedures for limited and reasonable assurance, it is not clear what the substantive differences are and how this flows through to differentiation of work effort. This is especially the case for assurance practitioners performing a limited assurance engagement under IAASB ED 5000 that are not the auditor of the entity as they don't have the accumulated understanding of the entity and previous knowledge of risks to assist in "identifying disclosures where material misstatements are likely to arise".</p> <p>On a different note, we believe that the introduction of additional "assertions" of Responsibility and Consistency in IAASB ED 5000 doesn't make the standard more implementable particularly as these appear in the examples to be covered by existing assertions.</p> <p>The definitions of these assertions in IAASB ED 5000 are:</p> <ul style="list-style-type: none"> <i>Responsibility - the disclosures pertain to the entity.</i> <i>Consistency - the criteria and application of the criteria are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed;</i> 	

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		<p><i>and comparative information, if any, is as reported in the prior period or has been appropriately restated.</i></p> <p>Based on the above, it is not clear whether this will provide more clarity for assurance practitioners or whether it may create confusion for those who have performed audit/assurance engagements previously under the current suite of IAASB standards.</p>	
		<p><u>CAANZ</u></p> <p>We also heard concerns that the inability to accept a limited assurance engagement if a reasonable assurance engagement is not possible is not clear enough.</p> <p>Stakeholders feel that the difference between limited and reasonable assurance is not necessarily clear and questioned the required work around internal controls and risk assessments for limited assurance. While the ED is being written after recent changes to the ISA suite, such as the revision of ISA 315, there are currently differences between how limited assurance is discussed and the work effort required between the ED and ISAE 3000, and even ISRE 2400.</p>	<p>This is clear at A164 of ED-ISSA 5000.</p> <p>Included in Question 7 of AUASB submission to the IAASB.</p>
		<p><u>Deakin</u></p> <p>An example about evidence required to conclude on whether description of design and operation of a business model (including governance, strategic</p>	<p>A general comment about additional examples has been included in Question 25 of the AUASB submission to the IAASB.</p>

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		<p>management, materiality determination, stakeholder management and reporting processes) in, alternatively, a limited or reasonable assurance engagement, would be helpful. The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.</p> <p><u>Leon Olsen</u></p> <p>Whilst it is welcome to define specific and more distinctive requirements for limited and reasonable assurance more, the focus on 'controls' as part of the risk procedures is probably not the best way to do it, and indeed may be inappropriate for many sustainability information aspects – because it is transferring something that is well understood and designed for preparation of financial reporting, but converging on this controls framework for assurance of all sustainability information is probably ill-advised. It does not always translate well to the preparation of sustainability information – indeed, many sustainability management or reporting frameworks doesn't define and use the same or similar controls frameworks, and for some of them there may be areas where it may be confusing to understand what different terms imply. Take 'Human Rights Due Diligence' as defined by the UN Guiding Principles for Business and Human Rights (UNGPs), which most countries across the World has endorsed – and which also requires transparency (reporting) on key aspects of the due diligence – this due diligence framework is the same as promoted by the OECD Guidelines for Multinational Enterprises in respect of Responsible Business Conduct – both instruments that the Australian government has endorsed. And the GRI Guidelines builds on this, as does the EU Corporate Sustainability Reporting Directive. This due diligence framework doesn't really talk about 'controls' – it can clearly be interpreted as a type of 'control', as it requires companies to perform due diligence to identify and assess risks of adverse impacts that the company causes, contributes to or is linked to – some of which explicitly is outside of the company's own control – and then to put in place processes to avoid or mitigate such adverse impacts – and remediate them where causing or contributing to them. All of this could be considered 'controls' – but the term 'control' is general not used in the framework, not</p>	<p></p> <p>The AUASB's response to Question 7, recognises the need for additional guidance.</p>

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		<p>least because a lot of it relates to aspects outside of the company's own control. So, how is an assurance practitioner going to perform 'risk procedures' so squarely focussed on the 'control environment' and 'internal control' when performing assurance of sustainability information prepared in ways that align to these international instruments (e.g., relating to human rights disclosures) that doesn't apply the controls framework that this whole assurance approach is based upon?</p> <p>Also, there will be some sustainability information that is so different in form and matter that the financial reporting controls framework thinking may be useful as inspiration, but inappropriate as a convergent requirement. Noting further, given ISSA 5000 is not applying the inherent risk, control risk and detection risk framework due to this being considered inappropriate for sustainability information, why then is the controls framework that is tightly related to that whole framework then considered appropriate? ISSA 5000 needs to have more flexibility given the broad array of subject matter that may be subject to assurance as part of 'sustainability information' than converging on this financial reporting inspired controls framework implies.</p> <p>Because the whole controls framework translates poorly to a lot of sustainability information, the whole process of differentiating limited and reasonable assurance on that basis is flawed – it is recommended that this is reframed – noting a 'control' effectively is just a procedure or process perhaps softening the language to use other terms, whilst recognising that it needs to be broadened and more flexible – noting that sustainability information generally has far less robust procedures or process around it – which then would make reasonable assurance based on the proposed approach challenging and possibly impossible to perform – which surely is not the intention? So, perhaps focus more on what types of additional work should be performed to review and tests a responsible party's procedures and process, including possible differentiation on the level of substantive testing required – but with more flexibility on what this implies given the broad array of sustainability information with different</p>	

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		<p>management and reporting frameworks to be applied.</p> <p><u>Deloitte</u></p> <p>There is a need to further differentiate the requirements for limited assurance and reasonable assurance, especially given the diversity in experience of practitioners who will be performing these engagements. The lack of differentiation between the two levels of assurance is further exacerbated by the option to be engaged in a combination of a limited and reasonable assurance engagement. This could create confusion in the nature, timing and extent of procedures expected to be applied to the sustainability information subject to assurance, and as a result may create inconsistency in execution across assurance engagements.</p> <p>We believe there will be a need to educate users on the difference between limited and reasonable assurance and would encourage the IAASB to publish educational materials that could be used to achieve this aim. We do not believe that assurance reports by practitioners in and of themselves will achieve the level of education needed.</p>	<p>Covered in response to Question 7 in AUASB submission to the IAASB.</p>
8	<p>Is IAASB 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</p>	<p><u>Pitcher Partners</u></p> <p>The most critical aspect of any sustainability assurance engagement for entities and assurance practitioners is the required preconditions and acceptance process. This should be directly stated and emphasised so it is clear upfront that if any (or some) of the preconditions are not met then a sustainability assurance engagement would not be appropriate.</p> <p>We believe that the above matter should also be on the IAASB's agenda to be messaged and communicated to all relevant parties through various forums so entities and assurance practitioners can directly consider this as part of their (transition) plans.</p>	<p>Covered in response to Question 8 of the AUASB submission to the IAASB.</p>

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	could the requirements be made clearer?	In addition to the above, we believe that the content of paragraph A164 (referenced from paragraph 71) should be elevated to be part of the preconditions of the engagement to give it more prominence. It is important to state upfront in the requirements that changing the level of assurance from reasonable to limited does not address the fact that the sustainability matters are not appropriate and thus is not acceptable.	
		<u>CAANZ</u> We heard concerns about the amount of work the ED require of the assurance practitioner prior to accepting an engagement and what level of work is practical/commercial to expect a practitioner to do before an engagement can even commence.	Covered in response to Question 8 of AUASB submission to IAASB.
		<u>Deakin</u> In our view, without the inclusion of appropriate guidance and examples in ISSA 5000, if sufficient attention is not given to analysing whether the documentation of the business is likely to be assurance-standard evidence there will be a significant risk that engagements may be 'passed' in terms of meeting the preconditions for assurance when they do not in fact meet those pre-conditions. Once engagements are accepted, they must be completed and reported on. As a consequence, there is a risk of an unnecessarily high number of assurance report modifications if practitioners misjudge the preconditions for assurance being met. This could create reputation risks in relation to the reporting organisation, the assurance practitioner and ISSA 5000. The risk could have been mitigated by the organisation waiting say a year to obtain integrated reporting assurance and having an assurance readiness review completed and acted upon in that year. Such an assurance readiness review may be completed by the sustainability reporting assurance practitioner. This matter was addressed in the draft Example 10 of the IAASB's 2021 Extended External Reporting Assurance Guidance. Assurance practitioners need guidance on this	Assurance readiness reviews are a commercial arrangement between practitioners and entities and are not a matter for ISSA 5000. No further action.

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		<p>matter when they first apply ISSA 5000 (as do preparers – preparers need to have done sufficient preparation when they ask for assurance), for their first adoption of ISSA 5000 which will coincide with the first adoption of IFRS Sustainability Disclosure Standards S1 and S2.</p> <p>It is likely that most organisations will begin with limited assurance and later move to reasonable assurance when evidence exists that reasonable assurance will be valued by users, a consideration of rational purpose.</p> <p>We believe that there is a strong case for bespoke ‘assurance-related advisory’ guidance to be issued on the pre-conditions for assurance, focusing on evaluation of foundational descriptions of a business in relevant reports.</p> <p>An example is needed in relation to the assurance practitioner reviewing, without doing extensive work, whether available documentation of the business model is likely to stand up to the scrutiny of independent external assurance, and how to shape an assurance readiness review as an alternative in the short term. The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.</p>	
		<p><u>Leon Olsen</u></p> <p>No comment – haven’t reviewed the proposal in sufficient detail to comment.</p>	N/A
		<p><u>Deloitte</u></p> <p>Yes. The requirement for the practitioner to obtain a preliminary knowledge of the engagement circumstances, including the sustainability information expected to be reported and the scope of the proposed assurance engagement, is clearly presented in paragraph 69.</p> <p>However, we note that in providing further clarity on the Scope of the Assurance Engagement, Section 1-F Paragraph 50 of the IAASB Explanatory Memorandum (EM) states that the “practitioner must have knowledge of the</p>	Covered in response to Questions 8 of AUASB submission to IAASB.

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		<p>sustainability information outside of the scope of the assurance engagement, in order to avoid being associated with information that is materially false or misleading and to determine whether the scope of the engagement is appropriate”.</p> <p>It is unclear the basis on which the practitioner would be able to make this determination and there could be significant practical challenges in being able to determine the level of understanding required of information outside the scope of the assurance engagement. We acknowledge that ISSA 5000 describes the practitioner's responsibility to determine whether the preconditions of an assurance engagement are present, which includes determining whether the scope of the proposed assurance engagement encompasses all or part of the sustainability information (which may include consideration of the entity's materiality processes) and evaluating whether the engagement exhibits a rational purpose. However, further guidance on the practitioner's responsibility to obtain knowledge of the sustainability information outside of the scope of the assurance engagement, in order to avoid being associated with information that is materially false or misleading, would be helpful, including the extent of the understanding required at the relevant phases of the engagement.</p> <p><i>Extract from cover letter:</i></p> <p>The IAASB Explanatory Memorandum states that the “practitioner must have knowledge of the sustainability information outside of the scope of the assurance engagement, in order to avoid being associated with information that is materially false or misleading and to determine whether the scope of the engagement is appropriate” (Section 1-F, paragraph 50). It is unclear the basis on which the practitioner would be able to make this determination and there could be significant practical challenges in being able to determine the level of understanding required of information outside the scope of the assurance engagement, when assessing whether the preconditions of an assurance engagement are present. We would welcome further implementation guidance in respect of this requirement.</p>	

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		<p>We also suggest including clarification in the standard on the criticality of understanding the entity's materiality process in the initial planning of the engagement.</p> <p>Although we agree with the need to consider the entity's materiality process when determining whether the preconditions of an assurance engagement are present at the acceptance stage, we would like to highlight there are circumstances where this requirement may pose considerable practical and commercial implications. Although in Australia mandatory reporting and disclosure requirements will be defined, the standard is intended to be applied for all assurance engagements on sustainability reporting. Where assurance is provided over voluntary reporting, the steps required in gaining a sufficient understanding of the entity's materiality process to determine whether the engagement can be accepted may require significant upfront investment from both the assurance practitioner and reporting entity, and may likely include the assurance practitioner requiring access to substantial confidential client information prior to the terms of engagement being entered into. Market practice will need to evolve to navigate these challenges, such as the implementation of non-disclosure agreements, which will have a consequential impact on the risk management processes of corporate entities and assurance practitioners.</p>	
9	Does IAASB 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?	<p><u>Pitcher Partners</u></p> <p>We acknowledge that "materiality process" is one of several terms that the entity's process may be referred to and it is only referred to three times in IAASB ED 5000 within explanatory material paragraphs. However, we still believe there is potential for confusion with the practitioner's process of determining and applying materiality in the assurance engagement and the differentiation (and potential cross over) between the entity's materiality process and practitioner's process, and the concept of materiality applied by the entity and practitioner. We note that this comment is equally relevant to another term used which is "materiality assessment".</p>	The entity's process and the assurance practitioner's process are clearly differentiated within ED-ISSA 5000. No further action.

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		<p><u>CA ANZ</u></p> <p>There are a number of concerns around the application of materiality including the need for clarity around the entity's materiality process and the assurance practitioner's materiality applied, the potential need for multiple materiality figures/measures for different types of sustainability information reported, how individual sustainability reporting frameworks deal with the concept of materiality, applying materiality to qualitative disclosures and how the auditor assesses the individual misstatements to form their overall assurance opinion/conclusion including any modifications. Practitioners expressed the need for more guidance and/or additional standards addressing materiality.</p>	<p>Covered in response to Questions 8, 9, 11 and 12 of AUASB submission to IAASB.</p>
		<p><u>Deakin</u></p> <p>In our view ED-5000 appropriately addresses the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported. We believe that the application guidance in ISSA 5000 should include an example of how to evaluate a description of the materiality process (which will always in itself be material and therefore described as part of the description of a business) in a basis of preparation in a report containing a whole or partial description of a business and sustainability-related financial and other metrics (determined through a standard or self-determined). The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.</p> <p>In our view, the Integrated Reporting Framework provides a sound basis for a materiality determination process and its description in a report containing a description of the business. The Framework itself does not need to be mentioned in ISSA 5000. Rather, the way in which this is approached in the Framework can be included in an example in non-framework specific terms. Materiality is defined in the Integrated Reporting Framework:</p> <ul style="list-style-type: none"> • The primary intended audience of an integrated report is providers of financial capital. A matter is material if it could substantively affect the 	<p>The Deakin response has a particular framework focus. As ED-ISSA 5000 is a framework neutral standard, the AUASB does not intend to raise the Deakin comments in the submission to the IAASB.</p> <p>The response to Question 8, is that the EER Guidance Chapter 4, considering the entity's process to identify reporting topics, has materials that could be incorporated into the application material of ED-ISSA 5000.</p>

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		<p>organisation's ability to create value in the short, medium and long term. This is equivalent to the definition of material in IFRS Sustainability Disclosure Standard S1.</p> <ul style="list-style-type: none"> • Paragraph 2.2 of the Integrated Reporting Framework notes that value is not created by or within an organisation alone. It is influenced by the external environment; created through relationships with stakeholders; and is dependent on various resources. • Paragraph 4.43 of the Integrated Reporting Framework requires that an integrated report include a summary of the organisation's materiality determination process in its Basis of Preparation and Presentation under paragraph 4.41 and key judgements, including a brief description of the process ('materiality process' in ISSA 5000) used to: <ul style="list-style-type: none"> - determine material matters, - evaluate their importance, and - narrow them down to material matters. <p>Delivering an assurance report expressed in terms of both IFRS Sustainability Disclosure Standards S1 and S2 and GRI Standards will require that the assurance practitioner is able to distinguish between S1 / S2 and GRI disclosures.</p>	
		<p><u>Leon Olsen</u></p> <p>No comment – haven't reviewed the proposal in sufficient detail to comment.</p> <p>A question is the extent to which this has drawn on extensive experience from professionals having performed AA1000 assurance, as that has more than 15 years of practice in focussing on assuring the double materiality process – even as it may have limitations in terms of ISAE or ISSA assurance. Noting in this respect that GRI's report content principles has drawn on this experience, and</p>	N/A

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		<p>therefore that the EU's Corporate Sustainability Reporting Directive also is built on some of this experience.</p> <p><u>Deloitte</u></p> <p>The IAASB EM (p52) notes that obtaining an understanding of the entity's materiality process is critical to determining whether the reporting complies with certain frameworks or entity-developed criteria.</p> <p>However, discussion of the practitioner's consideration of the entity's materiality process is limited to the application material (A157 and A273). Given that the entity's materiality process is fundamental to determining the sustainability information included in the scope of the assurance engagement, we suggest including clarification in the standard on the criticality of understanding the entity's materiality process in the initial planning of the engagement.</p>	<p></p> <p>Covered in response to Question 8 in AUASB submission to IAASB.</p>
10	Does IAASB 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?	<p><u>Pitcher Partners</u></p> <p>Yes, except for that noted in our response to question 11 below.</p> <p><u>Deakin</u></p> <p>We believe it is critical that reports containing sustainability information include a comprehensive basis of preparation and presentation in order to constitute suitable criteria for assurance. The basis of preparation and presentation should include a description of the reporting process, including internal controls therein, as this process will always in itself be material.</p> <p>We recommend that an example be included in ISSA 5000 of how an assurance practitioner should evaluate a description of a basis of preparation and presentation in a report containing a whole or partial description of a business and sustainability-related financial and other metrics, with a focus on internal controls within that process over how the description of the business has been</p>	<p>See comment in Question 11 below.</p> <p>The Deakin response has a particular framework focus. As ED-ISSA 5000 is a framework neutral standard, the AUASB does not intend to raise the Deakin comments in the submission to the IAASB. Additionally, the Deakin response in relation to this question does not represent a wider Australian stakeholder response to the AUASB. Office of the AUASB notes that the Deakin submission has gone directly to the IAASB. The AUASB response to the IAASB at Question 25 contains a</p>

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		<p>prepared and how the metrics have been determined. The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.</p> <p>In our view, the Integrated Reporting Framework provides appropriate guidance as to the contents of a basis of preparation and presentation. Without mentioning the Framework, the example could address the recommended contents of a basis of preparation and presentation set out in paragraphs 4.41 and 4.42 of the Framework.</p> <p>The example should focus on the need for the assurance practitioner to understand, evaluate and conclude upon the basis for and validity of statements made:</p> <ul style="list-style-type: none"> • Summary of the materiality determination process, including the role of those charged with governance • Description of the reporting boundary and how it has been determined • Summary of the frameworks and standards chosen (for instance, the Integrated Reporting Framework, IFRS Sustainability Disclosure Standards, GRI Standards) • Methods used to quantify or evaluate material matters - for instance, the use of: <ul style="list-style-type: none"> - IFRS Sustainability Disclosure or GRI Standards, or - the self-determination of metrics such as in relation to customer satisfaction and other intangibles • How the integrity of underlying information has been ensured 	<p>general comment about the need for more extensive examples.</p>

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		<p><u>Leon Olsen</u></p> <p>Limited comments – haven't reviewed the proposal in sufficient detail to comment to what is requested.</p> <p>Noting – additional focus on criteria and the availability of them is important – as is additional focus on considering the responsible party's application of the criteria – i.e., their basis of preparation – indeed, sustainability report assurance is currently often done without sufficient focus on this – this could be a significant improvement to what is the current practice – which appears to not follow ISAE 3000 requirements on transparency of criteria – ISSA 5000 could emphasise this far more, which would be a significant step forward for better sustainability reporting, as well as the assurance of it.</p>	<p>Covered in response to Question 1 of AUASB submission to IAASB.</p>
		<p><u>Deloitte</u></p> <p>Yes. ISSA 5000 provides sufficient guidance regarding the practitioner's responsibility to evaluate the suitability and availability of the reporting criteria.</p> <p>It is the responsibility of the assurance practitioner to evaluate whether the criteria expected to be applied in the preparation of the sustainability information are suitable and available to intended users (paragraph 72). The application material states that "framework criteria embodied in law or regulation or issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary" (A170). We suggest the IAASB replace the phrase "are presumed to be suitable" in this paragraph with "may be presumed to be suitable". This would avoid practitioners defaulting to the presumption that certain criteria are always suitable without first making an appropriate evaluation in the facts and circumstances of the engagement.</p>	<p>The remainder of the sentence - in the absence of indications to the contrary, covers this point sufficiently. No further action.</p>

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11	Does IAASB 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?	<p><u>Pitcher Partners</u></p> <p>The notion of "double materiality" links to the relevance of the criteria with respect to the information needs. of the intended users and what should be included in the sustainability information based on the impacts of sustainability matters on the entity and the impacts of the entity on sustainability matters. The actual language of "double materiality" is only used once in the IAASB ED 5000 in explanatory material (paragraph A180) however the concept which refers to "financial materiality" (impacts of sustainability matters on the entity) and "impact materiality" (impacts of the entity of sustainability matters) may create confusion and misunderstanding with the practitioner's consideration or determination of materiality.</p> <p>We suggest that the wording in paragraph A180 be revisited to state directly and make it clear that references to financial materiality and impact materiality relate to the entity's responsibilities (which are linked to the entity's materiality process as currently referenced to paragraph A157).</p>	<p>the linkage back to the entity's responsibility is clearly articulated through A157 of ISSA 5000. No matter raised.</p>
		<p><u>Deakin</u></p> <p>ED-5000 appropriately differentiates preparer and practitioner materiality. Refer to our answer to Question 9 which stresses not only the importance of preparers having a materiality process but also the importance of disclosing that process such that the process description is subject to assurance under ED-5000. This will include a description of sustainability risks and opportunities considered but judged to be not financially material at the reporting date.</p> <p>We question the inclusion of the term 'double materiality' in a framework-agnostic assurance standard given that 'double materiality' is framework-specific.</p> <p>We are also concerned by the use of the term 'impacts' in the definition of sustainability matters in the proposed ISSA 5000. That term is associated with</p>	<p>Refer AUASB response to the IAASB at Question 11, noting the issue with framework neutrality. No further action.</p>

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		<p>GRI Standards and not IFRS Sustainability Disclosure Standards, the CSRD, ESRS and the Integrated Reporting Framework.</p> <p>The use of ‘impacts’ on a stand-alone basis detracts from the aim that ISSA 5000 should be framework-agnostic. The terms, ‘resources and relationships’, ‘activities’ and ‘outcomes’ should be added so that ISSA 5000 becomes framework-inclusive and framework-agnostic.</p>	
		<p><u>Leon Olsen</u></p> <p>No comment – haven’t reviewed the proposal in sufficient detail to comment.</p>	N/A
		<p><u>Deloitte</u></p> <p>The concept of “double materiality” is appropriately explained and clearly distinguished from the practitioner’s consideration or determination of materiality. However, we note that there may be inconsistencies in the definition of financial materiality and impact materiality when compared to specific disclosure frameworks (e.g. IFRS S1 and ESRS 1).</p> <p>Additionally, given that ISSA 5000 is a framework-neutral assurance standard, we highlight that in practice, for certain sustainability engagements, there will likely be challenges for both management and the practitioner in determining the full population of intended users, as well as what is important to each of the intended users. Paragraph A26 states that in cases where the practitioner is not able to identify all those who will read the assurance report, intended users may be limited to ‘major stakeholders with significant and common interests’. Further guidance is needed for determining when stakeholders meet this characteristic.</p>	<p>Covered in response to Q11 in the AUASB submission.</p> <p>See response to Q1 in the AUASB submission regarding intended users.</p>
12	Do you agree with the approach in IAASB ED	<u>Pitcher Partners</u>	Refer to AUASB response to IAASB in Question 12.

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	<p>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?</p>	<p>We acknowledge that it is good to directly distinguish between the two aspects of qualitative and quantitative disclosures, especially given that a significant proportion of sustainability information disclosures will be qualitative in nature.</p> <p>In practice, the concept of determining and applying materiality for quantitative and qualitative disclosures in sustainability assurance engagements will be very challenging as in many cases it is likely that there will be multiple "common" information needs of intended users and sustainability information disclosures and thus, substantially more than two materiality outcomes. Paragraph A277 of IAASB ED 5000 refers to this by stating that "not all disclosures involve the same materiality considerations" and "ordinarily, materiality is considered or determined for different disclosures". It then goes further to state that "for different disclosures, the same intended users may have different information needs, a different tolerance for misstatement, or the disclosures may be expressed using different units of measure".</p> <p>The qualitative matters of materiality are so wide ranging (as indicated in paragraph A278) and open ended and that despite the generic guidance in IAASB ED 5000 applying a coherent, supportable and consistent approach for a disclosure or multiple disclosures will be challenging for practitioners. Further, whether or how an assurance provider could communicate the materiality to relevant parties, given its multifaceted nature, is unclear.</p> <p>We believe that further guidance and illustrative examples are needed to assist practitioners in structuring and considering/determining materiality for quantitative and qualitative disclosures at not only an individual disclosure level but also from an overall perspective, and how this then impacts the form and content of the assurance report, especially if a modification was appropriate (including how the equivalent concepts within ISA 705 relating to the effect of misstatements as "material but not pervasive" versus "material and pervasive" would be applied).</p> <p>It may be appropriate to consider providing guidance for individual <u>quantitative</u> disclosures similar to that previously included in the defunct</p>	

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		<p>Australian accounting standard AASB 1031, which would be beneficial in providing an increased consistency and ease of application.</p> <p>Paragraph 15 of AASB 1031 stated:</p> <p><i>"...Materiality judgements can only be properly made by those who have the facts. In this context, the following quantitative thresholds may be used as guidance in considering the materiality of the amount of items included in the comparisons referred to in paragraph 13 of this Standard:</i></p> <p><i>(a) an amount which is equal to or greater than 10 per cent of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary; and</i></p> <p><i>(b) an amount which is equal to or less than 5 per cent of the appropriate base amount may be presumed not to be material unless there is evidence, or convincing argument, to the contrary."</i></p> <p>Further, this will have a significant impact on the determination of the conclusion or opinion when errors or omissions are identified and assurance practitioners have to conclude whether it is material or pervasive to the opinion. Illustrative examples and guidance to resolve this will be crucial to ensure consistency.</p> <p><u>Deakin</u></p> <p>Refer to our answer to Question 9.</p> <p><u>Leon Olsen</u></p> <p>No comment – haven't reviewed the proposal in sufficient detail to comment.</p> <p><u>Deloitte</u></p>	

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		<p>We are supportive of the approach for the practitioner to consider materiality for qualitative disclosures and determine materiality for quantitative disclosures.</p> <p>However, we would welcome additional implementation guidance that addresses how to consider materiality for the purpose of determining risks of material misstatement, designing further procedures and evaluating disclosures both individually and in the context of the sustainability reporting as a whole.</p>	
13	<p>Do you agree with the differentiation in the approach in IAASB 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?</p>	<p><u>Pitcher Partners</u></p> <p>We agree that some of the language used clearly differentiates between limited and reasonable assurance engagements. For example, it refers to obtaining an understanding of the entity's control activities for reasonable assurance engagements whereas this is not included at all for limited assurance engagements. However, in other instances the language is very similar for both types of assurance engagements which may be challenging for assurance practitioners (especially those that are outside the accounting profession) and create confusion for entity management and users of the report. For example, in paragraph 102 for limited assurance engagements it refers to "the results of the entity's risk assessment process and for reasonable assurance engagements it refers to "the entity's risk assessment process". In addition to this, the two explanatory material paragraphs (relating to paragraph 102) applicable for limited assurance engagements are also applicable for reasonable assurance engagements.</p> <p>Furthermore, although control activities are not referred to in paragraph 102 for limited assurance engagements, in paragraph 107 relating to control activities the table is populated for limited assurance engagements and states "if the practitioner plans to obtain evidence by testing the operating effectiveness of controls...". This may create further misunderstanding with respect to the differentiation and it is not clear in what circumstances the practitioner would be</p>	<p>Covered in response to AUASB response to IAASB at Question 13.</p>

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		<p>testing the operating effectiveness of controls and what impact this would have on other procedures in a limited assurance engagement.</p> <p>We suggest that the language and linkages as highlighted above are revisited by the IAASB. Also, illustrative examples would assist in making clearer what and how the extent of understanding would differentiate between a reasonable and limited assurance engagement.</p>	
		<p><u>Deakin</u></p> <p>Refer to our answer to Question 10. We believe that the reporting process and the internal controls within it will always be a material business process within an organisation's business model. Accordingly, it will be described in a report containing sustainability information, either in the basis of preparation and presentation or as part of the description of the business model.</p> <p>In this way, what is 'underlying subject matter' in a financial statements audit will become 'sustainability information' subject to assurance in a sustainability reporting assurance engagement.</p> <p>We believe that in due course the whole of an annual report will become subject matter or sustainability information subject to assurance and there will be a whole-of-annual report assurance report.</p> <p>We also believe that financial statement auditors leading teams with appropriate subject matter experts will be ideally placed to deliver such assurance reports given the comprehensive understanding of the business and expertise in interacting and communicating with boards of directors and senior executives that they must have.</p>	<p>The Deakin response has a particular framework focus. As ED-ISSA 5000 is a framework neutral standard, the AUASB does not intend to raise the Deakin comments in the submission to the IAASB. Additionally, the Deakin response in relation to this question does not represent a wider Australian stakeholder response to the AUASB. Office of the AUASB notes that the Deakin submission has gone directly to the IAASB.</p>
		<p><u>Leon Olsen</u></p>	<p>The standard only requires understanding of controls and D&I testing for RA, the standard does not</p>

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		<p>Refer response to question 7 above – noting the controls framework used for this may not be appropriate and fit-for-purpose for many sustainability information subject matters – e.g., human rights reporting. ISSA 5000 needs to be more flexible given the broad array of subject matter it needs to be able to enable assurance of.</p> <p>Additionally, the risk procedures for reasonable assurance reads as if testing of controls, including general IT controls, is required for reasonable assurance – why this should be necessary for assurance of all sustainability information seems unsubstantiated, and perhaps is not intended unless there is supposed to be controls reliance (which will not really be possible for most sustainability information to be assured for quite a while) – noting again, for example, human rights due diligence as mentioned in response to question 7 above would not likely require general IT controls to be tested to be able to assure it, whether to limited or reasonable level of assurance.</p>	<p>require testing of controls unless the practitioner intends to obtain evidence about the operating effectiveness. No further action required.</p>
		<p><u>Deloitte</u></p> <p>Given the diversity in assurance practitioners performing sustainability assurance engagements, and historic practice whereby a greater range of procedures may have been performed across limited assurance engagements under principles-based standard, we recommend the requirements in ED-5000 (e.g. 102L, 102R, 106) provide a clearer distinction between the work effort for limited assurance vs. Reasonable assurance rather than relying on the application material to provide clarity. In particular:</p> <ul style="list-style-type: none"> • Requirements to understand the entity's internal control system for limited vs. reasonable assurance engagements is unclear (102L, 102R): <ul style="list-style-type: none"> o As drafted, the requirements in paragraphs 102L(a) and 102R(a) and 102L(c) and 102R(c) are the same which infers the same nature, timing and extent of procedures would be expected for a limited or a reasonable assurance engagement. While the application material provides some guidance to 	<p>Covered in response to AUASB response to IAASB at Question 13.</p>

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		<p>distinguish the difference in work effort for limited vs. Reasonable assurance, we understand certain jurisdictions may adopt only the requirements of ED-5000 and not the application material. If the work effort is intended to be different, we recommend making this clear in the requirements vs. application material. If the work effort is expected to be the same and paragraphs 102L(a) and 102R(a) remain unchanged, we recommend that paragraph A318L be re-referenced as applicable for both limited and reasonable assurance engagements.</p> <p>o In 102L(b) and 102R(b) we recommend clarifying what the practitioner would do differently to obtain an understanding of the risk assessment process for reasonable assurance compared to obtaining an understanding of the results of the entity's risk assessment process for limited assurance.</p> <p>o It is unclear why A326 is applicable to limited and reasonable assurance engagements, when A323R-A325R are only applicable to reasonable assurance engagements. It seems unlikely that a practitioner would identify additional risks for limited assurance if they are only understanding results of the entity's risk assessment process. We suggest modifying A326 to A326R.</p> <p>• Testing the operating effectiveness of controls is optional for limited assurance engagements and we believe it is sufficiently covered in paragraph 119. We recommend either deleting paragraph 107L or integrating it into paragraph 119.</p>	
14	When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is IAASB ED 5000 clear about when such firm(s) and the individuals from	<p><u>Pitcher Partners</u></p> <p>Yes, we believe this is clear.</p> <hr/> <p><u>CAANZ</u></p> <p>Stakeholders seemed generally supportive of the requirements in relation to using the work of experts and other assurance practitioners. Given the nature of</p>	Covered in response to Question 14 of AUASB submission to IAASB.

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	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?	<p>the information being assured, it is likely that several experts may be involved and more clarity around the work effort would be useful.</p> <p><u>Deakin</u></p> <p>ED-5000 is clear about when a 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.</p> <p><u>Leon Olsen</u></p> <p>No comment at this stage – except to say that this may well be an area that requires more focus, but whether ISSA 5000 strikes the right balance requires further review and consideration of it than I have been able to do.</p> <p><u>Deloitte</u></p> <p>Yes. When using the use of the work of a firm other than the practitioner’s firm, ISSA 5000 provides appropriate guidance to distinguish between circumstances where such firm(s) and the individuals from that firm(s) are members of the engagement team, or are “another practitioner”, based on whether the practitioner is able to be sufficiently and appropriately involved in such work.</p> <p>Including Figure 2: Individuals Involved in the Engagement from the EM as an appendix to ISSA 5000 may be helpful to practitioners.</p>	
15	Are the requirements in IAASB ED 5000 for using the work of a practitioner’s external expert or another	<p><u>Pitcher Partners</u></p> <p>We believe the requirements are clear, however we would like to bring to attention that paragraph 172 (and the supporting explanatory material) of IAASB ED 5000 seems to be inconsistent with the requirements in ISA 620 (paragraphs 14 and 15). Paragraph 172 seems to focus on not reducing the assurance</p>	Covered in response to AUASB response to IAASB at Question 15.

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	practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?	practitioner's responsibility if reference is made to the work of a practitioner's expert in the assurance report, whereas paragraph 14 of ISA 620 explicitly states that the auditor shall not refer to the work of an auditor's expert unless it is specifically required by law or regulation, or it is appropriate to be included in a modified report. We suggest that this be revisited by the IAASB to consider whether the inconsistencies are intentional and appropriate.	
		<u>CAANZ</u> We have also heard feedback around the need to clarify how the work of experts can be referenced by the assurance practitioner. ISA 620 prohibits any reference to using the work of an expert in the auditor's report. The ED does not have such a prohibition and the application material suggests the assurance practitioner could refer to the work of an expert in their assurance report where they issue a qualified opinion/conclusion.	As above.
		<u>Deakin</u> The requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner are clear and capable of consistent implementation.	N/A
		<u>Leon Olsen</u> No specific comment to what is being asked. But related to this, it seems important to emphasise much further the limitations of using the work of an expert – whilst this seems to be suggested, e.g., through requirements of the Engagement Leader to have relevant sustainability competence and remaining responsible for the whole engagement, it may need to be emphasised more – because unless the Engagement Leader appropriately understands at least some basic aspects of the matter to be assured, then the Engagement Leader cannot be expected to 1) be able to understand and assess the key risks to the engagement and 2) identify and plan appropriate responses to	ISSA 5000 is premised on overall engagement team competency, which includes assurance competency and sustainability competency. ISQM 1 requires firms to have appropriate policies in place regarding appropriate resources and consultations. No further action other than as noted in the response to Q14 of the AUASB submission.

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		<p>such risks, and therefore 3) also unlikely to be able to scope out the appropriate work for the expert to perform, as well as 4) be able to evaluate whether the work of the expert addresses the risks.</p> <p>This may be emphasised a lot more, because otherwise it may be that Engagement Leaders apply the process for using the work of an expert incompetently – a key question here may also be whether the work of the expert should undergo appropriate peer review by another appropriate expert, as the Engagement Leader or anyone in the assurance team may not be able to quality review the work. The risk here is amplified by the fact that these experts may be subject matter experts, but they often do not understand the risk and materiality based assurance process, which therefore implies that they may not be able to adjust scope and work to meet the requirements where the Engagement Leader has not been able to scope it precisely, or where circumstances turn out to be different than expected.</p>	
		<p><u>Deloitte</u></p> <p>The practitioner's responsibilities when using the work of an external expert and when using the work of another practitioner are clearly explained in the requirements and application material in ISSA 5000.</p> <p>However, we recommend further guidance or examples be provided related to:</p> <ul style="list-style-type: none"> • How the practitioner should fulfill the requirement in paragraph 51d to determine whether the other practitioner's work is adequate for the practitioner's purposes, particularly when the other practitioner is performing work related to the entity's value chain (and the further away from the entity that the information is derived from) • Considerations for when the assurance practitioner should use the work of another practitioner or expert vs performing the work themselves 	

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		<ul style="list-style-type: none"> • Outcomes if the assurance practitioner determines, after the engagement has been accepted, that the assurance practitioner will not be able to be sufficiently involved in the work of an other practitioner (or cannot determine that their work is adequate), nor will the assurance practitioner be able to gather information or evidence on their own. <p>Given the complexity of the sustainability information and its origin, particularly related to information coming from the value chain, we believe the circumstances above may occur frequently and while “practice” will evolve over time as engagements scale and mature, interim guidance on evaluating the direction, supervision and review model in such circumstances would be helpful.</p>	
16	Do you agree with the approach to the requirements in IAASB ED 5000 related to estimates and forward-looking information? If not, what do you propose and why?	<p><u>Pitcher Partners</u></p> <p>Providing assurance on forward-looking information is challenging and complex and is expected to be even more so for sustainability assurance engagements where forward-looking information is going to be common and the types and sources will be varied. We believe that further guidance and examples (relating to the strategy and value chain, for example) would be extremely beneficial, however we also acknowledge that this may be best placed outside the standard.</p> <p>To apply the testing required for estimates and forward-looking information. in particular for reasonable assurance, requires a strong understanding of auditing/assurance concepts, which practitioners other than auditors may not have and consequently may not perform sufficient and appropriate work. This issue is also only likely to be fully identified when sustainability reports are externally evaluated and reviewed.</p>	Covered in response to Question 16 of AUASB submission to IAASB.
		<u>Deakin</u>	Noted. No further action.

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		<p>We agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information. The description of an organisation's business is inherently forward-looking information.</p> <p><u>Leon Olsen</u></p> <p>No specific comments on the proposed approach as have not reviewed this in sufficient detail.</p> <p>However, within sustainability reporting there is a significant difference between 'Estimates' and 'Forward-Looking Information', and the fact ISSA 5000 appears to treat them the same would suggest a mismatch to the actual practice of preparing sustainability reporting – for example, 'estimates' are used often within greenhouse gas reporting to calculate historical greenhouse gas emissions to be reported – indeed, most greenhouse gas emissions reporting is based on estimates derived through indirect measurements, rather than direct measurements of the actual emissions – and even when direct measurements of actual emissions occur, it is often done based on limited sampling and then extrapolating an estimate based on that sampling – and greenhouse gas reporting would not be the only sustainability aspect where 'estimates' would have to be used in a similar way to simply report on some historical performance – and therefore, this is significantly and fundamentally different to 'forward-looking information', and should not be treated the same way in sustainability assurance – indeed, dealing with estimates is often effectively simply dealing with the assertion of 'accuracy and valuation', and should probably not be treated any different to that – whereas assurance of forward-looking information certainly needs to be treated differently, so hard to understand why these two things are conflated this way, and how that is based on how sustainability information is to be prepared.</p> <p>On 'forward-looking information', it may also be too ambitious to have ISSA 5000 seeking to address this – assuring forward-looking sustainability information probably warrants its own assurance standard, and the ambition with</p>	<p></p> <p>Covered in response to Question 16 of AUASB submission to IAASB.</p> <p>Estimates and forward-looking information cross over so should not be scoped out of ISSA 5000. Recognise the challenges – included in AUASB response.</p>

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		<p>ISSA 5000 is already great given the breadth of sustainability information it is supposed to cover – perhaps simply scope out forward-looking information in ISSA 5000's remit? A similar standard to ISAE 3450 for sustainability forward looking information may be instead be more appropriate. Certainly, where forward looking information is part of the assurance remit, the assurance reporting also need to be tied up significantly, just as it is for ISAE 3450 assurance engagements.</p> <p><u>Deloitte</u></p> <p>We are supportive of the approach to address estimates and forward-looking information in the “Responding to Risks of Material Misstatement” section of ISSA 5000, with a focus on assessing whether management has appropriately applied the applicable criteria when preparing such information and related disclosures, including selecting and using appropriate methods, assumptions and data.</p> <p>However, given the significant judgements and degree of estimation uncertainty involved in preparing estimates and forward-looking information, we note that this is an area where there is likely to be a higher risk of management bias. As such, further guidance on this topic is welcomed, particularly in understanding what would be considered sufficient and appropriate evidence to assure such information reported.</p> <p>We note that whilst the nature of forward-looking information is explained in the application material of ISSA 5000, including examples, there is no definition of “forward-looking information” included in paragraph 17.</p> <p>For limited assurance engagements, the requirements in paragraph 134L related to estimates and forward-looking information do not require an evaluation of the assumptions and judgments of management. Given the potential significance of estimates and/or forward-looking information to users of sustainability information, we suggest that the requirements for performing limited assurance</p>	<p></p> <p>Covered in response to Question 16 of AUASB submission to IAASB.</p>

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		<p>include some consideration of the appropriateness of the assumptions used by the entity.</p> <p>We would support the IAASB's considerations of a topic-specific ISSA for estimates and forward-looking information in the future, particularly as sustainability frameworks continue to mature and common significant areas of estimation uncertainty can be addressed more specifically.</p>	
17	Do you support the approach in IAASB 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?	<p><u>Pitcher Partners</u></p> <p>Refer comments above. It is unclear what the differentiation is for the extent of procedures and work effort required and expected for limited versus reasonable assurance engagements. This is likely to be the case even more so for assurance practitioners who have limited or no experience with performing financial statement audits or other assurance engagements.</p>	See comment in Question 7 and 13 of this paper.
		<p><u>Deakin</u></p> <p>We 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.</p> <p>We note that this approach will have special importance in relation to the description of the business model and of the reporting process as sustainability information. Refer our answer to Question 7 and the example we suggest therein. The evidence required to evaluate the design and operation of the business model will be significantly different between a limited and reasonable assurance engagement.</p>	Noted. No further action.

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		<p>In a reasonable assurance engagement the assurance practitioner will need to observe and evaluate the operation of the board of directors' governance process and the CEO's strategic management process.</p>	
		<p><u>Leon Olsen</u></p> <p>The question is what this actually implies? When we perform assurance, whether limited or reasonable, we always perform an thorough risk assessment – if we were to adjust it to something sufficient to identify disclosures where material misstatements are likely to arise then what does that mean? It appears to mean that specific disclosures are to be identified, but this seems to be disconnected to the actual process by which disclosures / information get prepared – which seems to run counter to the focus on internal control in later paragraphs.</p> <p>And what does identifying risks at assertion level for reasonable assurance in fact imply? There could be a real risk that box-ticking to meet this requirement ends up with poorly defined risk assessments as an assurance practitioner becomes more focussed on ticking the box on risks at the assertion level, and may overlook the key risks of material misstatements by being thus focussed. Would it not be better to soften that requirement up to simply say that for reasonable level of assurance, the risk procedures need to demonstrate how all relevant assertions are addressed through the risk procedures and the planned responses to identified risks? So overall, the distinction does not seem to fit with what we are experiencing – so not sure how this would work?</p>	<p>The Question relates to the difference between how 3000 and 3410 currently operates, with one requiring a risk assessment and the other not.</p> <p>The AUASB response notes Leon's point of a risk assessment always being done in practice and what the practical implications are in terms of work effort – this is included in the AUASB's response to Q17. No further action here.</p>
		<p><u>Deloitte</u></p> <p>The risk procedures, and consequential scope of work expected to be performed by the assurance practitioner to achieve the objective of identifying material misstatements in an entity's sustainability information and disclosures in a limited assurance engagement remains unclear. Without the issuance of additional guidance or a framework, there is likely to be a high degree of</p>	<p>Covered in response to Question 17 of AUASB submission to IAASB.</p>

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		<p>inconsistency in the nature, timing and extent of procedures performed. We believe application material for such a significant judgement would be helpful.</p> <p>We also note that the approach is inconsistent with ISAE 3410, which requires the practitioner to identify risks of material misstatement for both limited and reasonable assurance engagements (for material emissions and disclosures, or at the assertion level, respectively). In practice, where a practitioner is providing limited assurance on GHG information that is both included with other sustainability information (conducted under ISSA 5000) and in a separate statement (conducted under ISAE 3410), different risk procedures, and consequently different further procedures, will be required to be performed. This differential in work performed would not be transparent to a user of the sustainability reporting.</p>	
18	Recognizing that IAASB ED 5000 is an overarching standard, do you agree that the principles-based requirements in IAASB 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?	<p><u>Pitcher Partners</u></p> <p>Yes, nothing further noted (refer to other responses).</p>	N/A
		<p><u>CAANZ</u></p> <p>The ED does not really address management of a group sustainability reporting assurance engagement in sufficient detail, nor does it address communications between the sustainability assurance practitioner and the financial statement auditor where these are different individuals, either from different firms or within the same firm or network firm. We encourage the IAASB to consider the need to address these in the standard to ensure consistency in global practice in managing these scenarios.</p>	Covered in response to Question 18 of AUASB submission to IAASB.
		<p><u>Deakin</u></p> <p>No comment.</p>	N/A

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		<p><u>Leon Olsen</u></p> <p>Yes, just as ISAE 3000 and ISAE 3410 can be used on Group or 'consolidated' information, so too should the proposed ISSA 5000.</p>	Noted
		<p><u>Deloitte</u></p> <p>ISSA 5000 provides only high-level principles that can be applied for sustainability assurance engagements for group or consolidated information. Significant judgement will be required by the practitioner when determining the most appropriate approach to obtaining sufficient and appropriate evidence to support the assurance conclusion in such circumstances. As such, we strongly support IAASB's consideration of a topic-specific ISSA that is aligned, where relevant, to the requirements of ISA 600 Revised and includes specific application to qualitative disclosures, which can be practically applied in conjunction with the requirements of ISSA 5000 for using the work of Other Practitioners.</p> <p>In the absence of a separate standard, additional guidance is needed to clarify the requirements for performing assurance over group sustainability information.</p> <p>As noted in our response to Q15 above, in circumstances where the sustainability information is part of the reporting entity's value chain but outside of the entity's organisational boundary, there will likely be practical challenges in obtaining access to information prepared outside of the entity's operational boundary and thus not subject to the control or oversight of management.</p>	Covered in response to Question 18 of AUASB submission to IAASB.
19	Do you agree that IAASB ED 5000 appropriately addresses the topic of fraud (including	<p><u>Pitcher Partners</u></p> <p>The standard draws attention to the topic, however as sustainability reporting develops, experience and feedback will be a good mechanism for identifying and raising awareness of where and how greenwashing may occur. In the interim the</p>	Noted

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	“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?	application of professional scepticism and the fraud triangle will continue to be the most appropriate methods of considering greenwashing in the disclosures.	
		<u>CA ANZ</u> We have heard concerns around the complexity of assessing fraud and errors (i.e., intentional and unintentional greenwashing, and greenhushing) under reporting frameworks and systems that are still evolving, particularly in relation to qualitative disclosures. This is an area where more guidance and/or requirements may be required.	Feedback from AUASB roundtable was that the proposed standard is clear on this topic, see Question 19 of AUASB submission to IAASB.
		<u>Deakin</u> We would not support the use of the term ‘greenwashing’ in an IAASB assurance standard. Any use of the term in application guidance would need to be carefully positioned to make clear that ‘greenwashing’ is a colloquial term in common use today, and that the concept is accommodated by the concepts of and distinction between fraud and misstatement. We note that most discussion about ‘greenwashing’ today relates to the selective use of certain metrics. We also note that mis-statements as to an organisation’s business model as designed and operated, including the governance, strategic management, materiality determination and reporting processes therein, and the basis of selecting metrics to be disclosed, are potentially more insidious and likely to mislead investors and other users than mis-statements in relation to individual metrics.	Covered in response to Question 19 of AUASB submission to IAASB.
		<u>Leon Olsen</u> Having not reviewed this in sufficient detail, the only comment to provide is that it seems sensible to focus on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error – that is, the Engagement	Noted

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		<p>Leader must consider the risk of fraud as part of the risk procedures and planned responses – but not otherwise target fraud unless further information comes to light – on the face of it, this seems similar to what is required currently under ISAEs – and which we apply for audits under the NGER Audit Determination using ASAEs – and always considers fraud risk as part of the risk procedures and planned responses – we always perform some work related to potential for fraud – and if elevated risk of fraud is perceived, then we increase our planned assurance procedures – provided we are still comfortable with performing assurance, as we obviously would prefer to not engage or withdraw if we believe there in fact is fraud occurring.</p> <p><u>AICD</u></p> <p>The Draft ISSA 5000 and Explanatory Memorandum appears to equate all greenwashing with fraud, which does not reflect the majority of greenwashing cases which may involve unintentional misleading disclosures. Consideration needs to be given as to how incidents of non-fraud greenwashing will be addressed, including how and when such cases should be raised with directors and/or management.</p> <p>The Explanatory Memorandum for Draft ISSA 5000 states that its policy intent is to encourage assurance practitioners to identify potential cases of greenwashing. However, we do not consider that the current wording of Draft ISSA 5000 reflects the policy intent. Most significantly, the draft standard seems to equate greenwashing with fraud, which is not entirely accurate. While there is currently no legally binding definition of ‘greenwashing,’ it is generally understood to mean any overstatement of environmental or sustainability benefits, or understatement of environmental or sustainability risks. As such, it canvasses a broad range of misleading conduct, only a small proportion of which amounts to fraud. The vast majority of greenwashing is unintentional, often as a result of overzealous marketing or a failure to clearly set out, or vigorously test, the assumptions, judgements or contingencies underpinning a climate disclosure. We consider further consideration needs to be given as to how incidents of non-</p>	<p></p> <p>From a standards perspective, the responsibility of the assurance practitioner is to obtain assurance about whether the SI is free from material misstatement due to fraud or error. If there was something unintentional – this would then be considered an error. ISSA 5000 is a holistic sustainability standard not just climate, greenwashing is not a defined term and is largely being used for climate specific. ISSA 5000 has dealt with fraud and error throughout the standard. The AUASB in the response to Q19 has suggested that the IAASB may provide a bit more guidance on the topics of intentional vs unintentional along with some examples.</p> <p>No further action here.</p>

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		<p>fraudulent greenwashing will be addressed, including appropriate escalation procedures, including how and when such cases should be raised with management.</p> <p>Further, it should be recognised that jurisdictions will have differing legal tests governing 'greenwashing' conduct.</p> <p><u>Deloitte</u></p> <p>Yes. Broadly, the topic of fraud is appropriately addressed in ISSA 5000. There are numerous references in the requirements and application material (including various examples), at different stages throughout the engagement lifecycle, that address the practitioner's consideration of the risks of material misstatement due to fraud and appropriate response to actual or suspected fraud identified during the engagement.</p> <p>Regarding the topic of greenwashing, we note that the concept is not specifically defined in ISSA 5000, however, it is addressed indirectly through examples of fraud and the requirements and guidance for the practitioner to consider whether information may be misleading to the intended users.</p> <p>Noting that the ACCC and ASIC have released guidance to businesses to improve the integrity of environmental and sustainability claims made by businesses and to protect consumers from greenwashing, the AUASB should consider issuing guidance on greenwashing directed at assurance practitioners, in the context of the Australian public interest and reporting environment, and specifically how this should be considered in the identification and assessment of risks of fraud.</p> <p>In addition to greenwashing, there are other areas of potential fraud related to sustainability information that are not addressed in ISSA 5000 (e.g., social and other non-climate related sustainability matters). Additional guidance or examples of possible fraud schemes related to sustainability information to guide</p>	<p></p> <p>Covered in response to Question 19 of AUASB submission to IAASB.</p> <p>ACCC and ASIC guidance is Australian specific and has not been included in the AUASB response to the IAASB.</p>

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		the practitioner's understanding of their role and responsibilities in this area would be helpful.	
20	Do you support the high-level requirement in IAASB 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?	<p><u>Pitcher Partners</u></p> <p>Yes, we support the high-level requirement and related application material regarding communication with management, those charged with governance and others.</p> <p>We believe also that the form and content of communications will be influenced by jurisdictional legislation, the nature of the sustainability information and the needs of management, those charged with governance and other relevant parties.</p>	Noted
		<p><u>Deakin</u></p> <p>We 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.</p>	Noted
		<p><u>Leon Olsen</u></p> <p>In principle, it is great to expect communication with those charged with governance, and should be encouraged – however, ISSA 5000 should be applicable to many different forms of assurance engagements, including voluntary and mandatory engagements, as well as narrow scope engagements – and where ultimate responsibility for the sustainability information assured may not be clearly defined all the way to those levels of the organisation. For example, currently any organisation requesting a voluntary NGER audit may not have this anchored all the way to those charged with governance – though, the assurance should support the Executive Officer that approves the NGER report that is submitted to the CER – that Executive Officer may or may not sit on the Board of Directors of the company – but will obviously be part of management. The point is that ISSA 5000 should keep a level of flexibility to encourage</p>	<p>ISSA 5000 is already conditional – ‘the practitioner shall determine whether....’</p> <p>Additionally, communication is to management/TCWG or others.</p> <p>No further action.</p>

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		<p>uptake of sustainability assurance also where it is not mandatory, and where overall management and governance arrangements for the sustainability information assured may not be clearly set in stone and perhaps not yet fully clarified within the company.</p> <p>Noting also that lower level of management may be keen to have voluntary assurance performed as part of maturing sustainability reporting within the organisation at a time when higher levels of management and governance are perhaps not yet fully onboard with this – and in this case a too rigid requirement for this type of communication in ISSA 5000 may instead hinder this occurring, which seems counter-productive.</p> <p>Perhaps the approach should simply be softened to say that when it is mandatory assurance, then appropriate communication to those charged with ultimate accountability for the sustainability information assured should occur – and then simply encourage it for voluntary assurance, to allow ISSA 5000 to also be used to encourage better practice where governance and accountability may still be emerging.</p>	
		<p><u>AICD</u></p> <p>High quality assurance engagements require regular and effective communication between directors and assurance practitioners, principally through the Audit Committee. Guidance on how to facilitate this communication in the specific context of sustainability assurance would be welcome.</p> <p>High-quality communication between directors and the assurance practitioner is critical to promoting audit quality. In respect of financial report audit, ASIC states that this communication should include concerns and risks affecting the processes that support the information in the financial report, and how these concerns and risks are being addressed by directors and management, and responded to in the audit.</p>	<p>The 'what' to be communicated is included within A137 of ISSA 5000. The how and the timely nature of such communications is included at Q20 of the AUASB response to the IAASB.</p>

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		<p>Given the qualitative and subjective nature of many (if not the majority) of sustainability disclosures, regular and high-quality engagement between directors and assurance practitioners will be crucial to attaining appropriate audit quality standards. We recommend that guidance on sustainability assurance address how directors and assurance practitioners should communicate to enhance assurance quality.</p> <p><u>Deloitte</u></p> <p>Yes. The requirements and guidance included in the application material of ISSA 5000 for communications with management, those charged with governance and others on matters that may be appropriate to communicate, is consistent with other ISAEs.</p> <p>The requirements are appropriate to support ISSA 5000 as a baseline standard, applicable to a range of sustainability assurance engagements, and given the evolving nature of sustainability assurance engagements.</p>	<p></p> <p>Noted</p>
21	<p>Will the requirements in IAASB 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.</p>	<p><u>Pitcher Partners</u></p> <p>We acknowledge that the form and content of the requirements to be included within a sustainability assurance report and the illustrative reports are based on current IAASB other assurance standards and available information from different types of sustainability engagements occurring in some jurisdictions. It is not clear how ISSA 5000 will specifically drive the matters reported on although we don't have any major concerns at this point. We believe that jurisdictional legislation and public demand will predominantly determine and influence the information to be reported on.</p> <p><u>CA ANZ</u></p> <p>The general feedback received was that assurance practitioners would appreciate more examples of sustainability assurance reports, including examples of</p>	<p>Nothing additional to add here.</p> <p>Covered in response to Question 21 of AUASB submission to IAASB.</p>

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		inherent limitation paragraphs or wording for engagements assuring sustainability reporting information against common frameworks.	
		<u>Deakin</u> No comment.	N/A
		<u>Leon Olsen</u> Whether the short form assurance report meets the needs of users is really something intended users should respond to, rather than assurance practitioners – because assurance practitioners probably prefer the shortform report due to it being easier to do without increasing the risk of inappropriate reporting. It may well be that users would find longer assurance reports that provide more information on key risk areas addressed, and key findings to such areas, and possibly key recommendations more useful – this is indeed the experience with AA1000 assurance reports by boutique providers, which often use a narrative but may not have a clear conclusion – but which users may at times find more informative. But ultimately, this is a question for the intended users.	This standard is underpinned by IAASB FW which requires clear conclusions. The report also contains minimum requirements, the practitioner can always provide more. No additional response.
		<u>Deloitte</u> <i>Order of Elements in the Assurance Report</i> We are supportive of the decision to align the order of elements in the assurance report with ISA 700 (Revised), requiring the practitioner's opinion/conclusion first, followed by the basis for the opinion/conclusion. <i>Other Information</i> We recommend that the "Other Information" section be considered optional rather than required in the assurance report. Given the evolving nature of	We note the comment on OI and the practical difficulties have been raised in the AUASB submission at Q25. Suggested example reports have been included in Q21 of the AUASB response to the IAASB.

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		<p>sustainability information and reporting, and the vast array of other information that accompany these reports – which may include financial statements – the requirements for other information disclosures could be challenging to implement consistently.</p> <p><i>Comparative Information</i></p> <p>We are supportive of the requirements and guidance relating to the practitioner's responsibilities for reporting on Comparative Information, which are aligned to ASA 710.</p> <p>Providing example wording for Other Matter paragraphs required for the situations described in paragraphs 189-191 would be helpful to aid consistency in practice.</p> <p><i>Illustrative Reports</i></p> <p>We are supportive of the inclusion of illustrative reports. IAASB may also consider including the following:</p> <ul style="list-style-type: none"> • Example wording for a qualified opinion for reasonable assurance engagements, in addition to the qualified conclusion for limited assurance, given that sustainability reporting is still maturing, and therefore such modifications may be common. • Illustrative reports for other assurance engagement types (e.g. compliance and controls engagements) to aid consistency in application. 	
22	Do you agree with the approach in IAASB ED 5000 of not addressing the concept of “key audit matters” for a	<p><u>Pitcher Partners</u></p> <p>Yes. We agree with the information and respondents' responses included within the Explanatory Memorandum and are fully supportive of not communicating KAMs in the sustainability assurance report (or any other assurance reports).</p>	Covered in response to Question 22 of AUASB submission to IAASB.

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	sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?	<u>CA ANZ</u> We support the exclusion of Key Sustainability Matters at this point but believe that this and the format of the assurance practitioner's report may need to evolve as the reporting and assurance frameworks mature. The IAASB's post-implementation review (PIR) process in relation to this standard will be particularly important in this regard.	Covered in response to Question 22 of AUASB submission to IAASB.
		<u>Deakin</u> No comment.	N/A
		<u>Leon Olsen</u> Risk-averse assurance providers will likely approve – but per above, more information may be useful for the intended users – it may be useful to at least include guidance on how to provide more information, such as 'key audit matters' in sustainability assurance reports, even if not required.	Noted, however this is not the majority view of Australian stakeholders. If there is no requirement, there will not be application material within ISSA 5000. Practitioners can always report more in an assurance report than what is prescribed. No further action.
		<u>Deloitte</u> Yes. We concur with the IAASB's decision to not address key audit matters (KAM) in ISSA 5000, given that they may not be relevant to all sustainability assurance engagements. This would be a consistent approach with audits of financial reports, where under the ISAs, KAMs are only mandatory for auditor's reports on general purpose financial reporting for listed entities. Given the evolving nature of sustainability reporting and the rapidly changing expectations of the public and investors, the decision to address KAMs for sustainability reporting in the future will allow time for practitioners to develop further	Noted – the future guidance, but if we are not recommending KAMs at this stage, we would not include the matters below. No further action.

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		<p>understanding in specific sustainability matters, to enhance their reporting to users through KAM reporting.</p> <p>In considering key audit matters in a future ISSA, the IAASB may consider including guidance covering the following:</p> <ul style="list-style-type: none"> • Guidance in determining the matters of most importance to the users, particularly when the scope of the sustainability assurance engagement covers only part of the sustainability information reported. • Guidance to aid consistency of KAMs reported (where relevant), in circumstances where practitioners from different firms may be providing assurance on the same sustainability information included in different mechanisms for reporting for the same entity. 	
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?	<p><u>Pitcher Partners</u></p> <p>Yes, we believe the explanation in the Basis of Conclusion section is sufficiently prominent in the report and the wording is consistent with that used in other IAASB issued standards.</p> <p>Having said this, we refer to our earlier comments in relation to the differentiation between limited assurance and reasonable assurance engagements.</p>	See comment in Question 7 of this paper. Noted in Q23 of the AUASB submission.
		<p><u>Deakin</u></p> <p>Yes.</p>	Noted
		<p><u>Leon Olsen</u></p>	Noted

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		<p>Having not reviewed this in detail in the proposed ISSA 5000, this comment comes with the caveat that it is understood to effectively be the same as for ISAE 3000 – and if so, it seems sufficiently prominent.</p> <p><u>Deloitte</u></p> <p>Yes. The statement explaining that the scope and nature of work performed in a limited assurance engagement is substantially less than for a reasonable assurance engagement is consistent with the requirements of other ISAEs.</p> <p>The requirement in ISSA 5000 to include the Conclusion paragraph in the first section of the assurance report, directly followed by the Basis of Conclusion paragraph, results in the statement being more prominent.</p> <p>However, we note that this is inconsistent with other ISAEs that require the statement distinguishing the lesser extent of work for a limited assurance engagement, to be included in the “Responsibilities of the Assurance Practitioner” section of the assurance report.</p>	<p></p> <p>Refer Q23 response to the IAASB.</p>
24	Are there any public sector considerations that need to be addressed in IAASB ED 5000?	<p><u>Pitcher Partners</u></p> <p>Nothing further noted.</p> <p><u>Deakin</u></p> <p>No comment.</p> <p><u>Leon Olsen</u></p> <p>No comment.</p> <p><u>Deloitte</u></p>	Nothing further to add.

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		No specific matters to raise.	
25	Are there any other matters you would like to raise in relation to IAASB ED 5000?	<u>Pitcher Partners</u> Based on the nature of sustainability assurance engagements the inherent limitations paragraph is going to be used extensively and will be an important aspect of the report for assurance practitioners, entities, and users of the report. We understand that the content and extent of the inherent limitations will depend on the specific sustainability information, however awareness, guidance and/or illustrative examples would assist with consistency and understanding.	Covered in response to Question 21 of the AUASB submission to the IAASB.
		<u>CA ANZ</u> We heard feedback that the IAASB should consider renaming the standard to Sustainability Reporting Assurance to clarify the nature of the engagement being undertaken and to reduce the likelihood of users expecting the assurance practitioner is assuring the sustainability practices and prospects of the entity as a whole, rather than the specific sustainability information being reported. -----	Covered in response to Question 25 of AUASB submission to IAASB. -----
		More example in relation to qualitative disclosures are required. Assurance over narrative/qualitative disclosures is challenging and most of the examples in the ED are in relation to quantitative disclosures. ----- Similarly, while stakeholders understand that the ED represents a global baseline standard, we heard feedback that it does not sufficiently address the more challenging aspects of sustainability reporting such as forward-looking information and value chain information.	Covered in response to Question 25 of AUASB submission to IAASB. ----- Covered in response to Questions 16 and 18 of AUASB submission to IAASB. -----

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		<p>-----</p> <p>There will be a need for education of users and broader stakeholders to understand the assurance being provided over the sustainability reporting and key concepts being used.</p> <p>-----</p>	<p>Covered in response to Question 25 of AUASB submission to IAASB.</p> <p>-----</p>
		<p>The IAASB will need to consider how best to produce guidance and how it can communicate with regulators, NSS and professional bodies on its plans for guidance so that these bodies can work to provide additional guidance either internationally or at the local level where gaps are identified.</p> <p>-----</p>	<p>Covered in response to Question 25 of AUASB submission to IAASB.</p> <p>-----</p>
		<p>There is also a need to consider that many entities may not initially have systems in place to allow them to produce the sustainability information required for reporting to a standard that can be assured. While this may be more an issue for local regulators to consider in establishing timeframes and transitional considerations in their timeframes, it is important that those charged with governance, preparers and users understand that there may be time necessary for an entity to evolve its sustainability reporting prior to it being assured.</p>	<p>Not an ISSA 5000 matter.</p>
		<p><u>Deakin</u></p> <p>No.</p>	<p>N/A</p>
		<p><u>Leon Olsen</u></p> <p>Yes – the main constraint for better quality assurance is not so much significant assurance process upgrades to ISAE 3000 – it is more about the competence of the sustainability assurance professionals, who needs to have both proven knowledge and experience in assurance process, as well as proven knowledge</p>	<p>The standard already emphasises (para 32, 41 + AM) the need for assurance</p>

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		<p>and experience in the subject matter that is being assured – just as financial auditors need to be good at both financial audit process as well as financial reporting. Both are needed. Consider, for example, if financial audits were performed by auditors well versed in assurance process but not in financial accounting and reporting? Or perhaps well versed in financial accounting and reporting, but not in assurance process? That would likely not reduce the assurance risk to an acceptable low level. The same should be considered true for assurance of sustainability information.</p> <p>The biggest challenge is therefore to get more professionals that understand assurance processes per IAASB's standards (including ISAE 3000 like assurance) and with relevant sustainability expertise – this should be emphasised a lot more for ISSA 5000 – this is far more important for increasing quality of assurance than to stipulate more process requirements for assurance in a new standard, such as those for the risk procedures – not that some improved requirements for that is not valuable, but it is far less important than focussing on improving the general assurance competence among professionals that also have relevant sustainability subject matter competence – whether through re-training existing assurance professionals in sustainability subject matters, or training existing sustainability subject matter specialists in assurance process. Competencies of the team is emphasised.</p> <p>The other thing that is needed, and which Australia has some useful experience in, is to consider how quality assurance is supported through other processes – in Australia regulatory inspections of greenhouse and energy auditors delivering to the Australian versions of IAASB's standards is a particular point of note, as there should be a lot of good learning that could be transferred more broadly for assurance of broader sustainability information – both in Australia and globally – this is an approach that is supported by guidance in an audit handbook and regular auditor workshops to improve quality and competence – and with the above mentioned regulatory inspection to monitor it. Whilst this is notionally part of ISQM1, perhaps this should be emphasised more – even as that may be beyond the scope of ISSA 5000.</p>	<p>competency + sustainability competency.</p> <p>Regulation beyond remit of ISSA 5000</p>

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		<p><u>AICD</u></p> <p>In the event that Treasury does not impose a requirement that the financial statement auditor must lead the climate assurance engagement, we recommend that the Draft ISSA 5000 clarify the nature and scope of the communication expected between the sustainability assurance provider and the financial statement auditor. We note this is not currently addressed in the Draft ISSA 5000.</p> <p><u>Deloitte</u></p> <p>No further matters to raise.</p>	<p>ISSA 5000 is principles based and the principles around working with other practitioners are included in paragraphs 51-54 along with associated application material. No further action.</p>
26	<p>Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters (see IAASB EM at Attachment 2 of this Consultation Paper), 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</p>	<p><u>Pitcher Partners</u></p> <p>Yes, we believe this would be a sufficient period, however practically assurance practitioners may need to use this much earlier.</p> <p><u>Leon Olsen</u></p> <p>No comment.</p> <p><u>Deloitte</u></p> <p>Yes.</p>	<p>Noted – nothing further to raise.</p>

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	encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISA. If not, what do you propose and why?		

* * *

Deakin University's submission to Question 5

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

This is not surprising given that the content of the proposed ISSA 5000 largely pre-dates the finalisation of IFRS Sustainability Disclosure Standards S1 and S2. That is, the proposed ISSA 5000 is largely a consolidation of content existing in April 2022. This submission analyses how the concept of sustainability and definition of 'enterprise value' evolved from the 2022 exposure drafts of S1 and S2 to the 2023 final versions.

Enterprise Value in Exposure Drafts of IFRS Sustainability Disclosure Standards S1 and S2

In explaining why the ISSB published the S1 and S2 exposure drafts, the ISSB explained that enterprise value "reflects expectations of the amount, timing and certainty of future cash flows over the short, medium and

long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. The information contained in its financial statements and the information included in an entity's sustainability-related financial disclosures are essential inputs to a primary user's assessment of an entity's enterprise value."

Accordingly, in the language of the ISSB 'sustainability-related financial' is equivalent to at least enterprise value, and 'sustainability-related financial matters' are those which are material to enterprise value or in other words the net present value of future cash flows.

The ISSB went on to explain that the information requirements in S1 and S2 "are designed to enable primary users to assess enterprise value. The information required reflects the way in which an entity operates, covering governance, strategy, risk management and metrics and targets."

Paragraph 17 of the exposure draft of S1 explicitly made the link between enterprise value, the entity's resources and relationships and its sustainability-related risks and opportunities:

"An entity's sustainability-related risks and opportunities arise from its dependencies on resources and its impacts on resources, and from the relationships it maintains that may be positively or negatively affected by those impacts and dependencies. ... When such impacts, dependencies and relationships create risks or opportunities for an entity, they can affect the entity's performance or prospects, create or erode the value of the enterprise and the financial returns to providers of financial capital, and the assessment of enterprise value by the primary user."

Paragraph 57 identified material sustainability-related financial information as a sub-set of sustainability related information:

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“Material sustainability-related financial information provides insights into factors that could reasonably be expected to influence primary users’ assessments of an entity’s enterprise value. The information relates to activities, interactions and relationships and to the use of resources along the entity’s value chain if it could influence the assessment primary users make of its enterprise value.”

Enterprise Value Concept Remains Implicit in Final IFRS Sustainability Disclosure Standards S1 and S2

While enterprise value featured explicitly and prominently in the exposure drafts, the term enterprise value was not used in the final S1 and S2. However, the concept remains in substance. The term was effectively replaced with sustainability-related financial information being defined in terms of expectations about the amount, timing and certainty of future cash flows over the short, medium and long term, and the value of those cash flows in the light of the entity’s risk profile, and its access to finance and cost of capital.

The Basis for Conclusions for S1 explained ISSB decisions made in relation to enterprise value. Based on stakeholder submissions received, the ISSB felt that the use of the term enterprise value might have constrained the objective of the exposure draft and created confusion for some stakeholders:

- Some respondents stated that ‘enterprise value’ can be defined or understood too narrowly, thereby creating a risk that the sustainability-related financial information disclosed in accordance with IFRS S1 would not be useful for their purposes.
- Many respondents stated that the reference to market capitalisation meant that the term applied only to listed entities.
- Some respondents stated that the use of this term could create confusion because it has a particular and different meaning in European legislation.
- The ISSB confirmed that the materiality definition in IFRS Sustainability Disclosure Standards is aligned with the IASB’s definitions of ‘material information’ and ‘material’ in its Conceptual Framework and IAS 1 respectively. These do not refer to enterprise value.

None of these reasons breaks the nexus between enterprise value, ‘sustainability-related financial’, and the discounted value of expected future cash flows. The concept of enterprise value remains in S1 and S2 even though the term enterprise value is not used.

Enterprise value relates to the whole of an organisation’s value creation, and not only the sustainability risks and opportunities relating to environmental, social, economic and cultural matters. It results from the pursuit of the Purpose of the organisation through its business as a whole, which is most comprehensively described in an integrated report or management commentary. Managing climate and other environmental, societal, economic and cultural matters are aspects of governing, managing and operating the business.

Enterprise Value Concept is Missing from Proposed ISSA 5000

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We believe that there is a lack of alignment between the IFRS Foundation’s current enterprise-value based concept of ‘sustainability’ and definition of ‘sustainability-related financial’, and the IAASB’s definition of ‘sustainability matters’. This creates confusion as to the place of assurance of descriptions of an organisation’s business in reports containing IFRS sustainability-related financial disclosures (metrics and associated disclosures).

The root cause of this imbalance is that the ‘entry point’ into the proposed ISSA 5000 is through the definition of ‘sustainability matters’ and not the lens of the whole of the business (enterprise value), the sustainability of its enterprise value and the resilience of its business model:

“Sustainability Matters: *“Environmental, social, economic and cultural matters, including:*

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

This definition of sustainability matters drives content relating to ‘sustainability information’. Sustainability information relates to information about sustainability matters covering a number of topics and aspects of those topics:

“Sustainability Information: *“Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information is the equivalent of ‘subject matter information’ in other IAASB assurance standards.”*

The consequence of this definition for the coverage of ISSA 5000 is most evident in the table set out in paragraph A32 of the Application and Other Explanatory Material for ISSA 5000, where key aspects of the business are relegated to secondary status as ‘aspects of’ sustainability topics behind disclosures on environmental, social, economic and cultural topics:

Topics	Aspects of the Topics
<ul style="list-style-type: none"> Climate, including emissions. Energy, such as type of energy and consumption. Water and effluents, such as water consumption and water discharge. Biodiversity, such as impacts on biodiversity or habitats protected and restored. Labor practices, such as diversity and equal opportunity, training and education, and occupational health and safety. Human rights and community relations, such as local community engagement, impact assessments and development programs. Customer health and safety. Economic impacts, such as government assistance, tax strategy, anti-competitive behavior, anti-corruption and market presence. 	<ul style="list-style-type: none"> Governance. Strategy and business model. Risks and opportunities. Risk management or mitigation. Innovation to address risks and opportunities. Metrics and key performance indicators. Targets. Internal control over monitoring and managing risk. Scenario analysis. Impact analysis, including magnitude of impact.

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The business model, governance, strategy, innovation and risk management are matters of holistic importance to the entire business in terms of the manner in which it is operated in an integrated manner for the benefit of all stakeholders in the short, medium and long term. They are not aspects of topics such as climate, biodiversity and human rights. They are key drivers of enterprise value creation including how the business deals with environmental, social, economic and cultural matters.

The sustainability risks and opportunities of an organisation only exist because of the pursuit of its reason for being - the Purpose. An organisation pursues its opportunities as a matter of governance and strategy and in doing so it must manage its risks. Sustainability risks and opportunities should be treated as such in relation to assurance under sustainability reporting standards and frameworks requiring a comprehensive or partial description of the business.

For whole-of-report assurance, the sustainability matter under ISSA 5000 needs to be the business, the sustainability information needs to be the description of the business, the sustainability topics need to be the Strategy, Governance, Business Model, Risk Management and Innovation of the business. Aspects of sustainability topics can include how sustainability risks and opportunities in relation to climate, energy and so on are managed in pursuit of the organisation's Purpose.

Where the assurance scope relates only to metrics included in reports not subject to assurance overall, narrative can be added in relation to, for example, governance in relation to climate risks and opportunities.

Recommendation

We believe closing the gap between the ISSB's concept of sustainability and the IAASB's definition of sustainability matters, and the need to strengthen the coverage of evaluation assurance procedures, can be achieved by making a relatively simple change to the definition of 'sustainability matters' in paragraph 17(vv) of ISSA 5000 – by adding in (i):

- “value created by and outcomes of” before “the impacts of an entity's activities”
- “business model, governance, strategy,” before “products and services”
- “for or” before “on”,
- “investors,” before “the environment”,

and in (ii):

- add “business model, governance, strategy,” before “policies”
- delete “and governance” after “goals and”.

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The revised definition of sustainability matters would be:

“Environmental, social, economic and cultural matters, including:

- i. The value created by and outcomes and impacts of an entity's business model, governance, strategy, products and services for or on investors, the environment, society, economy or culture, or the impacts on the entity
- ii. The entity's business model, governance, strategy, policies, performance and plans relating to such matters.”

This would clarify that all matters relating to enterprise value, a whole-of-business financial concept, are sustainability matters under ISSA 5000.

The main consequence of making the change will confirm that all matters relevant to an organisation's Purpose and enterprise value are matters that could reasonably be expected to affect its cash flows, access to finance or cost of capital and are in-scope for ISSA 5000.

Importantly, we recommend that the table in paragraph A32 should also be changed as follows to accommodate whole-of-report assurance, including assurance of descriptions of The Business under sustainability reporting mechanisms, frameworks and standards, as well as assurance of sustainability metrics and associated disclosures:

	Topics	Aspects of the Topics
Description of The Business-Based Assurance	Description of The Business: <ul style="list-style-type: none"> Purpose Governance Business model: Key Business Processes including internal control – Governance, Strategic Management, Risk Management, Materiality Determination, Stakeholder Management, Reporting Risks and opportunities Risk management or mitigation Innovation to address opportunities 	Performance and Prospects: <ul style="list-style-type: none"> Metrics and key performance indicators: <ul style="list-style-type: none"> Climate Energy Water and effluents Biodiversity Labor practices Human rights and community relations Customer health and safety Economic impacts Targets Scenario analysis Impact analysis, including magnitude of impact
	Metrics and supporting narratives: <ul style="list-style-type: none"> Climate, including emissions. Energy, such as type of energy and consumption. Water and effluents, such as water consumption and water discharge. Biodiversity, such as impacts on biodiversity or habitats protected and restored. Labor practices, such as diversity and equal opportunity, training and education, and occupational health and safety. Human rights and community relations, such as local community engagement, impact assessments and development programs. Customer health and safety. Economic impacts, such as government assistance, tax strategy, anti-competitive behavior, anti-corruption and market presence. 	Performance and Prospects: <ul style="list-style-type: none"> Metrics and key performance indicators Targets Scenario analysis Impact analysis, including magnitude of impact Supported by Narratives: <ul style="list-style-type: none"> Governance Strategy and business model Risks and opportunities Innovation to address opportunities Internal control Risk management or mitigation

Having made these adjustments, limitations of the proposed ISSA 5000 will provide guidance for practitioners on a standards / framework-agnostic and standards / framework-inclusive basis in relation to practitioners evaluating comprehensive or partial descriptions of the business.

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That is, ISSA 5000 will then cover IFRS Sustainability Disclosure Standards, paragraph 19(a) of the CSRD, the Brazilian integrated reporting directive, the Integrated Reporting Framework, the Management Commentary Practice Statement and the standards, guidance and examples will need to be boosted accordingly. This matter needs to be addressed in the final version of ISSA 5000.

Matters needing explanation relate to the assurance practitioners evaluating descriptions of:

- e) the business - refer answer to Question 7.
- f) whether the pre-conditions for assurance have been met - refer answer to Question 8.
- e) the materiality process - refer answer to Question 9.
- f) internal control – evaluation when part of sustainability information - refer answer to Question 10.

Available resources, such as Examples 9 (Management Commentary + GRI), 10 (Integrated Reporting Framework), 16 (TCFD Recommendations) and 17 (qualitative misstatements) of the IAASB's 2021 Extended External Reporting Assurance Guidance can be drawn upon in building this area on a standards and framework-agnostic basis.

Otherwise at least a conforming and consequential amendment would be required to clarify that descriptive material including a description of the business must be assured under ISAE 3000 with a corresponding change ISAE 3000, which would be contrary to the aim of ISSA 5000 being a 'one stop shop' for all aspects of sustainability reporting assurance.



AUASB Agenda Paper

Title:	ISSA 5000 - Sustainability Assurance	Date:	23 November 2023
Office of the AUASB Staff:	Rene Herman	Agenda Item:	2.0

Objective of this Agenda Paper

The objective of this Agenda Item is for AUASB members to provide input into the AUASB submission to the IAASB on ED ISSA 5000 *General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards* (ED-5000).

Questions for the Board

Question No.	Question for the Board
Question 1	What are the AUASB's views on the draft submission to the IAASB as presented at Agenda Item 2.1, including the key themes summarised in paragraph 9 of this Agenda Paper?
Question 2	Do AUASB members have any comments or questions on matters detailed in the Comments and Disposition Paper as presented at Agenda Item 2.2?

Background and Previous Discussions on Topic

1. The IAASB issued ED-5000 in August 2023. The IAASB's aim was to develop an overarching standard for assurance on sustainability reporting that supports consistent performance of quality sustainability reporting assurance engagements. The IAASB intends ED-5000 to apply across all sustainability topics and reporting frameworks and be implementable by all assurance practitioners (accountants and non-accountants). The IAASB submission period ends on 1 December 2023.
2. In August 2023 the AUASB issued a Consultation Paper exposing the IAASB's proposed standard (essentially a 'wrap around' of the ED-5000) as well as seeking feedback on whether there are aspects of ED-5000 that require additional guidance for Australia. The Australian specific matters will not be covered at this 23 November 2023 AUASB meeting. A summary of feedback will be presented to the 6 December 2023 AUASB meeting for further consideration.
3. The AUASB released and shared with Australian stakeholders IAASB produced educative webinars which outlined the key proposals contained within ED-5000.
4. The AUASB held several roundtables to obtain stakeholder feedback/input on ED-5000. These roundtables were targeted and attended by a wide range of stakeholder groups including: accounting and non-accounting practitioners, regulators, academics, users, preparers and professional bodies. Roundtables were held in Sydney (1 hosted by AUASB and two co-hosted with the IAASB), Melbourne, online virtual and in conjunction with CA ANZ/CPA. In total over 100 Australian stakeholders attended these events.
5. The Office of the AUASB held an informal session on 10 November 2023 with available AUASB members to obtain their initial views and input into the AUASB's submission to the IAASB. The

AUASB feedback centred around forward-looking information and the entity's process to determine sustainability disclosures. This feedback has been considered in preparing the Draft submission attached.

6. The Office of the AUASB has received 6 written submissions which have been analysed in the Comments and Disposition Paper included at Agenda Item 2.2. The written submissions were from:
 - Pitcher Partners
 - CA ANZ
 - Deakin
 - Leon Olsen (personal submission)
 - AICD
 - Deloitte
7. The Office of the AUASB has drafted the AUASB's response to the IAASB with regard to feedback obtained from roundtables, initial AUASB discussion and written submissions received.
8. The draft submission populates a standard template, provided by the IAASB. The IAASB has indicated for stakeholders to only populate the standard template and to not include covering letters or summaries of key issues.

Matters for Discussion and Office of the AUASB Recommendations

9. The 6 main themes in the draft submission are:
 - (a) *Imposing firm quality management and ethics through an assurance standard:* We consider that it is not appropriate for an assurance standard to 'back door' requirements concerning firm quality management and ethics. The ED-5000 does this through requirements on the engagement leader to be a member of a firm with certain quality management and ethical requirements, and a requirement to report that there is compliance. Failure to report compliance with standards 'at least as demanding as' ISQM 1 and the Code of Ethics would result in non-compliance with ISSA 5000.

Firm quality management should be dealt with through a separate dedicated project of the IAASB. Ethics should be a matter solely for the IESBA. Any reporting requirement should be about what requirements were followed and to what extent.

In particular, we are concerned that:

- I. *The AUASB and other standards setters will not be able to make ISSA 5000 compliant standards:* The AUASB and some other national sustainability assurance standard setters do not have a remit to set firm quality management and ethical requirements. These standard setters may need to remove all references to quality management and ethics from the final ISSA 5000, with the resulting standard not being ISSA compliant. In Australia, legislative amendments would be required for the AUASB to be able to impose any firm quality management requirements and such amendments could take years, if ever made. A professional board (the Accounting Professional Ethical Standards Board) sets ethical requirements;
- II. *Standards for non-accountant assurance providers:* The IAASB should assess whether for assurance over particular information requiring particular technical expertise, different quality management and ethical requirements could be applied by non-accountant practitioners that are more appropriate than requirements at least as demanding as ISQM 1 and the Code of Ethics ED-5000; and

- III. Ethics and Quality Management “at least as demanding”: A lack of clarity on the concept of “at least as demanding” could result in inconsistent firm quality management and ethical requirements. The IAASB should provide further guidance to determine what qualifies as “at least as demanding”.
- (b) Local standards and guidance: The AUASB will be considering the possibility of issuing a standard and guidance to supplement the final ISSA 5000 on assurance under the local climate reporting framework (governance, strategy, emissions, other metrics, scenario analysis and transition plans). This may include enhanced requirements for the use of experts, on materiality and about information and assurance received and given through value chains.
- (c) Limited / Reasonable Assurance: Practitioners do not consider it clear enough as to the substantive differences in work effort between limited and reasonable assurance in ED-5000. The IAASB should consider how to address this matter, including incorporating relevant analysis and guidance on the differences from Appendix 3 to the Non-Authoritative EER Guidance.
- (d) Pre-acceptance activities: There is concern regarding the extent of work effort at the pre-acceptance stage as it relates to understanding the entity’s material sustainability disclosures. This appears to arise due to reference to understanding the entity’s ‘materiality process’.
- (e) Materiality: Practitioners are seeking more guidance as to how to determine materiality of disclosures.
- (f) Scope and Title of ISSA 5000: ED-5000 concerns sustainability reporting assurance not to sustainability assurance more broadly. The title of the standard should refer to ‘Sustainability Reporting Assurance’.
- (g) Guidance: There is a need for more guidance on the competence required of the engagement leader and team, the use of experts, forward looking information, groups and information and assurance received and provided for value chains.

Collaboration with NZAuASB and other standard setters

10. The Office of the AUASB has reviewed the latest draft NZAuASB submission and has aligned responses where appropriate. We will monitor changes from discussions at NZAuASB meetings and in finalising the NZAuASB submission.

Next steps/Way Forward

11. The submission to the IAASB Exposure Draft is due 1 December 2023. Consistent with the AUASB’s [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#), the ultimate content of the AUASB’s submission will be determined after balancing all evidence from research, submissions and consultations. Having regard to AUASB input, the Office of the AUASB and Chair will finalise and submit the response to the IAASB.
12. The Office of the AUASB will bring a summary of feedback on Australian specific matters to the 6 December 2023 AUASB meeting to inform the AUASB in considering proposed next steps.
13. The Office of the AUASB will continue to monitor the IAASB’s progress through the process of their analysing comments on ED and how these comments are considered by the IAASB. Board members will be updated at Board meetings during 2024 and any key issues discussed.

AUASB Agenda Paper

Materials Presented

Agenda Item	Description
2.1	Draft AUASB submission to the IAASB
2.2	Comments and Disposition Paper