



Late papers for NZAuASB meeting

30 November 2023

(below are extracts from the agenda with the late papers highlighted)

Est.Time	Item	Topic	Objective		Page	
11:00am	3	<u>Sustainability Assurance ED ISSA 5000</u>			<i>Karen</i>	
	3.1	Board meeting summary paper	Note	Late	2	
	3.2	Submission (also in word in teams)	Approve	Late	4	
	3.3	Summary of the submissions received	Note	Late	21	
	3.4	Toitū Envirocare Submission	Note	Late	23	
	3.5	CPA and CA ANZ Joint Submission	Note	Late	26	
	3.6	EY submission	Note	Late	31	
	3.7	IAASB summary of feedback heard (IAASB December board papers)	Note	Late	38	
	3.8	Focus group discussion summary on ED-5000	Note	Late	44	

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	3.1
Meeting date:	30 November 2023
Subject:	ED-ISSA 5000 Submission
Date:	24 November 2023
Prepared By:	Misha Pieters, Karen Tipper, Anna Herlender and Nimash Bhika

 Action Required **For Information Purposes Only**

Agenda Item Objectives

1. To approve the submission to the IAASB on [ED-5000](#).

Background

2. The NZAuASB has provided input into the developing submission at the September and October meeting and provided additional direction in November. The draft has been extensively rewritten and therefore we have not shown track changes or previous comments made. The direction provided from the board is summarised as:
 - a. Recognise the significant effort of the IAASB.
 - b. Write the submission from what we know, i.e. climate reporting and service performance information.
 - c. Scope and general-purpose reporting framework, the need for clarity as to what is in or out.
 - d. The need to take a medium to long term view, not introduce everything in one “big bang”. Adopt a higher principles-based approach for this umbrella standard with more to come, rather than overloading early on.
 - e. The approach to quality management and ethics is not profession agnostic, there has been no mapping and ED-5000 is built only on IAASB and IESBA material, assuming this is the right benchmark. Encourage a more principles-based approach.
 - f. Risk of increasing the expectation gap – suggest longer form reporting to communicate clearly. Reasonable assurance may not be possible.
 - g. Materiality and link to who will use the assurance report: draw in learnings from materiality on service performance information project, the two-step process and how we went about addressing the challenge of evaluating the “right” measures.
 - h. Context is everything

Update

3. The consultation period for the NZAuASB’s [consultation document](#) closed on 20 November. We received 3 submissions, summarised at agenda 3.3. We also received views on ED-5000 at recent focus group discussions. Feedback relevant to ED-5000 is summarised in agenda item 3.8. We have reflected on these key messages in refining and enhancing the draft submission. We provide an update from the IAASB as context at agenda item 3.7.

Action:

4. We ask that board members provide their views to us as soon as possible before the board discussion so that we are able to update the submission for final approval at the meeting.

Material Presented

Agenda item 3.1	Board Meeting Summary Paper
Agenda item 3.2	Draft submission for approval
Agenda item 3.3	Summary of submissions received
Agenda item 3.4	Toitū Envirocare Submission
Agenda item 3.5	CA ANZ submission
Agenda item 3.6	EY submission
Agenda item 3.7	IAASB summary of feedback heard (IAASB December board papers)
Agenda item 3.8	Focus group discussion summary on ED-5000

1 December 2023

Willie Botha, Technical Director

International Auditing and Assurance Standards Board

Via email

Dear Willie,

Exposure Draft: Proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements

Thank you for the opportunity to comment on Exposure Draft (ED-5000). The NZAuASB acknowledges the significant effort that went into producing ED-5000 so quickly in response to international developments in sustainability reporting.

To achieve the ambitious timeline, we know that existing IAASB material was drawn from. This represents a missed opportunity and in relation to the existing expectation gap there is an important opportunity here to develop a new assurance standard designed to be fit for purpose for sustainability reporting.

There is no global agreement on which sustainability reporting framework(s) to mandatorily adopt. Standard setters, regulators and professional bodies have publicly acknowledged that there is a significant shortfall in capability and capacity of service providers in preparation and assurance to meet the increasing demand for sustainability reports and assurance. We consider that sustainability competence is of equal importance to independence for sustainability assurance engagements. A depth and range of knowledge and sustainability competence is vital for quality assurance.

We do not consider ED-5000 to be profession agnostic. We consider that its language, length, density and the large number of “shall” requirements may create a barrier to adoption especially for non-accountants. Given that ED-5000 is an umbrella standard that will be supplemented with additional standards overtime, we recommend that the IAASB raise the standard to higher-level principles while the reporting frameworks are still developing. This would we believe make the standard more widely acceptable.

We are able to draw from experience on making a temporary standard profession agnostic. In New Zealand, our mandatory climate reporting regime came into effect for periods beginning 1 January 2023. From October 2024, the greenhouse gas disclosures included within climate statements are subject to mandatory assurance. The XRB has issued a temporary domestic assurance standard. We followed a collaborative process to develop our standard, learning from a broad range of practitioners. To bring together the depth and breadth of assurance practitioners needed, we adopted a principles-based approach for both ethics and quality management based on principles in ISQM 1 and the IESBA code and with reference also to ISO standards and accreditation requirements. This will allow us to build on these principles overtime. Our comments are made in this context.

In New Zealand, we have extensive experience reporting and assuring non-financial service performance information. Many of the key challenges that the IAASB are grappling with, are matters we have been working through in this context. Some of the learnings from this project have informed our responses.

We summarise our key concerns below and in our responses to selected questions we include our suggestions to address our concerns:

- The scope of the standard should be clearly limited to assurance over general purpose reporting. Trying to be all things to all people may cause unnecessary confusion amongst practitioners who

perform a range of activity, e.g., assurance of claims or eco-labels or business-to-business engagements across supply chains.

- We do not believe that the “at least as demanding” approach will result in a profession agnostic standard. The language, length, density and the large number of “shall” requirements will create a barrier (real or perceived) to other professions “adopting” the IAASB standard. Many other professionals working in the field of sustainability reporting and assurance have high quality ethical and quality management principles. It is not credible nor appropriate for one profession to insist that their approach should form the baseline for another profession. We recommend a more proportionate principles-based approach is needed to bring together assurance practitioners across a range of professions to add depth and capacity to the assurance market.
- As drafted the standard presents a significant risk to increasing the expectation gap rather than narrowing it. Drawing from existing material where known issues already exist, heightens that risk in the context of sustainability reporting:
 - In our view, obtaining reasonable assurance is not feasible over all elements of a sustainability report, notably extensive forward-looking information. We caution against setting the expectation that reasonable assurance is always possible until more is known about the nature and extent of the reporting framework in practice.
 - Limited assurance is not well understood. ED-5000 focusses on the differing work effort between limited and reasonable assurance but does not seek to explain or address existing misconceptions about the spectrum of assurance provided.
 - The “traditional” conclusion is too restrictive for sustainability information. The information addressed in a sustainability assurance report is likely to be diverse and multiple conclusions or other communication tools that draw out various aspects will be needed to better explain to the user what the assurance conclusion(s) actually means.
- The materiality judgements section is confusing. Referring to both the entity’s materiality process and the practitioner’s materiality process adds to this confusion.

We recommend amending ED-ISSA 5000 to:

- limit the scope, to be applicable to assurance engagements over sustainability reporting prepared in accordance with a general-purpose reporting framework.
- Adopt a more principles-based approach to quality management and ethics and independence requirements to make it profession agnostic.
- Be more flexible in how an assurance practitioner may articulate the assurance conclusion and encouraging practitioners to be more innovative to better meet user needs.

We believe these changes would allow the spirit of the standard to be applied and time for capability and capacity building to meet new reporting and assurance requirements. We encourage the IAASB to continue to be willing to learn from others in their outreach and to continually make improvements to the standard as time passes.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Karen Tipper (karen.tipper@xrb.govt.nz).

Marje Russ
Chair, NZAuASB

Responses to Questions in the Explanatory Memorandum for ED-5000

Question 1

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)

NZAuASB response: No, the NZAuASB does not consider that ED-5000 is profession agnostic. We consider that its language, length, density and the large number of “shall” requirements may create a barrier to adoption, especially by non-accountants. Drawing from existing IAASB material has limited the ability to stand back and re-evaluate how best to enhance trust and confidence in sustainability reports. We recommend that ISSA-5000 as an umbrella standard be lifted to higher-level principles. This would enable more topic specific standards to be issued in due course as the reporting frameworks are still developing. We believe this would make the standard more widely acceptable.

Appropriate for all Sustainability Topics and Aspects of Topics

We do not consider that the scope of the standard is clear. We have concerns that the standard is trying to be all things to all people. We are concerned that by trying to be broad enough to cover all “sustainability assurance engagements”, it is suggesting that it is appropriate for too broad a range of activity (e.g. assurance of claims or eco-labels or special purpose business-to-business across supply chains assurance). We recommend that the IAASB narrow the scope of ISSA-5000 to be clear that it has been written for assurance over entity level sustainability reporting in accordance with general purpose reporting frameworks. We recognise however, that it may be used for special purpose engagements but may need to be tailored accordingly. Refer to question 3 for more detail.

We recommend that the IAASB rename ISSA-5000 and amend paragraphs 2 and 8 of ED-5000 to clarify that its scope covers assurance over sustainability reporting in accordance with general purpose reporting frameworks. The statement in paragraph 8 that “regardless of the manner in which that information is presented” adds confusion, especially for non-accountant assurance practitioners as to when this standard should be applied. We believe this was meant to address the fact that the sustainability report may be included in an annual report or elsewhere, but as drafted lacks clarity and therefore makes the scope of the standard unclear.

All mechanisms for reporting

The information may be included in an annual report or in other documents or websites. We encourage the IAASB to develop more guidance to assist practitioners to be clear on what information has been assured and what their obligations to other information are, particularly where information may be spread and cross referenced between multiple documents or websites.

Intended users

Context is everything and more guidance or educational material is needed to help practitioners in identifying the intended users of the assurance report.

Reasonable and Limited Assurance

The risk of an ever-growing expectation gap is high. We have concerns that carrying forward the known confusion about the differences between limited and reasonable assurance only increases the

expectation gap risk over sustainability information. We consider this to be a missed opportunity to re-examine how best to build trust and confidence in sustainability information. Refer to question 7 for further comments.

Use by all assurance practitioners

The market is yet to agree on what sustainability reporting frameworks to apply. Standard setters, regulators and professional bodies acknowledge that capability and capacity is not yet at the required level. We consider that sustainability competence is of equal importance to independence for sustainability assurance engagements. A depth and range of knowledge and sustainability competence is vital for quality assurance.

We do not consider that ED-5000 is profession agnostic, particularly with reference to the “at least as demanding” tests for Ethics and Independence and Quality Management. Both the Code of Ethics and ISQM 1 are comprehensive standards that have been built on over time and are always issued with time to transition. We are concerned the approach will create barriers to entry for competent practitioners and we recommend a more proportionate approach is needed to bring together assurance professionals to add depth and capacity to the assurance market. Refer to question 4 for further comments.

Question 2

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)

NZAuASB: No response.

Question 3

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)

NZAuASB response

Disagree with comments below.

No, the NZAuASB does not consider that the scope of the standard is clear. We recommend that the IAASB rename ISSA-5000 and amend paragraphs 2 and 8 to clarify that its scope covers assurance over sustainability reporting in accordance with general purpose reporting frameworks. The statement in paragraph 8 that “regardless of the manner in which that information is presented” in ED-5000 adds confusion, especially for non-accountant assurance practitioners as to when this standard should be applied. We believe this was meant to address the fact that the sustainability report may be included in an annual report or elsewhere, but as drafted lacks clarity and therefore makes the scope of the standard unclear.

We agree that the scope ED-5000 is clear that it applies for assurance engagements over a general-purpose sustainability report, for example a climate statement, but that ISAE 3410 would apply when a separate assurance conclusion is required for greenhouse gas emissions.

We note that ISAE 3410 is a topic specific assurance standard under the umbrella standard of ISAE 3000. We recommend that ISAE 3410 be moved to sit under the umbrella standard ED-5000 and become the first topic specific standard for the assurance of greenhouse gas emissions. The benefit of this will be that all assurance over sustainability matters will be undertaken under the same suite of standards, rather than reference both ISAE 3000 for greenhouse gas emissions and ISSA 5000 for other sustainability matters. We understand that the risk assessment requirements for limited assurance engagements differ between ED-5000 and ISAE 3410. However, we note that this same difference in approach exists between ISAE 3000 and ISAE 3410, and therefore do not see that this concern should prevent ISAE 3410 from being the first standard under ISSA 5000. Given that ED-5000 is based on the approach used in ISAE 3000 and includes the same fundamental building blocks, we encourage this so that all assurance practitioners can use the ISSA standards for assurance engagements over all sustainability-related matters.

Question 4

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)

NZAuASB response

Disagree with comments below.

The NZAuASB agrees that robust ethical and independence and quality management requirements are essential to enhancing trust and confidence. We consider that sustainability competence is of equal importance to independence for sustainability assurance engagements. A depth and range of knowledge and sustainability competence is vital for quality assurance.

The NZAuASB does not believe that the “at least as demanding” approach will result in a profession agnostic standard. The language, length, density and the large number (over 200) of “shall” requirements will create a barrier (real or perceived) to other professions “adopting” the IAASB standard. Many other professionals working in the field of sustainability reporting and assurance have high quality ethical and quality management principles. We do not believe that it is credible or appropriate for one profession to insist that their approach should form the baseline for another profession. We are concerned that this approach will create a barrier to adoption by non-accountants..

Both the Code of Ethics and ISQM 1 are comprehensive standards that have been built on over time. Accountants or those familiar with these standards have had many years to develop systems and implement the detailed requirements. Other professions have their own ethical requirements and systems of quality management that have not been mapped to the IESBA Code or ISQM 1. It will be time-consuming to map these standards, and then implement any changes. A proportionate approach is needed based on principles, that can be refined over time to bring assurance professionals together to learn from each other, and build depth and capacity in the market.

The way in which we addressed this challenge in New Zealand for mandatory greenhouse gas assurance was to include higher level principles for both ethics and quality management, that are familiar to most professions, as the starting point, which could be added to or tailored over time. The XRB have recently issued non-authoritative guidance to expand on these principles and may continue to do so over time to aid in consistent understanding and application of the principles. We consider that this is a proportionate way to bring a range of practitioners, and skills together, recognizing that there is a shortage of experienced practitioners in the market.

The IAASB has a key role to play in facilitating the application of ISQM 1 and the IESBA Code of Ethics for those who are new to these standards

The IAASB and the IESBA have a crucial role to play to facilitate and assist those not familiar with the ethics and quality management requirements. We encourage the IAASB to work with others, to learn more about the quality management requirements others apply, and to co-ordinate global mapping exercises. We welcome the collaboration with the International Accreditation Forum (IAF) on Quality Management. In doing so, the IAASB may also learn more about other quality management practices to inform a post implementation review of the IAASB's ISQM 1 standards in due course.

We encourage the production of a "Get Started" guide to assist practitioners. We encourage the IAASB to work closely and jointly with the IESBA on non-authoritative guidance.

Please refer to our answer to question 22.

Question 5

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)

NZAuASB response

Agree with comments below.

Yes, the NZAuASB believes that the definition of sustainability matters is clear and covers the broad range of sustainability considerations present within sustainability reporting frameworks. However, we question whether this definition could be too broad and could inadvertently capture information that is not intended to be assured under such frameworks, for example, product claims or business-to-business "special purpose" assurance engagements.

We recommend that the definition be looked at in this context by clarifying that sustainability matters is limited to matters for information within an entity's general-purpose sustainability report.

Question 6

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)

NZAuASB: No response.

Question 7

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)

NZAuASB response

Disagree with comments below.

The difference between limited and reasonable assurance is not well understood. The NZAuASB believes there is still confusion around the work effort required, in particular around risk assessment and internal controls for limited assurance. We recommend that the IAASB include additional guidance. We found Appendix 3 to the non-authoritative guidance on applying ISAE 3000 (Revised) to sustainability and other extended external reporting (EER) assurance engagements a helpful approach.

We understand that users may not appreciate the differing degree of assurance and how much reliance can be placed on a limited or reasonable assurance conclusion. We therefore have significant concerns that carrying forward the existing model will only increase the expectation gap risk over sustainability information as this will carry forward existing issues.

We have questions about whether reasonable assurance over some longer-term forward-looking information should be the goal. Our analysis of current practice confirms that assurance is mostly restricted to certain disclosures within a reporting framework and the assurance over these disclosures is limited assurance. We caution against setting the expectation that reasonable assurance is possible. Refer to our response in question 16 which notes that ISO 14064-3 (International Organization for Standardization (ISO) 14064-3: 2019 Greenhouse gases – *Specification with guidance for the verification and validation of greenhouse gas statements*) does not permit reasonable assurance to be provided over forecasted or validated emissions.

We encourage the IAASB to develop guidance to increase user and practitioner understanding about the spectrum of assurance that is likely to be needed over sustainability information. It could draw on, or reference, the IAASB EER Guidance on the spectrum of assurance and include some examples of assurance reporting approaches that provide more information to users, such as long-form reporting.

Please see our comments on the assurance reports in question 21 and 22 for further details.

Question 8

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)

NZAuASB response

Agree with comments below.

The NZAuASB agrees that ED-5000 is clear that the practitioner shall obtain a preliminary knowledge of the sustainability information and scope of the engagement.

We stress the importance of context and competence, given the wide range of information that may be reported. The range and depth of competence required will likely vary, and may depend on the condition of the relevant environmental, social, economic or cultural context. What is relevant is context specific, it may be global, local, regional, or very site specific.

We stress the importance of the need for the practitioner to obtain a preliminary understanding of the sustainability matters to be reported, to ensure that there is sufficient understanding of the sustainability considerations, and the necessary sustainability competence and knowledge needed to accept and undertake the engagement.

We encourage the IAASB to stress the importance of sustainability competence in this context of the preliminary knowledge of the engagement circumstances to make it clearer. We recommend that paragraph 25(b) be amended to emphasise both assurance and sustainability competence, noting that sustainability competence is defined in 17 (tt), to emphasise this early on.

Question 9

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)

NZAuASB response

Agree with comments below.

The NZAuASB supports a proportionate approach in obtaining a preliminary knowledge of the engagement circumstances at the pre-engagement stage. However, it is important that the practitioner has enough information about what is expected to be reported and how the entity went about making that judgement, how the entity will measure or evaluate the information and context about the entity and the condition of the relevant environmental, social, economic, or cultural context of what is to be reported on. Understanding the entity’s processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement.

We found the application material in A157 confusing. Referencing the assurance practitioner’s materiality judgement at the pre-engagement stage is unhelpful. We recommend that different application material be developed to assist the practitioner to obtain enough preliminary knowledge to be able to make the engagement acceptance decision.

Paragraphs A156 and A157 acknowledge that there may be a something in the reporting framework or the entity’s own process about “what” and “how” to report. In our domestic project on service performance information, we added more application material to prompt the practitioner to gain a better preliminary understanding, noting that this is likely to be an iterative process. Prompts may include asking the client:

- how the entity is applying the qualitative characteristics of the reporting framework and the characteristics of suitable criteria, especially where criteria may be entity developed.
- whether users or stakeholders were involved in the selection of what and how to report.

- what information does the entity have to support what it will report.
- how and where does the entity plan to present and disclose its information.
- what laws or regulatory requirements are there for the information being reported
- is there any information not reported that should have been due to difficulties in obtaining the information.

Question 10

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)

NZAuASB response

Agree.

The NZAuASB agrees that ED-5000 appropriately addresses the practitioner’s evaluation of the suitability and availability of the criteria used by the entity.

Question 11

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)

NZAuASB response

Agree.

The NZAuASB agrees with the explanations included in the standard. The concept of impacts and related terms (impact materiality, financial materiality, double materiality) is related to sustainability reporting (it is not commonly known in financial audits). We note that the term “double materiality” is not framework neutral. However, we consider that the clarifications in the proposed standard are useful for many assurance practitioners.

Question 12

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)

NZAuASB response

Agree, with comments below.

The NZAuASB agrees with the proposed approach to consider materiality for qualitative disclosures and determine materiality for quantitative disclosures.

However, we believe that the standard could be enhanced in two ways:

- Minimizing confusion between the entity's materiality process from the practitioner's performance materiality. We outline our learnings and two step approach from our domestic service performance project below to articulate how we approached this challenge.
- Adding further application material or guidance to assist the practitioner make materiality judgements.

Minimising confusion

In New Zealand, to address some of the challenges related to an entity's materiality process, and the practitioner's materiality judgements, we adopted a two-step process:

- The first step is assessing whether "what and how" selected by the entity to report on is "appropriate and meaningful" and in accordance with the applicable reporting framework. This includes assessing the elements/aspects that the entity has selected to report on, the measures and/or descriptions the entity has used to report on what it has done in relation to those elements/aspects of during the reporting period, and the measurement basis or evaluation method used to measure or evaluate the subject matter. The approach would mean that even if the framework does not require an entity to follow or report about their "materiality process" explicitly, there is a prompt in the standard for the practitioner to understand more about what and how the entity went about making its judgements about what aspects to report on.
- Step two is the "ticking and bashing" step to gather evidence as to whether the reported information fairly reflects the actual subject matter and is not materially misstated.

These two steps are iterative, step one begins based on a preliminary knowledge of the engagement (at the pre-acceptance stage) but is built on throughout the engagement, and informs the planning and materiality judgements in step 2.

We offer this approach as an alternative way to structure the requirements and application material by separating but linking the entity's materiality process from the practitioner's materiality judgements.

More guidance to assist the practitioner make materiality judgements

The practitioner's materiality requirements and application material do not take into account that the sustainability information may not be homogenous. It might be impractical to document considerations for all disclosures.

Identification of important disclosures, in the first place, using the concept of materiality would help focus the assurance practitioner on the areas that require further consideration and identification of disclosures where material misstatements are likely to arise (for limited assurance) or where risk of material misstatement at assertion level needs to be assessed (for reasonable assurance).

We encourage the IAASB to consider adding application material that prompts the practitioner to:

- Identify significant disclosures. This should be built on the understanding of the materiality process performed by the entity. The proposed standard should better explain that the practitioner needs to understand the entity's process for the purpose of identifying what would be material for the user.
- Consider/determine the practitioner's tolerance for error for the disclosures identified above.

Question 13

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)

NZAuASB: No response.

Question 14

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)

NZAuASB response

No Response.

Question 15

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)

NZAuASB: Yes, with comments below.

The NZAuASB supports the content in ED-5000 as we believe that experts and other practitioners will be used extensively, due to the complex and broad nature of sustainability information that may be reported. We stress the importance of the expert or other practitioner having sufficient understanding of the underlying subject matter (i.e., the condition of the relevant environmental, social, economic, or cultural context). This understanding and specific subject matter expertise should be evidenced by an assessment of competence in the field in which the expert or other practitioner is providing their input. We note that competency frameworks required by the ISO standards include topic or sector-based assessments of competency.

It is very likely that there will be a greater use of others owing to the potential complexity and breadth of information reported. We encourage the IAASB to provide more educative material on the use of experts and other practitioners to assist in the application of this standard. Education material that helps the practitioner to navigate and identify the right expert or other practitioner to use and helps bring together individuals from various backgrounds is needed, to avoid duplication of effort. Material that explores the various activities that build trust and confidence in the underlying processes and information and helps the practitioner to leverage off what others are doing will be useful.

Question 16

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)

NZAuASB response

Agree with comments below.

The requirements regarding work required to be performed on estimates and forward-looking information are helpful. The NZAuASB also supports examples relating to forward-looking information in various parts of ED-5000.

However, we believe that the assurance report requirements do not capture the nature of all types of forward-looking information, especially projections. Projections are prepared on the basis of hypothetical assumptions about future events which are not necessarily expected to take place. An example of a projection is a scenario analysis. We recommend that the IAASB re-examine the required assurance reporting to enable wording similar to the assurance conclusion required in ISAE 3400, with a focus on the assumptions and appropriate caveats (that actual results may differ, and variation may be material) to avoid exacerbating an expectation gap. We believe that alternative wording in the assurance conclusions will be a helpful communication tool to the user, particularly to cover the hypothetical scenarios.

Alternatively, we encourage the IAASB not to prescribe the expression of the conclusion as articulated in paragraph 170c(vi) to enable more flexibility and encourage the practitioner to consider how best to convey the level of assurance that can be provided.

We note that the ISO framework considers future and forward-looking information within its assurance conclusion for ISO 14064-3 (International Organization for Standardization (ISO) 14064-3: 2019 *Greenhouse gases – Specification with guidance for the verification and validation of greenhouse gas statements*). The ISO does not permit reasonable assurance to be provided over forecasted or validated emissions. Limited and reasonable assurance can be either subject to verification for historical emissions or a mixture of verification and validation for a combination of historical and future emissions. Any greenhouse gas emissions that are included in the measurement but are emitted into the atmosphere in a subsequent period, must be validated rather than verified.

We recommend that a topic specific ISSA on scenario analysis would be useful.

Question 17

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)

NZAuASB: No response.

Question 18

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)

NZAuASB: The NZAuASB recommends that a specific ISSA relating to groups and value chain considerations should be added as a next focus. More guidance will be needed, including on communication with the auditors of financial statements.

Question 19

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)

NZAuASB response

Agree.

The NZAuASB considers that ED-5000 appropriately addresses fraud.

We support the IAASB not including the term “greenwashing” in the standard. As the reporting frameworks are still developing, we do not consider it would be appropriate for ED-5000 to contain requirements for practitioners around greenwashing. The wide range of sustainability matters which could be reported, and the inherent nature of sustainability information (particularly forward- looking information and projections) means it is likely to contain errors which are not intentional or be subsequently restated for valid reasons. We consider ED-5000 appropriately focuses on the susceptibility of the sustainability information to material misstatements, due to intentional fraud, or unintentional error, which is appropriate for the current state of sustainability reporting.

Question 20

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)

NZAuASB: No response.

Question 21

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)

NZAuASB response

Disagree with comments below.

No, the NZAuASB does not consider that the assurance reporting will meet user needs.

We consider this to be a missed opportunity to re-examine how best to build trust and confidence in sustainability information.

We have concerns that the form of the assurance report might not be fit for purpose for still emerging sustainability reporting, given the broad definition of sustainability information and intended users.

Currently, assurance engagements over sustainability matters are often narrow in scope, focussed on certain sustainability disclosures only. Assurance conclusions are predominantly limited assurance. Given the lack of established systems and processes, and the forward-looking nature of the information which may look far into the future, we question whether reasonable assurance will ever be provided over parts of the information. This might change, but this may only become apparent over time. We caution against setting the expectation that reasonable assurance is the end goal until more is known to avoid an ever-growing expectation gap.

ED-5000 includes the “traditional” wording for assurance conclusions, being either a limited or reasonable assurance conclusion that the sustainability information has been prepared in accordance with the applicable criteria. We acknowledge that ED-5000 recognises that mixed opinions are likely, i.e., some limited, some reasonable.

However, we are concerned that this “traditional” approach might be too narrow and risk expanding the expectation gap. One or possibly two assurance conclusions over the sustainability report might not be enough to meet users’ needs in all circumstances, given the varied topics and varying work performed by the assurance practitioner.

To promote trust and confidence, we encourage the IAASB to be less prescriptive in how to articulate the opinion or conclusion in this umbrella standard. We recommend that the IAASB does not prescribe the expression of the conclusion as articulated in paragraph 170(vi), to enable more flexibility and encourage the practitioner to consider how best to convey the spectrum of assurance provided and encourage innovation with a focus on user needs. We acknowledge that this may be less comparable at first, but as innovation and better practice develops more detail could be added in time to promote consistency. We recommend that the IAASB explore and require the use of additional communication tools in the assurance report, to encourage practitioners to innovate and communicate to users about the level of confidence that the engagement provides while highlighting aspects of uncertainty, given that the nature of the information to be assured may be increasingly uncertain.

Some ideas to explore include:

Other ways of expressing the assurance opinion or conclusions:

- highlighting assumptions and any caveats or uncertainties in the wording of the conclusion.

- multiple conclusions, where relevant, first concluding on the entity’s materiality process followed by mixed conclusions over the various information reported.

Longer form reporting:

- about the assurance practitioner’s observations on the entity’s process to identify topics to report.
- that the assurance work was focussed on checking the assumptions, methods and inputs into a model, and that the actual results may differ.
- the potential scope exclusions inherent in the framework, for example including commentary that the entity has reported sustainability information in accordance with the criteria in a specific framework and that this may not include all sustainability information.
- how the work of an expert might be referenced in the report.
- any other information that could enhance the communicative value of the assurance report.

We recommend that ISSA 5000 does not include illustrative reports within the standard, but that the IAASB develop separate non-authoritative illustrations that can be added to over time, based on best practice examples that include innovative techniques to better meet user needs.

Question 22

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)

NZAuASB response

Disagree with comments below.

No, the NZAuASB does not agree.

KAMs, or an equivalent mechanism (e.g., “key sustainability assurance matters”), enables and encourages the communication of significant matters and what has been done to address them. We believe that this would be appropriate in both a limited and reasonable assurance engagement. We consider that the description of how matters have been addressed could be linked to the level of assurance. This could reduce the perceived risk of the level of assurance being greater than intended.

We agree with PIOB’s view that it might be in the public interest to allow inclusion of KAMs in the assurance reports and that this practice should be promoted early on.

Overall, we believe that KAMs in the assurance report would be useful for:

- enhancing users understanding about the assurance engagement, especially in the context of different characteristics of sustainability information.
- communicating significant matters identified during the engagement by the assurance practitioner and how they have been addressed to promote transparency.

The XRB has required the inclusion of key matters in our recently released standard NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, even for limited assurance engagements. This was done to enhance the communicative value of the report.

Question 23

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)

NZAuASB: Please refer to our answer to question 7.

Disagree with comments below.

No. Drawing from existing material where known issues already exist heightens the expectation gap risk. The NZAuASB considers this to be a missed opportunity.

As articulated in response to question 7, we have concerns that limited assurance is not well understood. Refer to our response to question 21 for our suggestions to better meet users' needs.

Question 24

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)

NZAuASB: No response.

Question 25

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

NZAuASB:

The NZAuASB believe that by adopting and utilising existing material, the IAASB has missed an opportunity to design a new assurance standard for this unique and complex subject matter. We understand the need to move quickly, but the reporting frameworks are still developing. We believe it is important to allow time for this to happen and for the appropriate assurance framework to emerge.

Competence:

We believe that sustainability competence is important and that competence should have equal weighting to independence. We note that specific competencies are not addressed in ED-5000, but includes the following provisions:

Acceptance stage

- Engagements can be accepted only if those who are to perform the engagement have collectively appropriate competence and capabilities (para 25 (b))

Engagement leader's competence

- The engagement leader needs to have competence in assurance and sustainability matters and understanding of relevant ethical requirements (para 32).

We support the non-inclusion of specific competency requirements in this umbrella standard as it is important that the competency required be specific to the subject matter being assured. The

competency required to assure the quality of water will be different to that required to assure a modern slavery framework, or a TCFD or climate statement.

We recommend that the IAASB include specific competency requirements when they develop the suite of topic specific standards that will sit under ED-5000.

Question 26

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.**

NZAuASB: No response.

Question 27

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 ISA. If not, what do you propose and why?**

NZAuASB response

The NZAuASB agrees with the proposed effective date. However, we encourage the IAASB to build in a transitional provision for those assurance practitioners who are not familiar with the IAASB and the IESBA standards and need to familiarize themselves with the requirements and adjust their processes accordingly. See our comments on question 4 for further details.

Summary of submissions received - Sustainability Assurance Consultation

1. Our sustainability assurance consultation included 10 questions. The objective of these were to help the XRB understand the sustainability assurance challenges in New Zealand. The consultation included one question regarding comments on ED-5000.
2. The Consultation closed on 20 November 2023. The XRB has received the following submissions:
 - Toitū Envirocare – see agenda item 3.4.
 - CPA and CA ANZ (joint submission on our consultation) – see agenda item 3.5
 - CA ANZ (preliminary staff comments on ED-5000) - see agenda item 3.6
 - E&Y – see agenda item 3.7

Main issues raised in the submissions in relation to ED-5000

3. CA ANZ and E&Y provided comments on ED-5000. Main themes were:

Common or general comments

- General support for ED-5000 as an international baseline
- Interaction between ISSA 5000 and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements is not clear, so needs to be clarified
- Call for aligning of requirements between ED-5000, ISAE 3000 and ISAE 3410
- Importance of further guidance and more ISSAs as the reporting matures
- Clarify nature of the standard by renaming to “sustainability reporting assurance”
- Not clear about “at least as demanding” assessment for ethics and quality management and how it will be monitored
- Acknowledgement of the need for time and guidance for non-accountants
- Need for more material to assist the assurance practitioner in determining whether client’s material sustainability risks have been identified and disclosed

Other detailed comments (from CA ANZ submission)

- Language based on ISA might be challenging for non-accountants
- Concerns regarding:
 - work required before accepting engagement not clear,
 - inability to accept limited assurance engagement if a reasonable assurance engagement is not possible – not clear
 - lack of understanding of differences between limited and reasonable and work effort required around internal control and risk assessment
 - 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.

- Using work of experts:
 - Need to clarify how the work of expert can be referenced in assurance report
 - Not sufficient detail on addressing group engagements and communication with auditors of financial statements
- Reporting:
 - More examples of assurance reports needed
 - Support exclusion of KAMs at the moment, but it should be reviewed in future
- Other comments:
 - More examples regarding assurance of qualitative disclosures needed
 - Forward looking information and value chain not sufficiently addressed
 - Need for education of users
 - Need of guidance and coordinate this with other standard setters
 - Reporting still not mature

Main issues raised in the submissions in relation to sustainability assurance in New Zealand

4. Toitū, CPA and CA ANZ and EY provided comments on sustainability assurance in New Zealand. The main themes were:
 - Concerns regarding maturity of New Zealand sustainability reporting and insufficient record keeping
 - Sustainability metrics voluntarily assured are not always those that have significant connections with the strategic direction of the organization. Need to facilitate the New Zealand assurance market to focus on material metrics.
 - Strong support to adopt the IESBA's Code for sustainability assurance and strong concerns that not adopting the IESBA's requirements will undermine assurance credibility, will have implications for assurance market (NZ entities will not be engaged internationally) and perceived two -tier system (as those registered with NZICA will need to apply the IESBA Code)
 - Strong support to adopt ISSA 5000 in New Zealand with adjustment appropriate to New Zealand context
 - Support for harmonization of standards with Australia
 - Non-financial disclosures should have the same level of integrity as financial statements
 - Potential gap what users assume and what actually was done in the assurance process
 - Qualitative data requires a lot of judgement
 - Need for subject matter expertise, which may be hard to access with limited number of sufficiently competent people.

Sustainability Assurance Consultation

Toitū Envirocare

1. What sustainability assurance engagements do you currently perform?

We are primarily involved in assurance engagements for verification and validation of greenhouse gas statements. We also perform some engagements in relation to emissions calculations and environmental management aligned with ISO 14001. Our assurance engagements cover both organizational level and product level. We perform agreed upon procedures relating to carbon compatible reports and specific carbon measurement relating to events, projects and buildings.

2. What sustainability assurance engagements have you been requested to perform?

In addition to the above, compliance with SBTI, Airport Carbon Accreditation, ICSA and IWCA accreditation.

There is interest regarding the scenario analysis and non-GHG information relevant to the CRD regime, and interest around SDGs, circularity and GRI 306 waste assurance though we are currently conducting none of these.

3. What assurance standards do you currently use to perform each type of sustainability assurance engagement?

ISO 14064-3:2019, in conjunction with ISO 14065:2020 and ISO 17029:2019

Assessment of Environmental Management systems are based on ISO 14001:2015 but this standard is not directly used.

4. What are the key challenges in assuring sustainability information in accordance with these standards?

Sustainability is a broad and evolving area, and many standards exist. These standards are constantly being updated and new standards emerge, and the science and best practice is constantly changing as well. This can become challenging in ensuring the underlying audit and assurance processes, as well as quality assurance requirements are both robust and flexible enough to evolve alongside the standards.

Users of the final sustainability mark/claim/ certification may make many assumptions not supported by the work done to achieve it, so there is a challenge in clarifying what the achievement truly means, in plain language. Sustainability is a diverse and continuously evolving and improving area, and there is a challenge in ensuring the endorsement of the claims is understood – there is a risk of a disconnect between the services offered and the implied meaning of those statements.



There is a challenge in conveying to the end user an understanding of what having assurance means, as well as the meaning of the terms 'reasonable' and 'limited'. In addition, conveying the realistic practical boundaries of the actual claim, while maintaining integrity and clarity.

In practical terms as far as GHG assurance is concerned, there is a challenge in clients having high quality, mature auditable data, especially for Scope 3 emissions / extended supply chain where the information and measurement is still in genesis in many areas.

Sustainability data can involve a lot of qualitative data, and the need for professional judgements in these assurance engagements where the subject matter may not be clear cut. There is a need for subject matter expertise which may be hard to access, where there is a limited number of sufficiently competent people working in this area, and a scarcity of auditors overall.

Emerging reporting requirements can lead to peaks and troughs of work timeframes, when many people require assurance to be conducted over a similar period, adding additional pressure to a small pool of experts.

National and international direction of policies and requirements will impact the assurance landscape, and ensuring compliance to all aspects will be a challenge if there is variability. What is required within New Zealand may well be different to what is required, for instance, to export to the EU.

The current ISO 14064-3:2019 assurance standard may not be fit for purpose to assure other information such as GRI disclosures and measures that are qualitative in nature.

5. What assurance activities do you think are most suited to sustainability reporting in New Zealand and why?

With such a diverse area which can involve a lot of qualitative information, agreed upon procedures and reviews may have more viability in this field than reasonable and limited assurance engagements.

It is also worth considering making assurance mandatory only in areas where it will add value and considering the materiality of the information to be assured. Disclosures that allow for voluntary assurance rather than mandatory assurance may help remove barriers to participation.

Areas where assurance may be of use, depending on the regime, include:

- SBTN for nature-based targets.
- Planetary boundaries.
- Water
- Donut economics ESG model.
- Biodiversity
- Management systems addressing the above items

These would need to be clearly defined and aligned to a recognized and maintained standard or standards to ensure agreement. Enabling the application of standards in plain language will assist in democratizing the work to make it accessible to smaller practitioners.



6. Do you have any comments on the IAASB's ED 5000 to inform the External Reporting Board's submission?

No comments

7. What standards do you apply for quality management for sustainability assurance engagements?

ISO 17029 includes fundamental quality management principles. In addition, we apply the principles of ISO 9001 and PES3, although the latter not in full.

8. What standards do you apply for Ethics and Independence when performing sustainability assurance engagements?

Ethical and independence requirements are built into that standards we use - ISO 14066, ISO 14064-3, ISO 14065, ISO 17029 as well as relevant IAF Mandatory documents and applied throughout our activities. In addition, the terms of our Accreditation require demonstration of ethical conduct. We also apply aspects of PES1 although do not apply the standard in full.

9. What could be some key pillars for Ethical and Independence standards for sustainability assurance?

The same key principles that apply to all assurance engagements, as it is these things that give credibility to the assurance.

Impartiality/Independence, Competence, Credibility, Confidentiality, Objectivity, Openness, Integrity.

10. What issues could Ethical and Independence standards for sustainability assurance address?

The same issues key issues across all assurance engagements: self-review threat, self-interest, advocacy, familiarity, management responsibility among others. More topically for these engagements, threats relating to green-washing.

A code of conduct would provide a set of rules all parties agree to use.



20 November 2023

Ms Marje Russ
Chair, New Zealand Auditing and Assurance Standards Board
PO Box 11250
Manners St Central
Wellington 6142

Via email: assurance@xrb.govt.nz

Dear Marje

Consultation Paper – Sustainability Assurance

CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) represent over 300,000 professional accountants who work in diverse roles across public practice, commerce, industry, government, and academia throughout Australia, New Zealand, and internationally. We welcome the opportunity to provide feedback on the above Consultation Paper (the CP) and make this submission on behalf of our members and in the public interest.

CPA Australia and CA ANZ reiterate comments made in previous submissions to the Board that we support a global approach to the development of overarching sustainability assurance standards and are supportive of the International Auditing and Assurance Standards Board (IAASB) as the global body to develop and issue these standards. We believe the goal should be a globally consistent, comparable, and reliable assurance framework for sustainability reporting. We recommend a coordinated approach to the development of sustainability assurance standards to avoid fragmentation and duplicative efforts, undermining consistency and comparability which are critical to the success of global efforts on sustainability matters.

In our view, the IAASB's proposed profession-agnostic overarching standard for assurance on sustainability reporting; ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA 5000), is the critical next step towards a global baseline for assurance on sustainability reporting.

This work is also complemented by the International Ethics Standards Board for Accountants (IESBA) project to develop "ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)".

We believe that the External Reporting Board (XRB) should adopt ISSA 5000 for use in New Zealand along with any future additions to the ISSA suite, subject to consultation and due process in New Zealand. Amendments to ISSA 5000, any future ISSAs and further assurance standards that are responsive to local jurisdictional issues could also be developed to supplement the ISSAs if needs are identified.

CPA Australia and CA ANZ are in the process of developing our respective submissions to the IAASB at the date of this letter and therefore we are unable to provide detailed comments relating to Question 6 of the CP (questions on the International Auditing and Assurance Standards Board (IAASB) proposals relating to ISSA 5000).

Our responses to the specific questions raised in the CP are included in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Tiffany Tan (CPA Australia) at tiffany.tan@cpaaustralia.com.au or Melanie Scott (CA ANZ) at melanie.scott@charteredaccountantsanz.com.

Yours sincerely



Elinor Kasapidis
Head of Policy and Advocacy
CPA Australia



Simon Grant FCA
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Chartered Accountants Australia and New Zealand

Attachment

Question 1

What sustainability assurance engagements do you currently perform?

Our members perform a range of sustainability assurance engagements, including climate-related disclosures.

Question 2

What sustainability engagements have you been requested to perform?

No comment.

Question 3

What assurance standards do you currently use to perform each type of sustainability engagement?

Our members primarily perform sustainability assurance engagements in accordance with ISAE (NZ) 3000 (revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE (NZ) 3000) and ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements* (ISAE (NZ) 3410). This is reflected in the recent IFAC study [The State of Play Beyond the G20](#) which reviewed the environmental, social and governance reporting and assurance practices in New Zealand, on p.37. In addition, it is our understanding that our members are also preparing to implement NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* (NZ SAE 1).

Question 4

What are the key challenges in assuring sustainability information in accordance with these standards?

Since both ISAE (NZ) 3000 and ISAE (NZ) 3410 are well established assurance standards, we have not heard any specific challenges with the application of these standards. As noted in paragraph BC7 of the Basis for Conclusions to NZ SAE 1, this is intended as a temporary standard whilst a more permanent solution to sustainability assurance is sought. We believe ISSA 5000 is the first step to that permanent solution and we have framed our responses to the below remaining questions accordingly. These responses also highlight some of the key challenges associated with ISSA 5000 and related matters.

Question 5

What assurance activities do you think are most suited to sustainability reporting in New Zealand and why?

We believe that the XRB should focus on adopting and/or developing and issuing appropriate sustainability assurance standards for providing assurance on general purpose sustainability reporting as a first priority. We support a global approach to the development of overarching sustainability assurance standards and are supportive of the IAASB as the global body to issue these standards. We believe the goal should be a globally consistent, comparable, and reliable assurance framework for sustainability reporting. We recommend a globally coordinated approach to the development of sustainability assurance standards to avoid fragmentation and duplicative efforts.

In our view, the IAASB's proposed profession-agnostic overarching standard for assurance on sustainability reporting; ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA 5000), is the critical next step towards a global baseline for assurance on sustainability reporting.

This work is also underpinned by the International Ethics Standards Board for Accountants (IESBA) project to develop "ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)".

We believe that the XRB should adopt ISSA 5000 for use in New Zealand along with any future additions to the ISSA suite, subject to consultation and due process in New Zealand. New Zealand specific amendments to ISSA 5000 and other ISSAs may need to be considered, along with the development of further standards that are responsive to local jurisdictional issues to supplement the ISSAs if needs are identified.

Question 6

Do you have any comments on the IAASB's ED 5000 to inform the External Reporting Board's submission?

CPA Australia and CA ANZ are in the process of developing our respective submissions to the IAASB at the date of this letter and therefore we are unable to provide detailed comments relating to the ED.

However as stated in our response to question 5, we support a global approach to the development of overarching sustainability assurance standards and are supportive of the IAASB as the global body to issue these standards. We believe the goal should be a globally consistent, comparable, and reliable assurance framework for sustainability reporting. We recommend a coordinated approach to the development of sustainability assurance standards to avoid fragmentation and duplicative efforts. We believe that the XRB should adopt ISSA 5000 for use in New Zealand when it is finalised and align internationally to safeguard the public interest in relation to sustainability assurance. We provide the following overall observations and recommendations in respect of ISSA 5000:

- The significant effort by the IAASB and stakeholders in developing the ISSA 5000 proposals within a very short space of time is highly commendable. We strongly support the development and publication of this standard in September 2024 as scheduled. It is, however, important to recognise that the proposed standard is a "minimum viable product" that will require further refinement and detail added to it for it to be a useful and reliable source of requirements and guidance on sustainability assurance. In the short term, there is a need for additional implementation guidance, transitional considerations, and further clarity on aspects of the standard. In the long term, there will be a need to develop further requirements on specific assurance aspects, some of which may need to be developed as separate standards under the sustainability assurance suite of standards.
- There is a need for the XRB to consider appropriate scoping of ISSA 5000, including the development of New Zealand-specific implementation guidance, to support adoption of the standard for both the mandatory climate-related disclosures regime and broader voluntary sustainability assurance in New Zealand.
- There is some concern that in some instances the proposed requirements in ED ISSA 5000 could be perceived as a shifting of some of the responsibilities that should rest with management and those charged with governance to the assurance practitioner. These matters may need to be considered in a New Zealand context.
- The sustainability assurance standard will form part of a broader ecosystem that includes, amongst others, sustainability reporting standards, legislative requirements, quality management standards, ethical and independence requirements, and suitably qualified and competent

professionals. Many of these elements of the broader ecosystem are likely to be tailored to meet New Zealand-specific requirements. The XRB will need to engage with other stakeholders responsible for other aspects of the broader ecosystem to ensure the New Zealand variant of ISSA 5000 remains fit for purpose for use in New Zealand.

Question 7 and 8

What standards do you apply for Ethics, independence and quality management for sustainability assurance engagements?

Our members are required to apply PES 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, PES 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and PES 4 *Engagement Quality Reviews* issued by the XRB. As we are supportive of the adoption of ISSA 5000 in New Zealand, we support the approach proposed by the IAASB in relation to that standard which allows a practitioner to apply ethical, independence and quality management standards that are as least as demanding as the IESBA's Code of Ethics and the IAASB's Quality Management suite of standards.

In order to safeguard the public interest and assure consistent, high quality sustainability assurance, we recommend that the assessment of frameworks as meeting the requirement to be "at least as demanding" should be undertaken by regulators and/or the XRB in New Zealand. If practitioners are allowed to self-assess, there is a risk of inconsistent ethical, independence and quality management standards being applied which would be detrimental to the quality of sustainability assurance.

Question 9

What could be some key pillars for Ethical and Independence standards for sustainability assurance?

As we support the adoption of ISSA 5000, we believe that ethical and independence standards other than PES 1 should set out the same level of ethical and independence requirements as set out in PES 1 to be "at least as demanding" and ensure that practitioners applying those standards other than PES 1 act in the public interest.

Therefore, at a minimum the standards would need to address key aspects such as:

1. The five fundamental principles of ethics for assurance practitioners as set out in PES1,
2. A conceptual approach to assist practitioners in dealing with ethical matters,
3. The practitioner's responsibilities in relation to Non-Compliance with Laws and Regulations, and
4. Independence requirements for assurance practitioners that cover the same threats and mitigation approaches to independence as PES 1.

Question 10

What issues could Ethical and Independence standards for sustainability assurance address?

See our response to Question 9.



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20 November 2023

Submission on Consultation Document - Sustainability Assurance

Dear Sir / Madam

Ernst & Young New Zealand (EY) welcomes the opportunity to comment on the Consultation Document, *Sustainability Assurance*, issued by the External Reporting Board (XRB).

The views expressed in our response to this consultation are based on two underlying principles:

1. The lessons, experience and practices developed over decades of assurance over financial statements are highly relevant in considering the appropriate settings and standards to be applied to assurance over non-financial disclosures.
2. New Zealand organisations have benefited from a historical regulatory practice of adopting international standards for financial assurance with only minor modifications. Aligning has strengthened the trust that can be placed on New Zealand assured information by local and international stakeholders, and has supported confidence in New Zealand capital markets. Consequently, we consider a similar approach, of building wherever possible on international standards for sustainability information, would be advantageous for sustainability information assurance.

Our view is that non-financial disclosures, particularly significant Environment, Social and Governance (ESG) disclosures, should have the same level of integrity as financial statement disclosures. Decades of experience with independent assurance on financial statements has resulted in a high degree of public trust in them. For this reason, we believe independent assurance is a key contributor in ensuring this objective is also met in non-financial disclosures. The ultimate goal of ESG assurance standards should be to align with financial reporting assurance expectations. Over time, there should be a desire to move towards an “integrated assurance” approach, reflecting the importance of both financial and ESG information to users in assessing an entity’s overall performance and the interconnected nature of this information.

We believe that any approach which does not seek alignment and consistency with the proposed international sustainability assurance standard(s), will lead to a complex assurance landscape that users do not understand and will likely undermine the credibility of assurance over sustainability information. We are also concerned that any assurance failures over sustainability reporting as a result of having inconsistent requirements, could erode the public confidence in the audit of financial statements as they won’t understand the differing requirements and will consider “an audit to be an audit”. We are mindful that the existing Professional and Ethical Standards (PES) series and financial statement assurance standards have been developed and strengthened over time as a result of regulator and market demands and that such requirements have been considered necessary to ensure



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robust and consistent quality assurance. Given current and emerging concerns with “greenwashing” and the increased reliance on greenhouse gas (GHG) emissions and other sustainability disclosures by financial statement users, we see no reason to believe that the market and regulators will not demand equivalent rigour and standards in the assurance of GHG emissions and (in time) other sustainability information.

We welcome the opportunity to contribute to the improvement of assurance over climate-related disclosures that will continue to drive the quality, consistency, and integrity of such disclosures in New Zealand. We would be pleased to discuss our comments with members of XRB and its staff.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon O'Connor', written over a horizontal line.

Simon O'Connor
Managing Partner

A handwritten signature in black ink, appearing to read 'Pip Best', written over a horizontal line.

Pip Best
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**Building a better
working world**

XRB Consultation – Sustainability Assurance

Consultation Questions Respondents are asked to consider the following specific questions and to respond to the XRB by 20 November 2023:

New Zealand specific considerations

Question 1. What sustainability assurance engagements do you currently perform?

New Zealand sustainability-related assurance engagements	International sustainability-related assurance engagements
<p>EY New Zealand provides predominantly limited assurance and occasionally reasonable assurance over the following subject matters:</p> <ul style="list-style-type: none"> ▶ GHG emissions assurance (mandatory from 2025 for Climate Reporting Entities) ▶ NZ ETS return assurance (voluntary) ▶ New Zealand Climate Standards ▶ Sustainability report assurance (mainly against voluntary GRI) ▶ Sustainable finance assurance (voluntary) 	<p>EY internationally provides a mix of reasonable and limited assurance over the following subject matters:</p> <ul style="list-style-type: none"> ▶ GHG emissions assurance ▶ ETS submissions assurance ▶ TCFD and scenario analysis assurance ▶ Sustainability report assurance (most current interest is around ISSB and CSRD related assurance) ▶ Sustainable finance assurance ▶ Sustainability targets

Although the list above makes the subject matter of NZ and international assurance engagements look similar there are some key differences, we think are important to highlight:

- ▶ **Maturity of the sustainability-related assurance market:** NZ is less mature than many other comparable countries and there are fewer voluntary engagements for similar organisations¹. Consequently, record keeping on sustainability-related metrics is comparatively poor in New Zealand. We would expect a Basis of Preparation to exist for companies looking to assure sustainability-related information, which is equivalent to our expectations for financial statement assurance. In New Zealand, for most first year assurance engagements (including many that have previously been subject to assurance by other assurance providers), this documentation does not normally exist.
- ▶ **Assurance over GHG reporting requirements:** Most comparable countries have had some level of mandatory assurance over their main GHG emissions reporting regimes². New Zealand has no visible assurance programme over any GHG emissions reporting to-date (e.g. NZ ETS). Voluntary engagements over this subject matter have been limited to-date, despite the significant financial implications for some entities and Government. The NZ GHG reporting criteria is also less developed and rigorous than comparable documents (e.g. the Australian NGERs Determination) in other jurisdictions.

¹ For example, based on our report *New Zealand Insights: How can ESG reporting fuel positive change?* Fourth ESG reporting maturity assessment (September 2022) where we assessed the ASX200's and NZX50's sustainability reports, it was found that 19% of NZ companies sought assurance over sustainability disclosures compared to 36% of Australian companies.

² For example, Australia's Clean Energy Regulator runs a rigorous annual assurance programme over NGERs reporting and Safeguard Mechanism, Europe and UK require third-party verification over EU ETS submissions.



- ▶ Forward-looking assurance: Internationally, sustainability-related subject matter with some element of forward-looking calculation is common-place (e.g. TCFD scenario analysis assurance, GHG emissions and production forecasts and sustainability target setting)

Question 2. What sustainability assurance engagements have you been requested to perform?

As above.

Question 3. What assurance standards do you currently use to perform each type of sustainability assurance engagement?

We use the following standards for sustainability assurance engagements:

- ▶ ISAE (NZ) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000); and
- ▶ For GHG assurance only - ISAE (NZ) 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE 3410).

We have found that ISAE 3000 can be used broadly across all sustainability-related subject matters. The characteristics of suitable criteria is an extremely useful tool for assessing whether an assurance engagement can be conducted over bespoke criteria. This is particularly important for sustainability-related subject matters due to the concept of materiality meaning not all metrics are fit-for purpose for all users and some need tailoring.

Question 4. What are the key challenges in assuring sustainability information in accordance with these standards?

ISAE 3000 lacks clarity in certain areas which creates challenges when performing sustainability assurance engagements. For example, the nature, timing and extent of procedures required for limited versus reasonable assurance, is not covered in sufficient detail to create a consistent expectation of the work required. The variety of sustainability subject matters also adds inherent challenges when performing assurance against ISAE 3000. Adopting Exposure Draft: Proposed International Standard on Sustainability Assurance 5000 (“ED-5000” or “ISSA 5000”), a specific sustainability assurance standard, that can be applied across type, industry, sectors and varying sizes of entities and complexities would be useful in addressing these issues.

We believe the requirements and application material dealing with assurance engagements on GHG statements should be aligned as soon as possible with ED-5000 instead of ISAE 3410. Assurance over GHG statements should not be conducted substantially differently than assurance over other sustainability information. Once this has been aligned, we suggest all regulatory required GHG assurance engagements follow this standard for consistency across the New Zealand market, and likely alignment internationally.

Unless specific standards are used, companies use bespoke calculation methodology and emissions factors to measure or create a metric that addresses their specific areas of interest. As the methodology and criteria are bespoke, each of these (including the disclosures) are required to be assessed to determine if they are appropriate in accordance with the ISAE 3000 characteristics of suitable criteria. This also requires that bespoke calculation methodologies are made available to the intended users of the assurance reports so users do not have to make their

own interpretation and potentially misunderstand the metric. Similar to our above comment, a specific sustainability assurance standard that addresses the varied nature of sustainability related information would help address current challenges.

Although not related to an issue with ISAE 3000 or ISAE 3410, one of the key challenges faced when performing sustainability assurance is insufficient record keeping. The control environment over sustainability information varies across entities, and on the whole the record keeping for sustainability-related subject matter tends to be poor in New Zealand. The level of controls, documentation of processes and methodologies (such as a Basis of Preparation) and general document keeping often present initial challenges for the purposes of assuring the subject matter.

We encourage the XRB to adopt any amendments to ISAE 3000 which are expected to be made by IAASB to align ISAE 3000 with ED-5000. Otherwise, there is a risk that assurance over non-sustainability related information is seen to be performed using a lesser standard, and there will be confusion about why ED-5000 would have more robust requirements.

Question 5. What assurance activities do you think are most suited to sustainability reporting in New Zealand and why?

Assurance should be conducted over material topics and the key disclosures that relate to these topics, based on a double materiality assessment. As sustainability assurance is primarily voluntary within New Zealand, the reasons and rationale for obtaining assurance over a given metric varies entity by entity. The metrics selected for assurance are often inconsistent with those reported within public reports and some do not have significant connections with the strategic direction of the organisation.

We need to facilitate a shift in the New Zealand assurance market to focus on material non-financial metrics and disclosure contained within public reports, to provide confidence and reliability over this information to users.

International Developments

Question 6. Do you have any comments on the IAASB's ED 5000 to inform the External Reporting Board's submission?

As this relates to an international standard, our EY Global Assurance Standards and Global Professional Practice (EY Global) is also responding on ED-5000 directly to the IAASB. We understand that EY Global is supportive of ED-5000. To avoid duplicating EY Global comments through our EY New Zealand response, we refer the XRB to our EY Global response, which we understand will be provided after the XRB's consultation response date. We have provided a summary of our thoughts on ED-5000 and its application to the New Zealand market.

We think New Zealand has benefited from its historical approach to accounting and assurance, which is to adopt international standards and then provide only the modifications or additions that are needed to align with our national situation, in essence a "fatal flaw only" approach to modifications or additions. We are therefore in favour of standards that are able to provide international comparability, such as IAASB ED 5000. Our main comments on ED-5000 are listed below:

- ▶ We are supportive of ED-5000 as an international standard for sustainability assurance

- ▶ We support the approach taken by IAASB to develop ED-5000 based on ISAE 3000 (revised), ISAE 3410, some ISA requirements and some aspects of EER guidance
- ▶ As above, although we strongly support ED-5000 we are concerned about the consequences it brings in the form of inconsistencies with existing assurance standards. We believe the requirements and application material dealing with assurance engagements on GHG statements should align as soon as possible with ED-5000 instead of ISAE 3410 and be moved to the ISSA 5000 series. Coexistence of ISAE 3410, ISO and ISSA 5000 would create undue complexity and be difficult to understand by the users of the assurance report
- ▶ We support the XRB Board maintaining its approach to harmonising accounting and assurance standards with Australia and adopting international auditing and assurance standards, such that they are substantively identical to the international standards. One assurance standard that is applicable to all jurisdictions is efficient and improves assurance understanding, particularly for entities that operate and report in multiple jurisdictions.
- ▶ Currently ISSA 5000 does not contain anything to assist the assurance practitioner in determining whether the client’s material sustainability risks have been identified and disclosed. More should be included in the standard regarding this.

Question 7. What standards do you apply for quality management for sustainability assurance engagements?

We apply PES 3 for quality on sustainability assurance engagements and will also be applying NZ SAE 1 shortly.

Question 8. What standards do you apply for Ethics and Independence when performing sustainability assurance engagements?

We apply PES 1 and the NZICA Code of Ethics for ethics and independence on sustainability assurance engagements. We will also be applying NZ SAE 1 when conducting future assurance over GHG emission disclosures. As mentioned above, the IESBA Code of Ethics and NZ equivalents are the most appropriate standards for quality and ethics and independence.

Question 9. What could be some key pillars for Ethical and Independence standards for sustainability assurance?

We strongly recommend assurance practitioners ethical and independence pillars should at least be as demanding as the ethical and independence matters relating to audit (part 4A in PES1) in the IESBA code (and the New Zealand equivalents). We agree with the general approach of NZ SAE 1 to apply tighter independence requirements to sustainability assurance than would be applied by part 4B of PES 1.

As the IESBA code, or at least as demanding requirements, are expected to be adopted by those applying ED-5000, we strongly recommend XRB adopts the IESBA’s developing profession-agnostic ethics and independence standards for sustainability assurance, which is expected to be international leading practice, and issued by the end of 2024. IESBA has already determined that “...certain sustainability assurance engagements must be underpinned by the same high standards of ethical behaviour and independence that apply to audits of financial information. ...”. We understand that new professional and ethical standards issued in New Zealand to date

have been based on the IESBA code with minor New Zealand amendments and we strongly recommend this approach is maintained. This keeps New Zealand assurance quality, independence and ethics requirements in line and consistent with the global practice, ensuring that the users of assurance reports have the same trust and understanding of New Zealand assurance engagements compared to international assurance engagements.

However, we acknowledge the challenges raised by others, who are not accountants, that the IESBA code concepts are complex, detailed and may be difficult to implement. We suggest the XRB leverages the guidance set out by IAASB on what standards are at least as demanding and gives clear guidance to New Zealand users how to apply this in New Zealand. We note the XRB could address the concerns of the non accounting profession by:

1. Giving an appropriate amount of time and education for adoption to allow other providers to meet the standards of other practitioners.
2. Applying the IESBA code to at least engagements with a wide audience or range of stakeholders. This would include but not be limited to assurance reports in the public domain. In particular, this addresses the rapidly changing sustainability reporting landscape we see internationally (e.g. Europe and Australia), where integrated assurance is expected to be leading practice and the non-financial assurance subject matter expanding to and interlinking with financial information. Therefore, the pillars for these types of assurance engagements (climate / sustainability related annual disclosure reports) should follow international standards used by assurance practitioners, in particular to protect the wide audience and range of stakeholders.

If the XRB decides to use standards not developed by the IESBA, or makes amendments substantially reducing the independence and ethical requirements for any sustainability assurance engagements, we would have the following concerns:

- ▶ Variances in requirements undermines assurance credibility, increases confusion over the standards and results in a loss of stakeholder trust and confidence in the assurance practice, which is paramount to our service.
- ▶ Any New Zealand standard setting initiative which reduced independence, ethics and quality management standards for sustainability-related engagements below the requirements of the IESBA code, PES 1 and PES 3, would also likely be out of step internationally, and this may have wider implications in the assurance market. For example, New Zealand firms are not engaged internationally as they don't meet other country or organisation independence and ethical requirements for their assurance providers.
- ▶ There will be a perceived two-tiered system, as regulated practitioners (i.e. those registered with NZICA to perform financial statement audits) will still be required to apply the IESBA code and New Zealand equivalents, creating cost inequalities on one provider versus another.

Question 10. What issues could Ethical and Independence standards for sustainability assurance address?

Refer above.

Proposed ISSA 5000¹ – Cover Note

Objective of the Discussion

The objective of the IAASB discussion in December 2023 is to:

- Provide the Board with an update on the global outreach conducted to gather feedback on the exposure draft of proposed ISSA 5000 (ED-5000) and share the overall themes of the feedback obtained.
- Receive an update on the International Ethics Standards Board for Accountants' (IESBA) sustainability project and the parallel project addressing the use of experts.

Introduction

1. In June 2023 the IAASB unanimously approved proposed ISSA 5000 for exposure. ED-5000 was subsequently released on August 2, 2023 for a 120-day comment period. The documents published comprised:
 - (a) [ED-5000](#)
 - (b) [The Explanatory Memorandum](#) for ED-5000
 - (c) [The Response Template](#) for ED-5000
2. Shortly afterwards, the IAASB released a [stakeholder survey](#) targeted at stakeholders who may not ordinarily respond to IAASB consultations.

Structure of the IAASB Discussion

3. The IAASB discussion will comprise the following:

	Approximate timing
Update on Global Outreach for ED-5000, including feedback themes <ul style="list-style-type: none"> - Josephine Jackson, IAASB Vice-Chair & Sustainability Assurance Task Force (SATF) Chair - Sustainability Assurance staff 	20 minutes
Board reflections on feedback and discussion	30 minutes
IESBA update on sustainability and experts projects <ul style="list-style-type: none"> - Ken Siong, IESBA Program and Senior Director 	10 minutes

¹ Proposed International Standard on Sustainability Assurance (ISSA) 5000,TM *General Requirements for Sustainability Assurance Engagements*

	Approximate timing
Board questions and discussion on IESBA projects	30 minutes

Resources Developed for ED-5000

4. Following the release of ED-5000, IAASB staff and members of the SATF developed educational materials to assist stakeholders in navigating the standard and developing their responses. These resources include:
 - (a) [Frequently asked questions on ISSA 5000.](#)
 - (b) [Frequently asked questions on Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner.](#)
 - (c) A series of global webinars in different time zones:
 - (i) [September 6, 2023](#)
 - (ii) [September 7, 2023](#)
 - (iii) September 28, 2023 hosted by IFAC and Jeju Group
5. These materials, along with ED-5000, the Explanatory Memorandum and explanations within the stakeholder survey, were used to inform participants attending the roundtables and related outreach.

Outreach on ED-5000

Roundtables

6. Roundtables were conducted in the following locations:
 - (a) Global roundtables hosted by regulators or standard-setters:
 - (i) North America, held in New York, hosted by the IAASB
 - (ii) ASEAN region, held in Kuala Lumpur, hosted by the Securities Commission Malaysia
 - (iii) Europe and the UK, held in Brussels, hosted by the Financial Services and Markets Authority Belgium and the Belgian Audit Oversight Board
 - (iv) South America, held in Sao Paulo, hosted by Comissão de Valores Mobiliários (CVM)
 - (b) Regional roundtables in partnership with a national regulator or standard-setter:
 - (i) Japan, held in Tokyo, hosted by the Japanese Financial Services Agency
 - (ii) Australia and New Zealand, held in Sydney, hosted by the Australian Auditing and Assurance Standards Board
 - (iii) South Africa, held in Johannesburg, hosted by the University of the Witwatersrand
 - (iv) Canada, held in Toronto, hosted by the Auditing and Assurance Board Canada

7. A total of 210 organizations were represented by over 500 participants at the roundtables. The complete list of organizations is available here: [Attendees at Proposed ISSA 5000 Sustainability Assurance Roundtables](#).
8. Representatives from the International Organization of Securities Commissions (IOSCO) attended the roundtables (except for two of the regional in-partnership events), providing introductory comments and hearing the feedback on ED-5000 directly from stakeholders.

Targeted Outreach

9. The IAASB also continued its ongoing outreach with key global stakeholders, including IOSCO, International Forum of Independent Audit Regulators, Financial Stability Board, International Sustainability Standards Board, Global Reporting Initiative, European Commission, Committee of European Auditing Oversight Bodies, and the Forum of Firms.
10. In addition to the ongoing outreach activities, IAASB Board members and staff met with other key stakeholders in several regions before or after the roundtables to discuss sustainability reporting and assurance developments in the region and obtain insights from these stakeholders about ED-5000.
11. IAASB members, including but not limited to the SATF members and IAASB staff, also presented at an array of forums, conferences and webinars on ED-5000.

Reference Groups

12. The IAASB staff held two meetings with the Reference Groups since the June 2023 IAASB meeting. The objectives of these meetings were:
 - (a) August: To share the global outreach plan and discuss ways the Reference Groups could support the IAASB in reaching out to key stakeholder groups. Reference Group members provided introductions to key stakeholders and participated in roundtables in their region.
 - (b) November: To conduct mini-roundtables with the Reference Groups to capture feedback from those who could not participate in the global roundtables or had further reflections.

Feedback from Outreach

13. At the roundtables and other outreach events, stakeholders expressed significant support and appreciation for the rapid speed of development of ED-5000, and positive feedback that:
 - (a) ED-5000 provides a global baseline for robust assurance on sustainability information across a broad range of engagements.
 - (b) The fundamental premises in ED-5000 regarding relevant ethical requirements and the firm's system of quality management are important in underpinning the quality and consistency of sustainability assurance engagements, albeit with some questions and uncertainty about the meaning and application of "at least as demanding," as noted below.
 - (c) ED-5000 is a stand-alone standard that covers the entire engagement from end-to-end for both limited and reasonable assurance engagements.
14. The main themes that emerged from the outreach were:
 - (a) The **entity's "materiality process"** needs further consideration, such as guidance on the practitioner's evaluation or assessment of the process, with a focus on completeness (i.e., that

all material information that should be disclosed has been disclosed). Roundtable participants also suggested consideration of a conditional requirement to evaluate the entity's materiality process.

- (b) The **practitioner's materiality** needs to be addressed in greater detail, including the application of materiality for qualitative disclosures, multiple materialities and performance materiality.
 - (c) More guidance on the concept of "**at least as demanding**" with respect to relevant ethical requirements and quality management requirements.
 - (d) Additional requirements and guidance for **group sustainability assurance engagements**, particularly for timely communications between the engagement team and others involved in the engagement.
 - (e) The **relationship between ISAE 3410² and ED-5000**, including additional clarity about when ISAE 3410 applies.
 - (f) More guidance on obtaining evidence for **estimates, forward-looking information and information from the value chain**, including practitioner actions when there are difficulties in obtaining sufficient appropriate evidence.
 - (g) Clarification of the **work effort for a limited assurance engagement**, including that a risk assessment for limited assurance may be more appropriate.
 - (h) The need for a requirement for **communication between the practitioner conducting the sustainability assurance and the financial statement auditor**, unless prohibited by law or regulation.
 - (i) A wide range of views on various other matters, including:
 - (i) How the practitioner's work on **fraud** and error addresses the concept of "greenwashing" or other types of washing (e.g., social washing).
 - (ii) Calls for a clearer approach to the **use of experts and other practitioners**.
 - (iii) That the equivalent to **Key Audit Matters** would be valuable information for users for reasonable assurance engagements, but wide acknowledgment that a requirement for such communication may need to be deferred until sustainability reporting and assurance has further matured.
15. The need for **first time implementation guidance** (or a "Get Started Guide") was raised in all of the roundtables. Examples of matters that could be covered in this guidance included:
- (a) Explaining equivalent terms that may be used by other professions to support use by all assurance practitioners.
 - (b) Navigation aid for the standard – a diagram, flowchart or some other means of explaining the structure of the standard.

² ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

- (c) Further examples to illustrate more challenging matters, such as considering materiality for qualitative information, gathering evidence from the value chain and obtaining evidence in support of forward-looking information.

IESBA-IAASB Liaison on Sustainability-Related Projects

16. The IAASB has been in close liaison with the IESBA throughout the development of ED-5000 and has continued staff level liaison during the ED-5000 comment period.
17. The IESBA is undertaking two sustainability-related projects, as follows:
 - (a) Sustainability, comprising two work streams:
 - (i) Workstream 1: Independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements).
 - (ii) Workstream 2: Ethics provisions for professional accountants with respect to sustainability reporting, and ethics provisions for all sustainability assurance engagements.
 - (b) Use of experts, to address ethics and independence provisions considerations for the use of an external expert, including for audit and assurance engagements.
18. The exposure drafts for amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) arising from these projects will be presented to the IESBA for approval at its [December meeting](#), as follows:
 - (a) Agenda Item 4 Use of Experts
 - (b) Agenda Item 5 Sustainability – Workstreams 1 and 2
19. Co-ordination between the IAASB and IESBA has centered on the following crossover issues:
 - (a) Terms and definitions used and how they interact, including the following terms: sustainability information, sustainability matters, engagement team, practitioner, groups, components and value chain.
 - (b) The applicability of independence versus objectivity when using the work of another practitioner or an expert in a sustainability assurance engagement.
 - (c) Information drawn from the value chain for sustainability information reported.
20. Ken Siong, Program and Senior Director – IESBA, will present to the IAASB on the status of the projects and matters of relevance to ED-5000.

Sustainability Assurance Task Force (SATF) Members and Activities

SATF Members

1. Information about the SATF members and the project can be found [here](#).

SATF Activities since the June 2023 IAASB Meeting

2. The SATF did not hold any meetings since the June 2023 IAASB meeting, as the SATF members were occupied in contributing to the extensive program of global outreach. SATF Chair and Staff have held a number of meetings to plan and co-ordinate webinars and roundtables. SATF members presented at the IAASB's global webinars and global roundtables, as well as playing leading roles in the planning and co-ordination of these webinars and roundtables.

Key comments on ISSA ED-5000 from focus group discussions

1. The XRB hosted three focus group discussions (one in-person and two virtually) to explore current sustainability assurance practices in New Zealand. The conversations in each session differed and included practitioners from various backgrounds, including users, professional bodies, and preparer perspectives.
2. Participants raised comments on ISSA ED-5000 as part of the discussions. Key messages are summarised below.

ED-5000 Terminology

3. Sustainability information and sustainability matters definitions within ED-5000 were generally considered to be reasonable. It was considered good that this did not directly focus on governance, but questions were raised around the inclusion of cultural and social information and the perception that this may create to users.
4. It was noted that limited assurance is not well understood and will be hard to distinguish in mixed assurance reports. Discussions around the terminology used in internal assurance sustainability work and how this is different to the terminology used in external sustainability assurance work. Questions on whether the current terminology in ED-5000 best represents the assurance being provided.
5. Comments were raised on other information and the extent of responsibilities in ED-5000. The level of work effort was noted to be dependent upon what information a practitioner is assuring, and there could be potential overlap with financial information.
6. Mixed perspectives on fraud requirements in ED-5000. Fraud will require a lot of consideration and how information is represented within the disclosures (e.g., products claimed to be “natural”, but they may still not be good). Questions were raised as to whether fraud the right word to use for sustainability information.
7. Greenwashing was also discussed with mixed views. Some practitioners noted they consider greenwashing to be a specific type of fraud, however others noted that factual information may also be greenwashing. Questions were raised that greenwashing could extend to all types of sustainability information which poses challenges to practitioners. It was noted that there could be different degrees of greenwashing around different types of information when focusing on specific KPIs. ED-5000 was not clear around practitioners’ responsibilities in this area.
8. It was noted that ED 5000 puts the onus back onto practitioners to identify the intended users of sustainability reporting and requires assurance practitioners to evaluate management’s process around assessing intended users. Questions raised on whether this oversteps the line around management’s responsibilities. However, it was noted this may not have a major impact given the sustainability information caters for several intended users.
9. Comments raised that the value of assurance would be over both the entity’s processes and outputs. Question noted around whether ED 5000 should require more disclosures and opinions around how those processes, rather than just being output focussed, as this was implicit in the perception of users already.
10. Competence requirements is important as the measurement and scope of sustainability reporting changes over times. Questions on whether there should be requirements for ongoing training of assurance practitioners in ED-5000 specifically on how they form judgements and the level of detail they need to go into in certain areas.
11. Strong message that assuring the sustainability information in a report is fundamentally different to assuring the sustainability of the entity as a whole. This should be updated in the title of ED-5000 to be clear this is focused on assurance of reported information only.

ED-5000 Assurance Reports

12. Comments were raised that there needs to be broader communication around uncertainty and level of audit effort required when there are restatements – e.g., inherent uncertainty around emissions and that this should specifically state that the reported numbers are not supported by, and will never be supported by, cash.
13. Views heard that Limited assurance is less understood by investors and hard to tell the difference when reasonable and limited assurance is mixed into one engagement with different work performed over different types of assurance
14. Strong support from emphasis of matter paragraphs. However, it was noted that education is needed for the FMA, as EOMs have been discouraged by the regulator as they appear to limit the assurance provided. These were considered necessary tools for practitioners in this space.
15. It was noted currently that EOM are not common, but this is due to the assurance generally being on scope 1 & 2 emissions, and EOMs will likely increase as part of scope 3 emissions assurance.
16. Concerns were raised that GHG emissions factors may change as science improves over time, and that this may not necessarily be an “error” in previously reported information. The ED-5000 assurance report did not allow for differences in these types of changes, compared to traditional errors, to be identified and communicated to users.
17. ISO practitioners noted that certification statements are reissued over the corrected information, however no references to restatements are included in updated reports. The qualification mechanism under ISO standards is not the same as a qualification under auditing standards.
18. Mixed views on sustainability KAMs. Comments raised that being able to communicate to users and help guide them on where practitioners have focused their effort would be a crucial communication mechanism. However, concerns raised around KAMs for limited assurance and that including KAMs in sustainability assurance will create the impression of equivalence to financial assurance. It was noted that ED-5000 does not contain KAMs.
19. It was emphasised that users want information on key findings without information overload and the ED-5000 assurance report does not capitalise on communicating information. Suggestions that the assurance report could outline what users should expect an assurance practitioner to perform in the context of each entity’s sustainability reporting, rather than blanket responsibilities.