

Chair

Via IAASB's website

Mr Thomas Seidenstein
Chair
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, New York

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Exposure Draft – Proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements

Dear Mr Seidenstein

The Basel Committee on Banking Supervision (the Committee) welcomes the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB's) exposure draft: *Proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements* ('ED-5000').

The Committee has a strong interest in promoting high-quality auditing, assurance, ethical and professional standards for assurance providers and is supportive of the work of the IAASB in setting standards that help to promote the safety and soundness of the financial system.

The Committee recognises that climate change may result in physical and transition risks that could affect the safety and soundness of individual banking institutions and have broader financial stability implications for the banking system. As part of its work to address climate-related financial risks within the banking sector, the Committee has issued a consultation paper on "Pillar 3" disclosure requirements for climate-related financial risks that builds on and complements the work of the International Sustainability Standards Board (ISSB) (eg IFRS S2, *Climate-related Disclosures*).¹

The Committee believes that assurance over climate disclosures will enhance the quality and reliability of climate-related information, and the trust in those disclosures by market participants. This is relevant to banks both as preparers and as users of disclosures: banks may be better equipped to manage climate risks where they receive high quality and reliable disclosures from their corporate borrowers or counterparties.

While the Committee's work is currently focused on climate-related financial risks and does not include wider sustainability risks, the Committee supports the IAASB's approach in producing a single standard that provides for a global baseline for sustainability assurance that is usable for different sustainability reporting frameworks, regardless of the intended users, is profession agnostic, and covers both limited and reasonable assurance engagements. We believe that the requirements of the International Standards on Auditing (ISAs) provide an adequate

¹ Link to be added when consultation issued by end-November 2023.

framework for assurance for sustainability reporting, which promotes consistent application and expectations for all assurance providers.

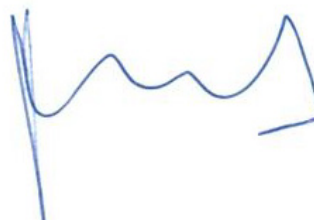
The Annex to this letter provides detailed comments to selected questions raised in ED-5000. In our responses, we also make several recommendations that we believe would enhance the standard and related application material.

We hope that you find our comments constructive and helpful.

This letter has been prepared by the Committee's Accounting and Audit Expert Group, chaired by Katherine Tilghman Hill, Head of Supervisory Policy and Strategy, Federal Reserve Bank of New York.

If you have any questions regarding these comments, please contact Lushendren Pather at the Basel Committee Secretariat (Lushendren.pather@bis.org/+41 61 280 8268).

Yours sincerely



Pablo Hernández de Cos

Annex: Specific questions

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?

The Committee believes connectivity between sustainability/climate disclosures and banks' financial statements is important (see the Committee's response to the recent ISSB consultation on agenda priorities). As such, the Committee believes that it may be useful for the assurance practitioner performing engagements under ED-5000 and a bank's statutory auditor to communicate with each other, to help ensure connectivity and consistency, where relevant, between sustainability disclosures and financial statements. We recommend that the IAASB includes guidance stating this and encouraging such communication with a conforming amendment to ISAs, where such communication is not prohibited by relevant laws and regulations. It would be useful for any guidance to emphasise that such communications may be helpful throughout both engagements, from planning to completion.

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?

The Committee views it as critical that all assurance providers on sustainability reporting for banks – audit practitioner or non-audit practitioner – are held to a high standard of common ethical and quality management requirements. The Committee therefore supports the IAASB's principle on ethical and quality management in ED-5000. However, the concept in ED-5000 that ethical requirements and quality management standards be "at least as demanding" as the IESBA Code regarding ethical requirements for assurance engagements and ISQM1 regarding a firm's responsibility for its system of quality management is a matter of judgment and can, therefore, be subject to interpretation. This presents the risk of inconsistent application or diversity in practice, and this risk is greater with sustainability reporting as there may be a wider, different set of requirements applied by non-audit practitioners related to ethics and quality assurance requirements.

The Committee recognises that the concept of "at least as demanding" is not new and that regulators and national standard setters share responsibility for determining what would be considered as such in practice. However, given the unique circumstances for sustainability assurance described above, providing more clarity in the ED-5000 application guidance on how the "at least as demanding" test is met would be valuable. For example, does this mean other standards need to contain all the requirements of the relevant IESBA codes and ISQM1, or only material elements (and if so which) and what actions need to be taken when there are gaps?

We have identified additional specific areas where we recommend that the requirements of ED-5000 be clarified or strengthened:

- ISQM 1 establishes a clear objective to which paragraph A56 of ED-5000 refers. There is less clarity on the aims of the IESBA code in paragraph A48. The requirements could be clarified by stating the IESBA code requires firms to comply with the fundamental principles and be independent, as established in its paragraph 900.5.
- With respect to references in the assurance report, the jurisdiction of origin of the ethical requirements applied and the specific ethical standards applied should be reported in the assurance report. In paragraph 170(d)(iv), ED-5000 should require that ethical requirements are specifically disclosed to avoid misrepresentation, and standards applied be publicly available to meet the "at least as demanding test". This would enable users of assurance reports to assess

the ethical and professional requirements applied by the practitioner if they are not familiar with them.

- The use of the work of another practitioner, such as the assurance work conducted along the value chain (eg Scope 3 GHG emissions data for banks from their counterparties), becomes a particularly important aspect for sustainability reporting. Responsibilities of the practitioner as it relates to this area could be better clarified through application guidance.

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?

Yes, we believe ED-5000 generally provides an appropriate basis for performing both limited assurance and reasonable assurance engagements and agree with the IAASB's approach of producing a single standard that covers both limited and reasonable assurance engagements.

The Committee recognises that the definitions and underlying concepts of limited and reasonable assurance draw from existing IAASB audit and assurance standards and are used in common practice by audit practitioners. With the appreciation that non-audit practitioners of sustainability assurance may come from a wide range of professional backgrounds, the Committee believes there is an opportunity to clarify the requirements on the difference between limited versus reasonable assurance.

Key terms used such as "limited", "meaningful" and "more than inconsequential" used in paragraph 17(d)(ii) of ED-5000 under "definitions", may not be clearly or consistently understood by all types of assurance providers and would benefit if the standard could define these terms or elaborate their meaning in the application guidance. This is particularly important as limited assurance is defined relative to reasonable assurance.

In addition, below are two clarifications that we recommend are provided in the standard:

- Add a sentence to paragraph 17(d)(ii) stating that in a limited assurance engagement, the practitioner provides a summary of work performed, as required by paragraph 170(i), to enable users to understand the assurance obtained. This would clarify that the assurance provided by a limited assurance engagement can vary.
- Add a preceding paragraph indicating the overall objective of risk procedures for limited assurance and the objective of risk procedures for reasonable assurance would enhance an assurance provider's understanding of the differences between the two sets of procedures laid out in each of the tables (eg paragraphs 94L/R, 102L/R and 107L/R).

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?

The Committee agrees with the IAASB that an entity's materiality process to identify topics and aspects of topics to be reported is critical to determining whether their reporting complies with the requirements set by the relevant framework and entity-developed criteria.

We have identified specific areas where the requirements of the exposure draft could be clarified or strengthened:

- In the Committee's view, the practitioner "should" consider whether management's process is appropriate to obtain a preliminary knowledge of the sustainability information expected to be

reported (paragraph A156). It seems difficult to understand the information to be reported without considering the entity's process for identifying that information.

- The Committee believes that it would be helpful if the risk assessment guidance (paragraph A292) explicitly referred to the entity's materiality process – as well as being relevant to determining whether preconditions are met, considering the process itself in addition to the results is very relevant to the requirements set out in paragraphs 94L and 94R. That guidance could include the consequences of an inadequate process or problematic outcomes for the practitioner, for example where the entity has not identified all material sustainability topics (ie consequences of increased risk of material misstatements).

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?

The Committee agrees with the proposals in ED-5000. In particular the Committee agrees that the practitioner evaluates the suitability and availability of criteria, with related application guidance (paragraphs A171, A172 and A179 and A185), the proportionate guidance on framework criteria (paragraph A170) and the importance of the availability of criteria (paragraph 72(d)) along with related communication (paragraph 170(c)(vii)).

However, the Committee notes that for practitioners who are not auditors it may be helpful to give some examples of criteria, in relation to both quantitative and qualitative sustainability information, to allow for practical and consistent application.

It may also be useful for the IAASB to give guidance as to how entity-developed criteria interact with the concept of "fair presentation criteria". For situations where an entity may be using fair presentation criteria and supplementing these with entity-developed criteria, the IAASB might consider adding to paragraphs A168–9 to clarify that any entity-developed criteria need to be consistent with the overall fair presentation requirements embodied in the fair presentation criteria.

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?

The Committee generally agrees with the approach in ED-5000 for the practitioner to determine materiality (including performance materiality) for quantitative disclosures. However, we believe that the requirement to "consider" materiality for qualitative disclosures should be strengthened, as it could be interpreted as inherently optional and could lead to inconsistent application.

We agree that materiality is a matter of professional judgment and is affected by the practitioner's perception of the information needs of intended users of the sustainability information.

The Committee believes that, because sustainability information is of a variety of natures and its materiality differs according to the intended users of the sustainability reports, the practitioner should define different tolerances for misstatement, as necessary. The Committee agrees, therefore, with the proposals in paragraph A277.

The Committee considers that examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative disclosures (A278 and A277) and considerations for quantitative materiality (A279–A281) are very useful and relevant.

We have identified a specific area where the requirements of the ED-5000 could be clarified or strengthened.

The Committee believes that ED 5000 should include the requirement in ISA 320, *Materiality in Planning and Performing an Audit*, (paragraphs 12 and 13), for the practitioner to review materiality in situations where they become aware, during the course of the engagement, of information that would have led them to initially set the materiality level(s) at a different amount(s). Although this concept is addressed in paragraph A282, we believe that it should form part of the requirements of the standard.

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?*

The Committee agrees with the IAASB that the requirements regarding internal controls should be lower for a limited assurance engagement because of the different responsibilities of the practitioner. Nevertheless, there are some additional areas where the Committee believes that the limited assurance practitioner will need to have some understanding. That understanding may be less than in a reasonable assurance engagement, however, and we believe it would be helpful for the IAASB to include text to the effect that the understanding required under paragraph 102L is required to the extent necessary to comply with paragraph 94L. Application guidance could explain how this might differ from the requirements in paragraph 102R.

With that in mind, the Committee believes that in a limited assurance engagement the practitioner needs some understanding of the entity's risk assessment process, and not only the results, because the results of the process are potentially less relevant, or not at all relevant, if the process has material deficiencies (paragraph 102R(b)). Similarly, with regard to limited assurance engagements, the entity's process to monitor the system of internal control and control activities are relevant to a limited assurance risk assessment (paragraph 102R(e)) and should be known and understood to the extent necessary. As a result, paragraphs 104R and 105R should also be relevant for limited assurance engagements.

Although the Committee understands that there will be less work on the control environment for limited assurance engagements, and it may not be necessary to "evaluate" the areas in paragraph 103R, we recommend the IAASB considers whether some aspects of these requirements are relevant to identifying those disclosures where material misstatements are likely to arise.

Paragraph 107L sets the requirements for control activities. An identification of other controls may be deemed necessary by the practitioner to identify and assess the risks of material misstatement for limited assurance engagements as well. Thus the requirement in paragraph 107R(c) may also be relevant for limited assurance engagements (and consistent with paragraph 75 of the Explanatory Memorandum, which states that the understanding of relevant components of the entity's system of internal control should assist the practitioner in identifying the types of misstatements that may occur and factors that affect disclosures in areas prone to material misstatements for limited assurance engagements).

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?*

The Committee finds the table under paragraph 87 of the Explanatory Memorandum (Figure 2) to be reasonably clear on the different requirements, but the text in ED-5000 to be less so. The clarity of ED-5000 could be improved if paragraph 42 more clearly explained that where the practitioner can be sufficiently and appropriately involved to direct, supervise and review, the firm being used is part of the engagement team (and paragraphs 45–48 apply), and where the practitioner cannot be so involved the

firm being used is “another practitioner” and paragraphs 51–54 apply (using text from paragraphs A91 and A22).

Related, the Committee believes that the text in paragraph A125 should be incorporated into the standard, but made as a positive statement of the responsibilities of the practitioner regarding the work of another practitioner, eg to say that the practitioner is required to obtain evidence from the work of another practitioner that is adequate for the practitioner’s purpose.

The Committee understands the intention of the IAASB distinguishing these cases (the firm being part of the engagement team or another practitioner), but the idea that the practitioner is not sufficiently involved may imply that somehow a lower standard is acceptable for the work of another practitioner, whereas we understand that the practitioner needs to obtain the same level of assurance regardless of whether it is provided through the engagement team or another practitioner. We suggest that this could be made clearer in ED-5000, eg paragraph 51 and attendant guidance requires the practitioner to obtain the same overall level of assurance, whether some work is carried out by another practitioner that is technically part of the engagement team or classified as “another practitioner”. We infer this from, for example, paragraph A117, but it could be more explicit.

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?*

The Committee agrees that the requirements relating to a practitioner’s external expert are clear and should be capable of consistent implementation (in paragraphs 42 and 49–50 of ED-5000 and related application guidance).

We particularly support the emphasis on the practitioner’s sole responsibility set out in paragraph A108, and the requirement to document that the use of a practitioner’s external expert is adequate for the practitioner’s purpose (paragraph 167(a)(i)). We suggest that a statement about sole responsibility is also included in the main body of the standard, perhaps in paragraph 163.

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?*

The Committee acknowledges that sustainability reporting will contain significant and complex estimates, and forward-looking information (eg resilience/scenario analysis) and these unique considerations are important to address in ED-5000. As such, we support the IAASB’s approach of considering the requirements and application material in ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.

We have also noted that some valuable guidance of ED-5000 should be moved up to the body of the standard to strengthen it:

- The Committee considers the application guidance provided in paragraphs A393R on methods, A394R on assumptions and A395R on data, of ED-5000 very relevant to address these considerations and should be elevated to the standard level to ensure they hold the same level of prominence as the requirements in ISA 540 (Revised).
- The Committee considers estimates and forward-looking information to be a key area of judgment where practitioners should exercise professional judgment and professional skepticism. In particular, application guidance paragraph A423 (where the practitioner considers whether there are indicators of possible management bias in assumptions, methods or data) and in the practitioner’s evaluation (A393R(a) and A394R(a), 395R(a)) are important aspects to elevate to the standard level.

In addition, ISA 540 (Revised) contains several obligations relating to methods, assumptions and data expressed by the use of the word “shall”. ED-5000 only contains further procedures that *may*

address the practitioner's evaluation in A393R to A395R, while ISA 540 (Revised) establishes what the practitioner *shall* address. The Committee suggests aligning the use of "shall" with ISA 540 (Revised) to strengthen the requirements where relevant.

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?

The Committee supports 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.

The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is "meaningful". To be "meaningful", the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly more than "inconsequential" (paragraph 17(d)(ii)). As mentioned in response to Q7, the definitions would be improved if the standard could define these terms or elaborate their meaning in the application guidance.

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?

There may be challenges and complexities around assurance over sustainability information associated with situations where multiple entities are involved, including reporting boundaries that are outside an entity's consolidated group. The Committee notes that ED-5000 deals with using experts and other practitioners but considers that further requirements and guidance may be needed in ED-5000 or in a separate ISSA (paragraph 107 of the Explanatory Memorandum).

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?

The Committee welcomes the consideration given to the topic of fraud in ED-5000 and recognises that the system of internal control related to sustainability matters and preparation of the sustainability information are, in many cases, less mature than for historical financial information and are still under development.

This particular context may increase the risk of misstatements due to fraud. As a result, it is important that the requirements in ED-5000 are robust as regards fraud. We have identified specific areas where the requirements of the exposure draft could be clarified or strengthened, bringing the standard in line with the requirements of ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.

- The requirements for considering the role of the internal audit function (where applicable) in relation to fraud appear to be insufficiently explicit. Consistent with the requirements of ISA 240 (paragraphs 20 and A19), the Committee recommends that the IAASB adds a requirement

that the practitioner inquire into the appropriateness of the internal audit function and the internal audit's risk assessment regarding fraud and related work. The practitioner should also consider management's response to any findings.

- In responding appropriately to fraud or non-compliance with law or regulation, whether actual or suspected, identified during the engagement (paragraph A370), a discussion with an appropriate party at the entity led by the practitioner should occur, unless prohibited by law or regulation (consistent with ISA 240 paragraph 41). This should not be a suggested procedure.
- We recommend that the IAASB adds a requirement that fraud involving management, employees with significant roles in internal control, or other persons, where it results in material misstatement of the sustainability reporting, shall be communicated to those charged with governance, unless all those charged with governance are involved in the management of the entity, consistent with ISA 240 paragraph 42.
- The written representations (paragraph 148) should include a statement from management and, where appropriate, those charged with governance, of their knowledge of actual, suspected or alleged fraud or non-compliance with law or regulation that may affect sustainability information.
- The written representation should also comprise an acknowledgement of their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud (as in ISA 240 paragraph 40(a)) and the results of management's assessment of the risk that the sustainability reporting may be materially misstated due to fraud (as in ISA 240 paragraph 40(b)).

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?*

The Committee generally agrees with the high-level requirement in ED-5000 regarding communication with management and those charged with governance, given the evolving nature of sustainability assurance engagements and the different topics and aspects of topics that may be disclosed by the entity.

Similar to our points on the importance of communication to users of the assurance report, the Committee believes that, especially with sustainability reporting and assurance being new, communication with management and those charged with governance is very important. The control environment and the disclosures are likely to evolve over time and management and those charged with governance will likely benefit from communication by the practitioner. As such, we have identified specific areas where the requirements of the exposure draft could be clarified or strengthened:

- The communication requirements should be extended to the practitioner's responsibilities in relation to the sustainability reporting, the planned scope and timing of the engagement, as well as the practitioner's independence (see ISA 260 (Revised) paragraphs 14, 15 and 17).
- The communication items listed in paragraph A137 should include practices which may be acceptable but which the practitioner considers may not be the most appropriate to the particular circumstances of the entity (similar to ISA 260 (Revised) paragraph 16(a)).
- The Committee considers it would be helpful to expand the second bullet in paragraph A137 on internal control. Where internal control deficiencies have been identified, the written communication should cover information to allow for an understanding of the deficiencies and their potential impacts (see ISA 265 paragraph 11(a)). The extent and frequency of

communication should depend upon the severity of control deficiency, with material weaknesses receiving the greatest focus.

- It may also be helpful for the practitioner to communicate the context of the communication, to enable those charged with governance and management to understand the purpose of the engagement, role of the consideration of internal control relevant to preparation of the sustainability reporting (design of assurance procedures, not opinion on the effectiveness of internal control) as well as the limitation to deficiencies identified during the engagement (see ISA 265 paragraph 11(b)).

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.*

The Committee agrees with the IAASB's proposals. Consistent with our response to Question 22, the Committee considers communication by the assurance provider to be a vital element to ensure that users have the right understanding and trust in the work performed by the provider.

The Committee has three further suggestions for the IAASB's consideration:

- *Wording of opinion* – the Committee agrees that it is necessary for the assurance practitioner to refer to fair presentation, in all material respects, in accordance with the applicable criteria (paragraph 170(c)(vi)). The Committee recommends that the IAASB considers requiring the opinion to also be stated in terms of the objective of the criteria. This is likely to be important for clarity of communication given that frameworks may have different scopes and objectives.
- *Scope limitation (material and pervasive)* – ED-5000 permits a practitioner to withdraw from a sustainability assurance engagement, where withdrawal is possible under applicable law or regulation. The Committee considers that in most cases it will be more beneficial for users to see a disclaimer of conclusion rather than the practitioner withdrawing. The Committee recommends the inclusion of additional guidance, which provides circumstances where it could be more appropriate to issue a disclaimer of conclusion and circumstances where it could be more appropriate for the practitioner to withdraw from the engagement.
- *Illustrative reports* – the Committee strongly supports the inclusion of illustrative assurance reports for different types of sustainability engagements (Appendix 2). Illustration 3 covers the scenario where limited and/or reasonable assurance is provided over part(s) of the sustainability report, with no assurance over other parts of the report. In relation to assurance engagements covered by Illustration 3, the Committee recommends the addition of an explicit statement that the practitioner provides no assurance over other parts of the sustainability report. As there will be many entities that will have only select parts of the sustainability report assured (at least initially), such an explicit statement in the assurance report could benefit users.

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?*

In the Committee's view, “key audit matters” (or key assurance matters, in the ISSA 5000 context), (KAMs), are an important tool by which the assurance provider can communicate key risks and the provider's response to those risks. The novelty of sustainability disclosures and related assurance, and the potentially significant levels of estimation uncertainty, and consequent impact on the assurance engagement (consistent with paragraphs 94–97 of the Explanatory Memorandum), mean that communication by the assurance practitioner is vital.

We agree with the IAASB that requirements to include KAMs would not be relevant to all sustainability assurance engagements (Explanatory Memorandum, paragraph 122). As such, the Committee recommends that the IAASB considers, within ED-5000 or as part of its future work, whether it would be beneficial to users of sustainability information to address KAMs in a limited manner. The Committee encourages the IAASB to consider the costs and benefits of KAMs being a requirement for listed entity engagements where reasonable assurance is provided over at least some of the information in the sustainability report, and in relation to that reasonably assured information. The Committee recommends that the IAASB also considers whether reporting of KAMs may be useful for public interest entity reasonable assurance engagements (in particular those public interest entities that are banks), consistent with the suggestion in our response to the IAASB's consultation on proposed amendments to ISA 570 (Revised), *Going Concern*.

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?*

The Committee agrees with the proposal to include the relevant statements in the Basis for Conclusion section. We consider it reasonable to assume a reader of the report will read the report in its entirety. The Committee also supports the IAASB proposal that in a limited assurance engagement a summary of work performed is included in the assurance report (paragraph 170(i)).

Others matters

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

There are two other matters the Committee wishes to raise: communications and implementation activity.

Regulatory authorities: we note that although there are a few references to communication with relevant regulatory authorities by the practitioner firm or by the entity (paragraphs 48, A70, A333 and A370), there is nothing in the ED-5000 similar to the helpful text in the IAASB's recent consultation on going concern, which the Committee commented upon, noting that practitioners may have a requirement, or a right, to communicate matters to regulatory authorities. We encourage the IAASB to include such language in ED-5000 (ie similar to ED-ISA 570 paragraphs 40 and A90–91, subject to the Committee recommendations, in ED ISA 570).

Implementation activity: the Committee recommends that the IAASB carries out early activity supporting and monitoring the implementation of ISSA 5000, focusing on whether there are practical implementation challenges and other related issues, with a view to evaluating whether the standard is achieving its objective by providing sustainability reporting users with relevant information, and to learn lessons for the future. This is likely to be necessary given limited experience of sustainability disclosures and assurance engagements. The Committee also recommends that the IAASB ensures that sufficient time is allocated to enhancing ISSA 5000 with additional requirements and guidance, as necessary, for example in the areas of groups or assurance over information from outside a bank's accounting boundary (as noted above), the use of experts and the form and content of reporting by assurance providers.