

Tom Seidenstein
IAASB Chair

Filed via the website

Brussels, 1 December 2023

Subject: Proposed International Standard on Sustainability Assurance (ISSA) 5000

Dear Sir, Dear Tom,

Accountancy Europe is pleased to provide you with its overall comments on the proposed *International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements*. We also submitted detailed responses to consultation questions using the IAASB's proposed template.

Organisations of all sizes need to rapidly transform their business models to contribute to a sustainable economy. Accountancy Europe is committed to support Europe's ambitious sustainability objectives and considers companies' reporting and assurance thereon as important means to this end.

We trust that a collective effort by all stakeholders, including the IAASB, is necessary to achieve comparable, high-quality reporting and assurance. In this regard, we would like to congratulate the IAASB for responding to stakeholders' demands and emerging needs by taking the necessary steps to deliver an assurance standard in a timely manner. We commend the quality and speed of the progress made in this project.

ISSA 5000 as a global baseline

Global assurance and ethics, including independence, standards on sustainability will support the consistency, comparability and reliability of information to meet users' needs.

We believe that ISSA 5000, as a stand-alone, profession-agnostic and principles-based standard, can and should become a global baseline for sustainability assurance engagements.

We encourage the IAASB to continue engaging with European stakeholders and monitor relevant developments on sustainability reporting and assurance, so that ISSA 5000 can be applied and form a basis for adoption of a sustainability assurance standard in the EU and broader Europe.

Connectivity with financial statements' audit

There is an inherent connectivity between the information provided in financial statements and sustainability information. Sustainability reporting frameworks recognise this and require companies to demonstrate these links where necessary for users to have a full view of the company. This connectivity in reporting has certain implications for sustainability assurance engagements.

In the EU, companies under the Corporate Sustainability Reporting Directive (CSRD) scope will be presenting their sustainability statements within their management report which is published along with audited financial statements. In addition, European Sustainability Reporting Standards (ESRS) has specific reporting requirements for the current and expected financial impact of sustainability-related risks and opportunities.

Therefore, ISSA 5000 should be clearer on the need for communication between the assurance providers on financial and sustainability reporting, taking into account applicable laws and regulations about professional secrecy and confidentiality.

Addressing greenwashing risk

The risks associated with fraudulent sustainability reporting (i.e., intentional greenwashing) are equally substantial for all stakeholders in the corporate reporting ecosystem as they may undermine confidence in the market. Assurance practitioners are therefore expected to address fraud risks adequately, considering the risk factors (i.e. pressure, opportunities and rationalisation) and the fact that internal control over sustainability reporting still needs to evolve and mature in many companies. More specifically, ISSA 5000 should require the practitioner to:

- review the sustainability information subject to assurance taking into account its overall tone, form of presentation and granularity
- consider whether the company's materiality assessment process and its results may indicate management bias or intentional omission of material sustainability information

The importance of materiality assessment for sustainability assurance

Company's materiality assessment plays a pivotal role in sustainability reporting and the assurance practitioner should pay particular attention to this process. Therefore, ISSA 5000 should include relevant requirements on how the practitioner considers companies' materiality assessment process in planning and performing the engagement.

Difference in work effort between limited and reasonable assurance

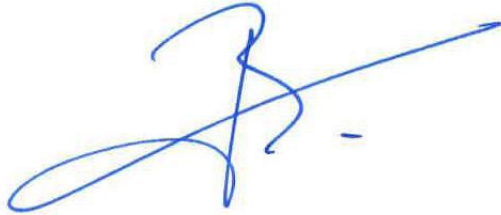
ISSA 5000 should set the minimum requirements for a practitioner conducting a limited assurance engagement in order to achieve consistency in engagement-level quality. The practitioner may decide to perform further procedures based on their professional judgement and the engagement circumstances. We believe that this is one of the areas where the IAASB should both monitor implementation and provide guidance once the ISSA 5000 is finalised.

Implementation Support

The IAASB should also play its role in the ecosystem's capacity building given the significance of this "new land" for many stakeholders. This includes working with other parties in the ecosystem to provide support and guidance as appropriate. Accountancy Europe is committed to collaborate with the IAASB in its efforts for responding to public interest issues related to sustainability assurance.

We thank you for the opportunity to comment. For further information on this letter, please contact Hilde Blomme (hilde@accountancyeurope.eu) or Harun Saki (harun@accountancyeurope.eu).

Sincerely,



Olivier Boutellis-Taft
Chief Executive

About Accountancy Europe

Accountancy Europe unites 50 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

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