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ESTUDIO ICAC-ASEPUC (Convocatoria 2024)

Sustainability Assurance

Analysis of the current state of sustainability assurance and main foreseeable changes in legislation and in the sector resulting from the transposition of the directive, comparing the key differences between Standards 3000 and 5000.
International comparison

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SUSTAINABILITY ASSURANCE. ANALYSIS OF THE CURRENT STATE OF SUSTAINABILITY ASSURANCE AND MAIN FORESEEABLE CHANGES IN LEGISLATION AND IN THE SECTOR RESULTING FROM THE TRANSPOSITION OF THE DIRECTIVE, COMPARING THE KEY DIFFERENCES BETWEEN STANDARDS 3000 AND 5000. INTERNATIONAL COMPARISON

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This Study meets the specific relevance criteria for the disclosure of matters affecting the application of accounting and auditing standards and the exercise of the powers assigned to the ICAC, as well as the timeliness of its objectives, both in terms of their nature and scope.

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Main Acronyms

AICPA: American Institute of Certified Public Accountants

CIMA: Chartered Institute of Management Accountants

CSRD: Corporate Sustainability Reporting Directive

EFRA: European Financial Reporting Advisory Group

ESG: Environmental, Social, Governance

ESRS: European Sustainability Reporting Standards

GRI: Global Reporting Initiative

IAASB: International Auditing and Assurance Standards Board

IESBA: International Ethics Standards Board for Accountants

IFRS: International Financial Reporting Standards

IFAC: International Federation of Accountants

ISA: International Auditing Standards

ISAE: International Standard on Assurance Engagements

ISSB: International Sustainability Standards Board

ISSA: International Standard on Sustainability Assurance

ISQC: International Standards on Quality Control

SASB: Sustainability Accounting Standards Board

1 Presentation of the report and Objectives

This study falls within the framework of the Public Call issued by ASEPUC for the production of reports under the ICAC–ASEPUC agreement for 2024, for the preparation of the study on sustainability entitled "Sustainability Assurance. Analysis of the current state of sustainability assurance and main foreseeable changes in legislation and in the sector resulting from the transposition of the Directive, comparing the key differences between ISAE 3000 (Revised) and the proposed ISSA 5000. International comparison". Our research team submitted a proposal and, following the resolution, was awarded responsibility for preparing the corresponding study.

Assurance is understood as an external evaluation carried out by independent professionals, whose main aim is to enhance transparency, credibility, and trust in an organisation's non-financial statements. Although Directive 2014/95/EU of 22 October 2014 did not explicitly address assurance, three European Union countries incorporated it as a mandatory element in the transposition process. In Spain, the requirement for assurance of sustainability information was introduced by Act 11/2018 of 28 December. In Italy, it was transposed at the end of 2016 by Legislative Decree No. 254 of 30 December 2016, while in France, it was transposed in 2017 through Ordinance 2017-1180 of 19 July, followed a month later by Decree 2017-1265 of 9 August.

In December 2022, as a result of the adoption of Directive 2022/2464/EU of 14 December, a significant step was taken in this area, making sustainability information assurance mandatory. At the time of writing this report, the transposition process is still ongoing in the Member States, but the approaches adopted will offer insight into each country's position regarding the requirement for assurance itself and corporate commitment to sustainability.

This report is intended to fulfil **three main objectives**:

1. Analysis of the situation of sustainability information assurance before the publication of Directive 2022/2464/EU

Prior to the publication of Directive 2022/2464/EU, only three countries (Spain, Italy, and France) had gone further than what was set out in the text of the Directive and established mandatory assurance, while the rest of the Member States maintained assurance as a voluntary process. Therefore, firstly, this report provides a comparative analysis of three countries where assurance is not mandatory, Germany, the Netherlands, and Portugal, and of the three countries where it is mandatory, Spain, France, and Italy. Specifically, we use data from 2018 to 2023 from a sample of companies and present a descriptive study of the assurance report market. Secondly, from the above-mentioned countries and focusing exclusively on the main stock indices, we present the main aspects that have defined the assurance report.

2. Assurance of the Non-Financial Statement as provided for in Directive 2022/2464/EU and its transposition in the Member States

Since Directive 2022/2464/EU establishes mandatory assurance of the non-financial statements presented by the companies falling within its scope, in this objective we examine, as of the date of this report, those countries that have already carried out the transposition process, as well as an analysis of its scope. Specifically, we focus on all aspects relating to the assurance process, analysing whether countries have remained within the minimum requirements set by the Directive or have been more stringent. In this way, the aim is to study how the Member States have defined assurance and the extent of their commitment to sustainability.

3. Study of assurance standards: ISAE 3000 (Revised) – proposed ISSA 5000

European and international experience in the field of assurance makes it possible to understand the standards that have been applied to date in assurance reports. Essentially, the standards that assurance practitioners have used, either individually or jointly, have been the AA1000 Assurance Standard v3 and the International Standard on Assurance Engagements (ISAE) 3000 (Revised). In this third objective, we conduct an analysis of these standards, identifying certain gaps in them as noted by regulators, professional organisations, and academics. The publication of the proposed International Standard on Sustainability Assurance (ISSA) 5000 in August 2023 and the comments received up to December 2023 will allow us to carry out a study of this exposure draft and to identify the requirements that remain unaddressed in light of the feedback received. Therefore, and since ISSA 5000 is a principle-based standard that is intended to be universal, that is, valid for both auditors and other assurance practitioners, we propose a study of the standard, comparing it with ISAE 3000.

In order to achieve the proposed objectives, the presentation of this report follows the structure set out below. Following this introduction, which outlines the objectives pursued and the current relevance of the topic addressed, the second section focuses on fulfilling the first objective of this report, using a descriptive methodology to analyse a sample of assurance reports from Germany, Spain, France, Italy, the Netherlands, and Portugal for the period from 2018 to 2023. This section presents a study focused on the key aspects of the assurance report, including, among others, the service provider or assurance practitioner, the scope of the assurance report, and the standard applied by the assurance practitioner for the companies in the sample. The third section addresses the content of the second objective of this report. It presents the Member States that, as of 31 July 2024, have transposed Directive 2022/2464/EU. Specifically, we analyse aspects related to the assurance process as well as the scope of the assurance report. The fourth section develops the content of the third objective of this report. The analysis of ISAE 3000 (Revised) and the proposed ISSA 5000 is structured so that, using a cluster methodology, it is possible to identify homogeneous patterns of behaviour between the two standards, enabling a comparison of those standards. This is followed by an analysis of the comments received on the proposed ISSA 5000, organised by stakeholder and by topic. Finally, the report presents the main conclusions reached.

2 Analysis of assurance in European countries prior to the publication of Directive 2022/2464/EU

2.1. Introduction: Assurance in the Transpositions of Directive 2014/95 in Six Member States

On 15 April 2014, the European Parliament adopted Directive 2014/95/EU on disclosure of non-financial and diversity information. This Directive required public-interest entities — in particular, listed companies with more than 500 employees and either more than EUR 20 million in total assets or more than EUR 40 million in net turnover — to prepare non-financial statements. The Directive required that the non-financial statements, at a minimum, present the following information: (a) a brief description of the undertaking's business model; (b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented; (c) the outcomes of those policies; (d) the principal risks related to those matters linked to the undertaking's operations, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks; (e) non-financial key performance indicators relevant to the particular business.

However, with reference to assurance of the non-financial reporting, Article 29a(6) provided that Member States *may require* that the information in the consolidated non-financial statement or in the separate report be verified by an independent assurance services provider. Therefore, Article 29a(6) left it to the discretion of the Member States whether or not to introduce mandatory assurance of the non-financial statement. Therefore, as has occurred with other rules relating to corporate reporting, the way in which the Member States transposed the Directive into their respective national legal systems has varied, specifically in relation to the subject of this report, which is the assurance of non-financial information.

With the aim of examining the different positions adopted by certain Member States, we present below an analysis of how some countries have approached this area left open by the Directive with respect to assurance in the transposition process of Directive 2014/95/EU. Chart 1 serves as a summary.

//// CHART 1 How is assurance addressed in the transpositions of Directive 2014/95 in the six countries analysed?

COUNTRY	TRANSPPOSITION OF THE DIRECTIVE	ASSURANCE MANDATORY?	ADDITIONAL NOTES
Germany	Act Implementing the Non-Financial Reporting Directive (CSR-Richtlinie-Umsetzungsgesetz).	No	Companies may opt for voluntary external assurance to enhance the credibility and trustworthiness of their reporting.
Spain	Act 11/2018, amending the Commercial Code and other laws.	Yes	The law requires non-financial statements to be reviewed by an independent assurance services provider to ensure their accuracy and compliance.
France	Ordinance No. 2017-1180	Yes	Companies must submit their reports to assurance by an independent third party, generally an auditor, to ensure the accuracy and completeness of the information disclosed.
Italy	Legislative Decree 254/2016	Yes	An external auditor or audit firm is required to assure the non-financial statements, ensuring their accuracy and reliability.
The Netherlands	Amendments to the Dutch Civil Code	No	Companies are encouraged to voluntarily submit their reports to external assurance to strengthen confidence in the information disclosed.
Portugal	Decree-Law No. 89/2017 of 28 July	No	Allows and encourages companies to opt for external assurance of their non-financial statements. Although not a legal requirement, many companies may choose external assurance to enhance the credibility and trust in the information they disclose.

As shown in Table 1, Germany transposed the Directive through the Act Implementing the Non-Financial Reporting Directive (CSR-Richtlinie-Umsetzungsgesetz), under which assurance of non-financial information in Germany was not made mandatory by law. However, companies could opt for voluntary external assurance to enhance the credibility and trustworthiness of their reporting. Spain, for its part, included mandatory assurance of non-financial information in the transposition of the Directive through Act 11/2018, amending the Commercial Code and other laws. Specifically, in Spain, the law requires non-financial statements to be reviewed by an independent assurance services provider to ensure their accuracy and compliance. In the case of France, it is noted that the country already had similar regulations prior to Directive 2014/95, such as the Grenelle II Act. The transposition was carried out through Ordinance No. 2017-1180. In France, assurance of non-financial information is mandatory. Companies must submit their reports to assurance by an independent third party, generally an auditor, to ensure the accuracy and completeness of the information disclosed. In Italy, assurance of non-financial information was made mandatory in the transposition decree, Legislative Decree 254/2016. Specifically, an external auditor or audit firm is required to assure the non-financial information, ensuring its accuracy and reliability. In the Netherlands, assurance is not mandatory by law. The transposition was carried out through amendments to the Dutch Civil Code. However, companies are encouraged to voluntarily submit their reports to external assurance to strengthen confidence in the information disclosed. Finally, in the last country analysed, Portugal, assurance of non-financial information was not made mandatory by law. The transposition of Directive 2014/95/EU was carried out through Decree-Law No. 89/2017 of 28 July, which amends the Commercial Companies Code. However, despite the absence of a legal requirement, Decree-Law No. 89/2017 allows and promotes companies to opt for external assurance of their non-financial statements. Although it is not a legal requirement, many companies may choose external assurance to enhance the credibility and trust in the sustainability information they disclose.

This study is then divided into two phases. Firstly, we present the landscape of assurance of the Non-Financial Statement for a sample of companies from the aforementioned countries. Specifically, we will use data from 2018 to 2023 and from the stock exchanges of the respective countries. Secondly, we will present a descriptive study of the quality of the assurance report, examining the assurance services provider, the scope of the assurance report, the length of the relationship, and the gender of the person signing the report. In this second study, we focus on the main stock indices of Germany, Spain, France, Italy, the Netherlands and Portugal from 2018 to 2023. The reason why the sample in this second study is limited to companies from the main stock indices lies in the aim of the study itself, which seeks to explore the behaviour of companies with higher market capitalisation, since these often set a path to follow.

2.2. Who assures by year, country and sector?

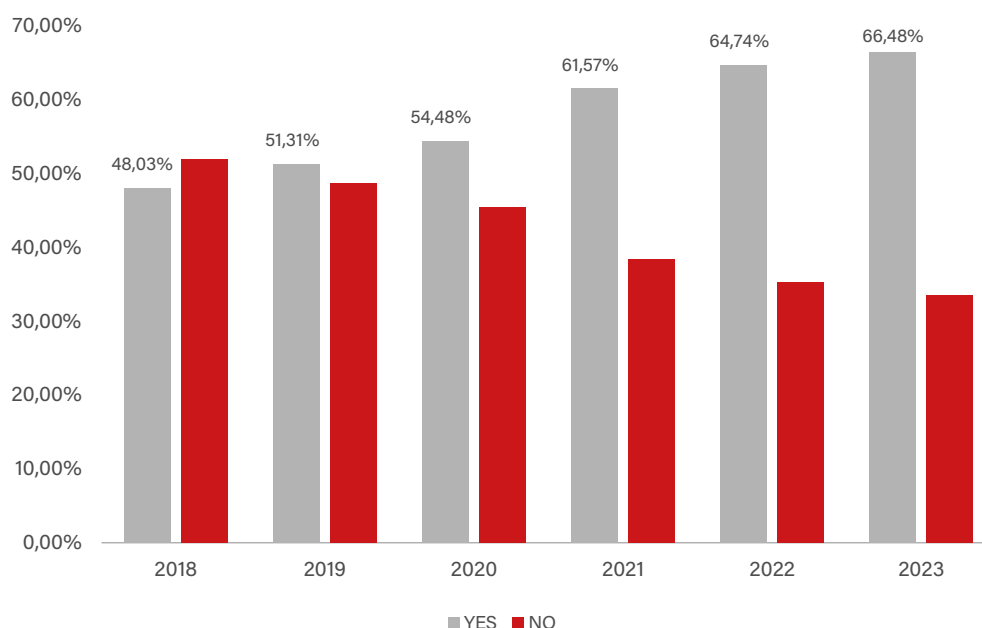
For this study, we focus on companies listed on the stock exchanges of the selected countries, namely Germany, Spain, France, Italy, the Netherlands and Portugal, as shown in Table 1.

//// **TABLE 1** First Study Sample

COUNTRIES	STOCK EXCHANGE	No. OF COMPANIES
GERMANY	Frankfurt Stock Exchange	273
SPAIN	Spanish Continuous Market	112
FRANCE	Euronext Paris	172
ITALY	Milan Stock Exchange	202
NETHERLANDS	Euronext Amsterdam	106
PORTUGAL	Euronext Lisbon	51
Total number of companies		916

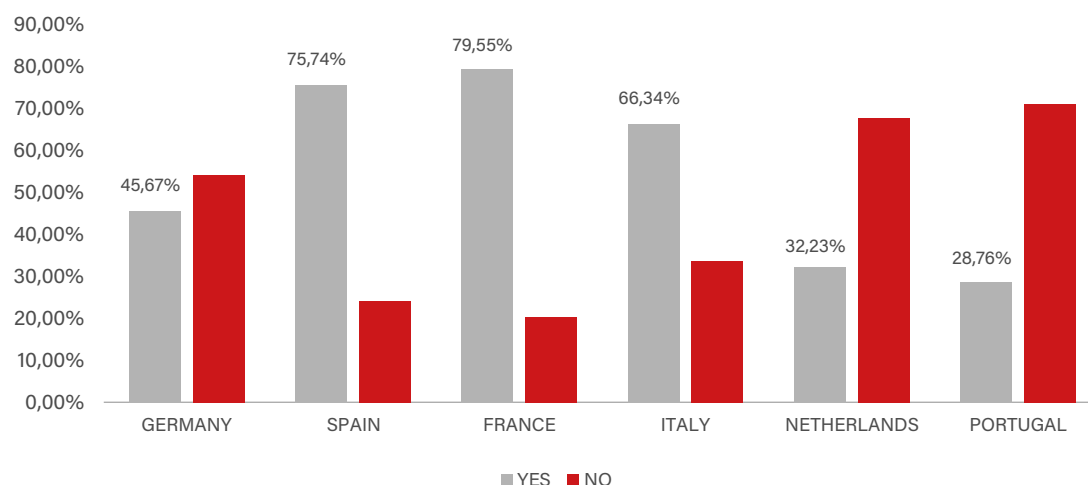
Next, we present the landscape of assurance of the Non-Financial Statement for the sample of companies from the aforementioned countries between 2018 and 2023 (a total of 916 companies, yielding 5,496 observations). It should be noted that in three of these countries assurance is mandatory, while in the other three, companies have voluntarily chosen to subject their non-financial disclosures to assurance, likely as a means of lending credibility to that information.

Figure 1 shows the trend in assurance, which is clearly upward, reflecting growing interest among companies in ensuring the reliability of non-financial information. In 2018, only 48.03% of non-financial statements were assured, while 51.97% were not. In 2019, assurance increased slightly to 51.31%, surpassing for the first time the proportion of non-assured statements. From 2021 onwards, the increase became more pronounced, reaching 61.57%, marking a significant rise in the assurance of reports. This upward trend continues in 2022 and 2023, with assurance rates of 64.74% and 66.48% respectively. At the same time, the number of non-assured reports shows a steady decline, evidencing growing commitment to the assurance of non-financial statements over time.

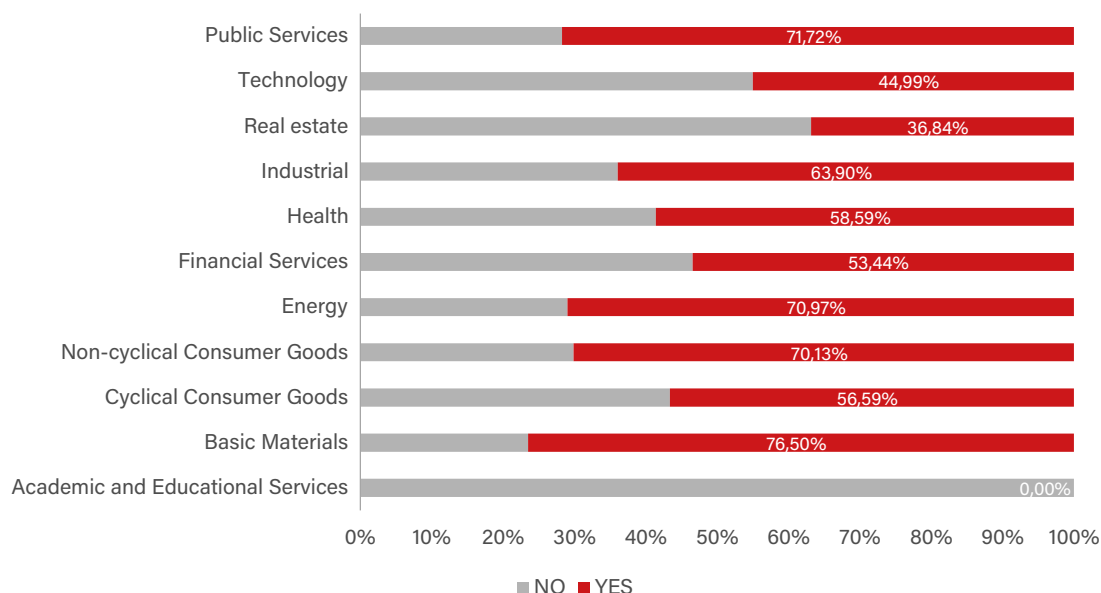
//// **FIGURE 1 Assurance of the Non-Financial Statement by Year**

However, given that our sample includes both countries where assurance is mandatory and countries where it is voluntary, Figure 2 shows the percentage distribution of assurance of non-financial statements by country, based on all data from the years under analysis, i.e., from 2018 to 2023.

A detailed country-by-country analysis is presented below. In countries where assurance is voluntary, the situation is as follows: i) In Germany, fewer than half (45.67%) of non-financial statements are assured, with most not subject to assurance, ii) In the Netherlands, most reports are not subject to assurance, with only about one third subject to assurance, and iii) In Portugal, assurance levels are the lowest among the countries analysed, with fewer than 30% of reports assured. We can therefore conclude that in general, fewer than 50% of non-financial statements are assured in these countries. However, the situation is unsurprisingly reversed in countries where verification is mandatory. In each of them, the situation is as follows: i) In Spain, a clear majority of the reports are assured, showing a positive trend towards assurance, in compliance with the provisions of the transposition law of the Directive, ii) France has the highest percentage of assurance, with almost 80% of the reports assured, and iii) In Italy, a significant majority of the reports are assured, although not as high as in Spain or France. Thus, we observe that among the countries where assurance is mandatory, France is at the forefront with almost 80%.

//// **FIGURE 2 Assurance of Non-Financial Statement by Country**

Taking a step further, we present an analysis by sector over the 2018–2023 time frame. As we can observe in Figure 3, the sectors with the highest proportion of assured non-financial statements are Basic Materials (76.50%), Utilities (71.72%), Energy (70.97%) and Non-Cyclical Consumer Goods (70.13%). However, the sectors with the highest proportion of non-financial statements not assured are Academic and Educational Services (100.00%), Real Estate (63.16%), Technology (55.01%) and Cyclical Consumer Goods (43.41%). Lastly, Financial Services and Healthcare show a more balanced distribution between companies that have assured and those that have not assured. This may reflect a uniform application of the regulation or a transition towards higher levels of compliance.

//// **FIGURE 3 Assurance of the Non-Financial Statement by Sector**

Based on the assurance of non-financial statements by year and by assurance practitioner, Figure 4 illustrates the percentage distribution of the assurance of non-financial statements by various assurers (Deloitte, EY, KPMG, PwC, Other auditors and Certifiers) from 2018 to 2023 in the companies of the sample. We observe a clear presence of the Big 4. PwC dominates the assurance market, with Deloitte, EY and KPMG sharing significant portions. Other auditors and certifiers play lesser roles, indicating the dominance of the main actors in the audit sector in the area of non-financial informa-

tion assurance. The general trend shows that PwC consistently maintains the largest share in the assurance of non-financial reporting, reaching a peak of 26.60% in 2019 and decreasing slightly to 23.81% in 2023. EY and KPMG have shown relatively stable shares over the years, with slight fluctuations. The share of Deloitte has remained fairly constant, with a slight decline over the years. For their part, auditors outside the Big 4 have a smaller, although growing, presence in the study, where their share in this market nearly doubled from 7.73% in 2018 to 11.82% in 2023. By contrast, the share held by certifiers declined slightly, falling from just over 5% in 2018 to below that level in 2023. As for non-auditor assurance practitioners, it should be noted that those present in the market of our sample include DNV, Aenor, Bureau Veritas and SGS, among others.

//// **FIGURE 4 Assurance of the Non-Financial Statement by Year and Assurance Practitioner**

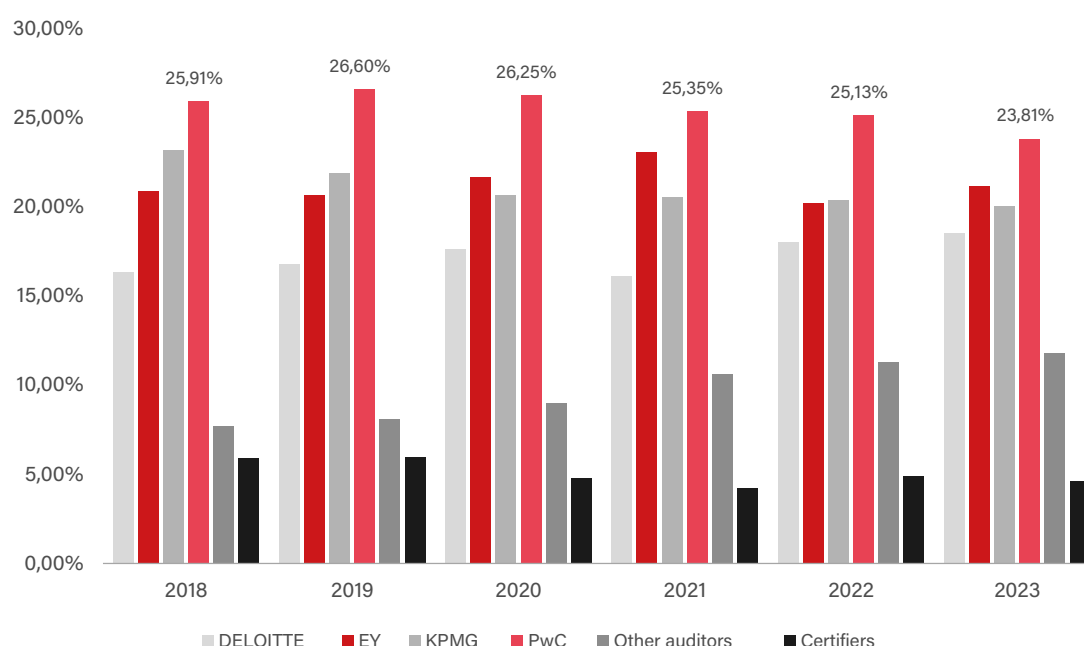


Figure 5 clearly shows that the largest audit firms (Big 4: Deloitte, EY, KPMG and PwC) dominate the market for the assurance of non-financial information in the sample of European countries, although there are variations in market share between the different countries. PwC is the firm with the largest share in Germany, Spain, Italy and Portugal, while EY has a greater presence in Spain, France and the Netherlands. For their part, KPMG and Deloitte have a significant but less dominant presence. Other auditors and certifiers have a smaller share compared to the big four audit firms, but still represent a significant part of the market. It should be noted that in France, 17.90% is accounted for by other auditors such as Mazars, BDO and Grant Thornton. With regard to certifiers, Spain is the country with the highest share (9.63%), represented mainly by Aenor and SGS.

//// **FIGURE 5 Assurance of the Non-Financial Statement by Year and Assurance Practitioner**

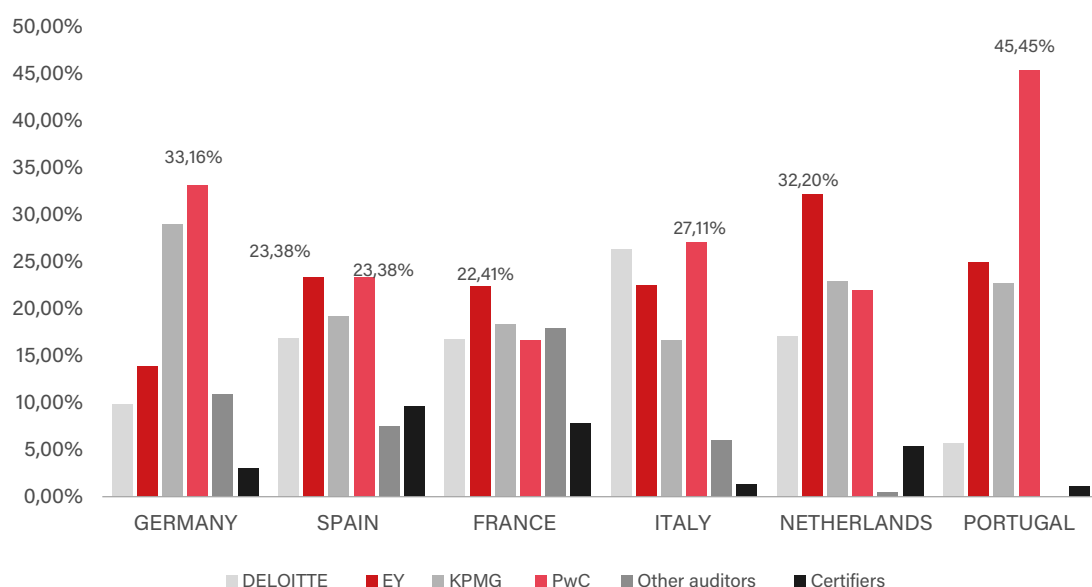
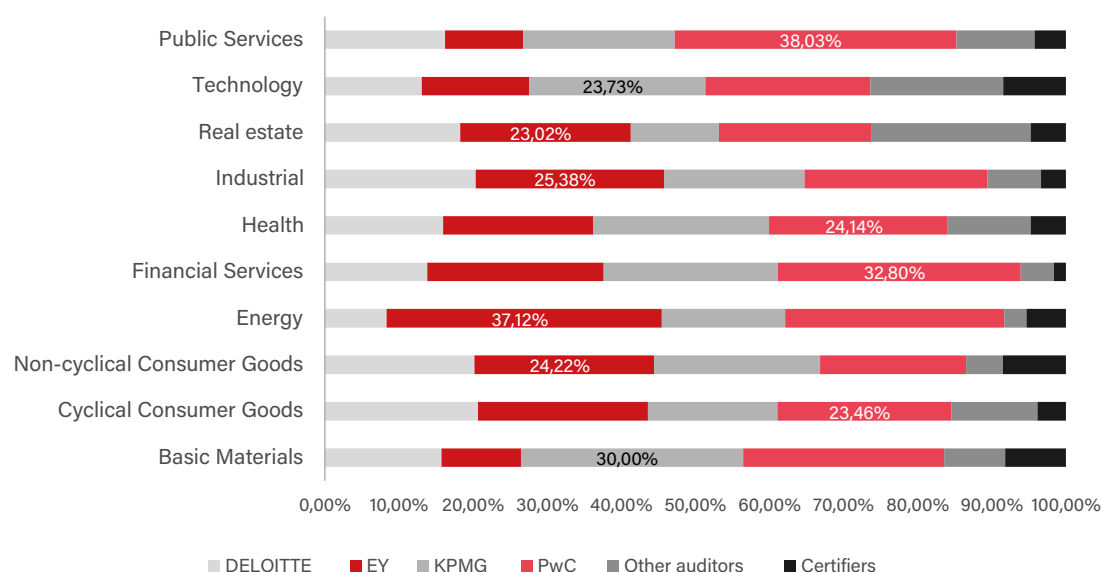


Figure 6 shows the share of each assurance practitioner in the different economic sectors. Firstly, Deloitte has a fairly even presence in most sectors, its highest share being in the Cyclical Consumer Goods sector (20.63%) and its lowest in the Energy sector (8.33%). EY stands out significantly in Energy (37.12%) and has a strong presence in other sectors, especially in Cyclical Consumer Goods (22.96%) and Non-Cyclical Consumer Goods (24.22%). Its lowest share is in Utilities (10.56%). Thirdly, KPMG has a fairly even distribution with peaks in Basic Materials (30%) and Utilities (20.42%). Its lowest presence is in the Real Estate sector (11.90%). The fourth of the Big 4, PwC, has a strong presence in several sectors, notably in Utilities (38.03%) and Financial Services (32.80%). Its lowest share is in Basic Materials (27.14%). Likewise, medium and small auditors have a lower share overall, with a peak in the Real Estate sector (21.43%) and a low presence in Energy (3.03%). Lastly, Certifiers generally have the lowest share in all sectors, with their highest presence in Technology (8.47%) and lowest in Financial Services (1.61%).

//// **FIGURE 6 Assurance of the Non-Financial Statement by Sector and Assurance Practitioner**



2.3. What does the assurance report on non-financial information provide?

From a conceptual standpoint, the assurance report presents a detailed and objective analysis of the data, processes or systems evaluated in the non-financial statement in order to ensure its accuracy, completeness and compliance with the applicable regulations and standards.

The main elements that an assurance report may include are:

- **Summary:** An overview of the key findings, conclusions and main recommendations.
- **Scope of Assurance:** A description of the objectives, scope and boundaries of the assurance process.
- **Methodology:** Explanation of the methods and techniques used to carry out the assurance.
- **Results and Findings:** Details of the data assured, identifying any discrepancy, error or issue found.
- **Conformity Assessment:** Analysis of how the data or processes comply with the relevant regulations, standards or specific criteria.
- **Recommendations:** Suggestions for correcting any problems identified and improving the processes or systems assured.
- **Conclusion:** A final summary that reaffirms the main findings and the conformity or non-conformity with the established criteria.

The credibility that assurance gives to non-financial information acts as a guarantee of the reliability of that information, influencing decision-making and improving the quality of the processes or systems assessed.

At this stage, we have carried out a study of the main stock market indices of Germany, Spain, France, Italy, the Netherlands and Portugal from 2018 to 2023 (192 companies and a total of 1,056 observations, as not all companies conduct assurance every year). The **DAX-40** is the most important stock market index in Germany and one of the main indicators of the European economy, reflecting the performance of the 40 most significant companies listed on the Frankfurt Stock Exchange. The **IBEX-35** is the benchmark index of the Madrid Stock Exchange, which is Spain's main stock exchange, comprising a total of 35 companies. The **CAC-40** is a significant stock market index that reflects the performance of the leading French companies in the stock market. The **FTSE MIB** is Italy's most important stock market index and one of the main indicators of the Italian economy, reflecting the performance of the 40 most significant companies listed on the Milan Stock Exchange, which represents a substantial share of Italy's capital and economic activity. The **AEX-25** is the most important stock market index in the Netherlands and one of the key indicators of the Dutch economy, comprising the 25 most significant companies listed on Euronext Amsterdam. Finally, the **PSI** is the main stock market index of the Lisbon Stock Exchange, Portugal, which as of August 2024 consisted of the 16 largest and most liquid companies listed on that exchange.

Table 2 below summarises the main stock indices and the total number of companies. There is an average of over 32 companies per country, with Portugal having the lowest number of companies studied. It should be noted that some companies are listed on more than one index, such as Airbus Group, ArcelorMittal or STMicroelectronics, among others.

//// TABLE 2 Second Study Sample

COUNTRIES	INDICES	No. of Companies Analysed
Germany	DAX-40	39
Spain	IBEX-35	34
France	CAC-40	39
Italy	FTSE MIB	39
The Netherlands	AEX-25	25
Portugal	PSI	16
Total number of companies		192

We first analyse whether or not the non-financial statement is assured (see Table 3). The average percentage of assured statements across the countries is 91.66%. France leads in terms of the percentage of assured statements, with 97.44%. The Netherlands has the lowest percentage with 68.66%. It can be observed that France, Spain and Italy show very high levels of assurance of non-financial statements, all above 96%. This indicates strong compliance with assurance requirements in these countries, as assurance is mandatory. The Netherlands has a significantly lower percentage of assured statements (68.66%), indicating that companies have not adopted assurance in the absence of a legal obligation. In Germany, although assurance is not mandatory, 94.02% of non-financial statements are assured. Portugal shows a similar situation, with 85.42% of statements assured. In conclusion, most countries show a high percentage of assured statements, reflecting a good level of adherence to assurance practices.

//// TABLE 3 Sample of Assured Statements

COUNTRIES	Assured Statements	% Assured Statements
Germany	220	94.02
Spain	197	96.57
France	228	97.44
Italy	226	96.58
The Netherlands	103	68.66
Portugal	82	85.42
Total	1,056	91.66

Of those statements that have been assured, the following analysis sets out who the assurance practitioner is, the intended audience, the standard applied, the scope, the signatory of the report, and the date.

2.3.1. Assurance Practitioner

Directive 2014/95/EU does not impose a strict obligation for external assurance of non-financial information, but encourages companies to obtain such assurance in order to enhance the credibility of their disclosures. According to the Directive, Member States may require that the information in the non-financial statement or in the separate report be verified by an *independent assurance services provider*.

Accordingly, Table 4 shows the trend in assurance service providers across the countries in the sample. A clear dominance of the Big 4 assurance service providers is evident. KPMG has shown a strong and consistent presence in the market for the assurance of non-financial information, leading in Germany from 2018 to 2019 with 41.67%, although its share declined slightly in subsequent years, remaining above 29% in both 2021 and 2022. In Spain, its share remained competitive, reaching 38.24% in 2021, and in the Netherlands it rose significantly to 35% in 2023. PwC also maintained a

strong presence, particularly in Spain and Portugal, where it frequently led or came close to leading, with peaks of 45.45% in Portugal in 2018 and 36.67% in Spain in 2018. EY showed notable growth, particularly in Germany, where its share increased from 22.22% in 2018 to 32.43% in 2021, and in France, where it led with 31.58% in multiple years. Deloitte, although with a generally lower share, recorded significant growth in Germany, increasing from 2.78% in 2018 to 13.16% in 2023, and maintained a stable presence in other countries such as France and Italy, where it saw notable increases in 2022 and 2023. The other audit firms and certification bodies had a marginal presence in all countries, never exceeding 7% in any year, reflecting a market dominated by the Big Four audit firms.

//// TABLE 4 Assurance Practitioner

Year	Country/Assurance provider	Deloitte	EY	KPMG	PwC	Other Auditors	Certifier
2018	Germany	2.78%	22.22%	41.67%	30.56%	0.00%	2.78%
	Spain	10.00%	16.67%	30.00%	36.67%	0.00%	6.67%
	France	13.16%	31.58%	15.79%	26.32%	7.89%	5.26%
	Italy	13.89%	30.56%	16.67%	38.89%	0.00%	0.00%
	The Netherlands	20.00%	33.33%	20.00%	20.00%	0.00%	6.67%
	Portugal	0.00%	27.27%	27.27%	45.45%	0.00%	0.00%
2019	Germany	2.78%	22.22%	41.67%	30.56%	0.00%	2.78%
	Spain	18.75%	18.75%	25.00%	34.38%	0.00%	3.13%
	France	15.79%	31.58%	13.16%	26.32%	7.89%	5.26%
	Italy	10.81%	32.43%	18.92%	35.14%	2.70%	0.00%
	The Netherlands	20.00%	33.33%	20.00%	20.00%	0.00%	6.67%
	Portugal	0.00%	30.77%	30.77%	38.46%	0.00%	0.00%
2020	Germany	2.78%	30.56%	33.33%	30.56%	0.00%	2.78%
	Spain	18.18%	24.24%	30.30%	27.27%	0.00%	0.00%
	France	18.42%	31.58%	10.53%	26.32%	7.89%	5.26%
	Italy	18.92%	29.73%	18.92%	29.73%	2.70%	0.00%
	The Netherlands	20.00%	26.67%	26.67%	20.00%	0.00%	6.67%
	Portugal	0.00%	23.08%	30.77%	46.15%	0.00%	0.00%
2021	Germany	2.70%	32.43%	29.73%	32.43%	0.00%	2.70%
	Spain	14.71%	20.59%	38.24%	26.47%	0.00%	0.00%
	France	21.05%	31.58%	10.53%	23.68%	7.89%	5.26%
	Italy	18.42%	28.95%	15.79%	31.58%	5.26%	0.00%
	The Netherlands	21.05%	31.58%	26.32%	15.79%	0.00%	5.26%
	Portugal	6.67%	33.33%	20.00%	33.33%	0.00%	6.67%
2022	Germany	5.41%	29.73%	32.43%	29.73%	0.00%	2.70%
	Spain	14.71%	26.47%	35.29%	23.53%	0.00%	0.00%
	France	26.32%	23.68%	10.53%	23.68%	13.16%	2.63%
	Italy	15.38%	33.33%	17.95%	25.64%	5.13%	2.56%
	The Netherlands	21.05%	31.58%	26.32%	15.79%	0.00%	5.26%
	Portugal	6.67%	33.33%	20.00%	33.33%	0.00%	6.67%
2023	Germany	13.16%	28.95%	23.68%	28.95%	2.63%	2.63%
	Spain	17.65%	26.47%	29.41%	26.47%	0.00%	0.00%
	France	21.05%	23.68%	7.89%	26.32%	18.42%	2.63%
	Italy	17.95%	28.21%	17.95%	28.21%	5.13%	2.56%
	The Netherlands	20.00%	30.00%	35.00%	10.00%	0.00%	5.00%
	Portugal	6.67%	40.00%	20.00%	33.33%	0.00%	0.00%

2.3.2. Addressees of the assurance report

An aspect we consider particularly interesting to analyse is the addressee of the assurance report. Table 5 shows how sustainability assurance reports are distributed among different addressees across various countries. In Germany, 70% of the reports are addressed directly to the company, while 26.82% are addressed to the Board of Directors. In Spain, the majority of reports (81.73%) are addressed to the Shareholders, with 16.24% addressed to Management. In France, an overwhelming majority of 89.91% of reports are addressed to Shareholders. Italy stands out, with 95.13% of the reports addressed to the Board of Directors, while the Netherlands shows a more balanced distribution, with 55.34% addressed to both the Shareholders and the Board of Directors, and 20.39% addressed solely to the Board of Directors. In Portugal, 95.12% of the reports are also addressed to the Board of Directors. Overall, Management and the Sustainability Committee, as well as stakeholders and others, receive only a small fraction of the reports, highlighting that in most countries, the majority of assurance reports are addressed to the Shareholders and the Board of Directors.

//// **TABLE 5** Addressees of the assurance report by Country

Country/Addressee	Germany	Spain	France	Italy	The Netherlands	Portugal
To the Board of Directors	26.82%	1.52%	4.82%	95.13%	20.39%	95.12%
To the Company	70.00%	0.00%	3.51%	0.88%	0.00%	0.00%
To the Shareholders	3.18%	81.73%	89.91%	2.65%	3.88%	4.88%
To Management	0.00%	16.24%	0.88%	0.00%	13.59%	0.00%
To the Shareholders and the Board of Directors	0.00%	0.51%	0.88%	0.00%	55.34%	0.00%
To Management and Sustainability Committee	0.00%	0.00%	0.00%	1.33%	0.00%	0.00%
Stakeholders and others	0.00%	0.00%	0.00%	0.00%	6.80%	0.00%

Table 6 provides a detailed view of the addressees of assurance reports on non-financial reporting issued by various audit firms (Deloitte, EY, KPMG, PwC, other audit firms, and certification bodies) in six European countries. In Germany, EY and Deloitte address all their reports to the company; PwC does the same in 95.52% of cases. KPMG focuses on the Board of Directors (78.38%). In Spain, Shareholders are the main addressees, particularly for Deloitte (100%), KPMG (87.10%), and PwC (84.21%). EY takes a more diversified approach, with 29.54% of its reports addressed to Management. In France, Shareholders are again the principal addressees, especially for KPMG (100%) and EY (87.88%), with PwC and other firms following a similar pattern. Italy shows a strong tendency towards addressing the Board of Directors: more than 95% of the reports issued by Deloitte, EY, PwC, and KPMG are addressed to this group. The Netherlands displays notable variation: PwC addresses the majority of its reports to the Board of Directors (88.24%), while KPMG, EY, and Deloitte divide their addressees between the Shareholders and the Board of Directors. Finally, in Portugal, all the reports from Deloitte, EY, KPMG, and certification bodies are addressed to the Board of Directors, although PwC also directs a portion to the Shareholders (12.90%).

//// **TABLE 6 Addressees of the assurance report by Country and Assurance Practitioner**

Country	Addressee/ Assurance Practitioner	DELOITTE	EY	KPMG	PwC	Other Auditors	Certifiers
Germany	To the Board of Directors	0.00%	0.00%	78.38%	0.00%	100.00%	0.00%
	To the Company	100.00%	100.00%	16.22%	95.52%	0.00%	100.00%
	To the Shareholders	0.00%	0.00%	5.40%	4.50%	0.00%	0.00%
	To Management	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To the Shareholders and the Board of Directors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Others	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Spain	To the Board of Directors	0.00%	6.80%	0.00%	0.00%	0.00%	0.00%
	To the Company	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To the Shareholders	100.00%	61.36%	87.10%	84.21%	0.00%	33.33%
	To Management	0.00%	29.54%	12.90%	15.79%	0.00%	66.67%
	To the Shareholders and the Board of Directors	0.00%	2.30%	0.00%	0.00%	0.00%	0.00%
	Others	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
France	To the Board of Directors	0.00%	12.12%	0.00%	5.17%	0.00%	0.00%
	To the Company	4.55%	0.00%	0.00%	3.45%	0.00%	40.00%
	To the Shareholders	90.91%	87.88%	100.00%	87.93%	100.00%	60.00%
	To Management	0.00%	0.00%	0.00%	3.45%	0.00%	0.00%
	To the Shareholders and the Board of Directors	4.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Italy	To the Board of Directors	97.22%	95.65%	100.00%	97.18%	62.50%	0.00%
	To the Company	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
	To the Shareholders	0.00%	1.45%	0.00%	2.82%	37.50%	0.00%
	To Management	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To the Shareholders and the Board of Directors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To Management and Sustainability Committee	2.78%	2.90%	0.00%	0.00%	0.00%	0.00%
The Netherlands	To the Board of Directors	0.00%	18.75%	0.00%	88.24%	0.00%	0.00%
	To the Company	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To the Shareholders	19.05%	0.00%	0.00%	0.00%	0.00%	0.00%
	To Management	0.00%	18.75%	0.00%	11.76%	0.00%	100.00%
	To the Shareholders and the Board of Directors	61.90%	62.50%	88.89%	0.00%	0.00%	0.00%
	Stakeholders and others	19.05%	0.00%	11.11%	0.00%	0.00%	0.00%
Portugal	To the Board of Directors	100.00%	100.00%	100.00%	87.10%	0.00%	100.00%
	To the Company	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To the Shareholders	0.00%	0.00%	0.00%	12.90%	0.00%	0.00%
	To Management	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	To the Shareholders and the Board of Directors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2.3.3. Assurance standards

Assurance standards are frameworks and guidelines establishing principles and procedures for the assurance of non-financial statements and related reports. These standards help to ensure the credibility, accuracy and transparency of the information reported. Some of the main standards include:

- *International Standard on Assurance Engagements revised* (ISAE 3000R, 2013), Assurance engagements other than audits or reviews of historical financial information:

Issued by the International Auditing and Assurance Standards Board (IAASB), which is part of the International Federation of Accountants (IFAC).

It provides a framework for carrying out assurance engagements other than audits or reviews of historical financial information.

- *International Standard on Assurance Engagements* (ISAE 3410, 2012), Assurance engagements on greenhouse gas statements:

Issued by the International Auditing and Assurance Standards Board (IAASB), which is part of the International Federation of Accountants (IFAC).

It provides guidance for auditors conducting assurance engagements on greenhouse gas emissions.

- *AccountAbility Assurance Standard* (AA1000AS v3, 2020):

Developed by AccountAbility.

It focuses on the principles of inclusivity, materiality and responsiveness in non-financial reporting.

It allows for both Type 1 (principles-based) and Type 2 (principles and performance-based) assurance.

In addition to these standards, there are a number of guidelines in countries such as Spain, France and Portugal. In Spain, in 2019, the *Guía de actuación sobre encargos de verificación del Estado de Información No Financiera* was published by the ICJCE (Institute of Chartered Accountants of Spain), providing a framework for the assurance of the Non-Financial Statement presented by entities. That same year, the *Guía de actuación No. 14* was published by the Registry of Economists and Auditors (REA). Both guidelines are intended to support auditors in carrying out their responsibilities related to the assurance of the non-financial statement in accordance with Law 11/2018 on Non-Financial and Diversity Information, using ISAE 3000 as a reference. In France, the *Guidance issued by the French Institute of Statutory Auditors (CNCC - Compagnie Nationale des Commissaires aux Comptes)* was published in December 2017 and provides detailed guidelines on how auditors should carry out the verification of non-financial reporting of entities. This guide is aligned with European Directive 2014/95/EU. In Portugal, the *Guidance issued by the Portuguese Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - OROC)* was published in December 2018. The guidance issued by the Portuguese Institute of Statutory Auditors provides a detailed and specific framework for the assurance of non-financial information disclosed by Portuguese companies. This guidance aims to ensure that auditors or assurance practitioners carry out a comprehensive and rigorous assessment of non-financial information, in accordance with the requirements established by European and national legislation.

Table 7 shows the distribution of assurance standards for non-financial information used across different countries. Germany mainly relies on ISAE 3000 (Revised) (94.09%), with minimal adoption of AA1000AS (2.73%) and a combination of ISAE 3000 (Revised) + ISAE 3410 (3.18%). In Spain, there is a significant mix: ISAE 3000 (Revised) (9.14%), AA1000AS (1.02%), a predominant combination of ISAE 3000 (Revised) + local guidelines (67.51%), and a notable proportion of ISAE 3000 (Revised) + AA1000AS + local guidelines (22.34%). No significant differences are observed between the use of these standards by audit firms and non-auditor assurance practitioners. France also favours the combination of ISAE 3000 (Revised) + local guidelines (89.47%), with lesser use of ISAE 3000 (Re-

vised) (8.77%) and minimal use of AA1000AS (1.32%) and AA1000AS + local guidelines (0.44%). Italy is almost exclusively focused on ISAE 3000 (Revised) (99.12%), with very limited use of AA1000AS (0.88%). The Netherlands shows a strong concentration around ISAE 3000 (Revised) (94.17%) and a smaller share of ISAE 3000 (Revised) + ISAE 3410 (5.83%). Finally, Portugal mainly uses a combination of ISAE 3000 (Revised) (14.63%), ISAE 3000 (Revised) + AA1000AS (3.66%), ISAE 3000 (Revised) + local guidelines (71.95%), and ISAE 3000 (Revised) + AA1000AS + local guidelines (9.76%). In conclusion, ISAE 3000 (Revised) (2013) is the most commonly used standard for the assurance of non-financial statements.

//// **TABLE 7** Standards applied in the assurance report by Country

Standards/Country	Germany	Spain	France	Italy	The Netherlands	Portugal
ISAE 3000 (Revised)	94.09%	9.14%	8.77%	99.12%	94.17%	14.63%
AA1000AS	2.73%	1.02%	1.32%	0.88%	0.00%	0.00%
ISAE 3000 (Revised) + AA1000AS	0.00%	0.00%	0.00%	0.00%	0.00%	3.66%
ISAE 3000 (Revised) + Local Guidance	0.00%	67.51%	89.47%	0.00%	0.00%	71.95%
AA1000AS + Local Guidance	0.00%	0.00%	0.44%	0.00%	0.00%	0.00%
ISAE 3000 (Revised) + AA1000AS + Local Guidance	0.00%	22.34%	0.00%	0.00%	0.00%	9.76%
ISAE 3000 (Revised) + ISAE 3410	3.18%	0.00%	0.00%	0.00%	5.83%	0.00%

2.3.4. Scope of the assurance report

ISAE 3000 (Revised) (*International Standard on Assurance Engagements 3000 revised*) sets out the standards and guidelines for assurance engagements other than audits or reviews of historical financial information. Within this standard, two main types of engagement scope are described:

1. **Reasonable assurance** is a high, though not absolute, level of assurance provided by the assurance practitioner regarding the subject matter of the engagement. The objective is to reduce the risk that the information contains material misstatements to an acceptably low level by obtaining sufficient and appropriate evidence. Procedures for a reasonable assurance engagement are typically extensive and detailed. They may include inspections, observations, confirmations, recalculations, analytical procedures, and other thorough verification procedures. In this type of engagement, the practitioner's report includes a positive opinion, i.e. a statement affirming that the information is free from material misstatements.
2. **Limited assurance** provides a lower level of assurance than reasonable assurance. The objective is to reduce the risk of material misstatement to an acceptable level in the context of the engagement circumstances. The objective is also to reduce the risk that the information contains material misstatements to an acceptably low level, although higher than in a reasonable assurance engagement. The procedures are less extensive and detailed than those of a reasonable assurance engagement. They may include interviews, analytical procedures, and other review procedures that do not involve the same depth of testing. In this engagement, the assurance report will include a negative conclusion, that is, a statement indicating that, based on the procedures performed, no evidence was found that the information contains material misstatements.

The AA1000 *Assurance Standard* v3 (2020) defines two main types of assurance engagements, known as Type 1 and Type 2. These engagements differ in the scope and nature of the information being assured. The two types are described below:

1. **Type 1 engagement:** Review and evaluation of the organisation's adherence to the AA1000 AccountAbility Principles (AA1000AP) (2018), providing relevant findings and conclusions.
2. **Type 2 engagement:** Evaluation of the organisation's adherence to the AA1000 AccountAbility Principles (AA1000AP) (2018), and assessment and substantiation of the reliability and clarity of

the sustainability information, providing relevant findings and conclusions. This is based on the review of systems, processes and controls, as well as verification of the sustainability data and information provided.

In addition, the AA1000AS v3 (2020) defines two levels of assurance. These levels determine the depth and rigour of the work performed by the assurance practitioner. The two levels are described below:

- 1. Moderate Level:** It provides less investigative depth than the high level. Procedures mainly involve inquiries and analysis of the organisation's documentation and records, as well as interviews with management and other employees. The procedures are not as extensive as those conducted for a high level of assurance. The assurance practitioner concludes that, based on the procedures performed, no significant evidence has been found to suggest that the information is not prepared in accordance with the applicable criteria. This is a negative assurance statement, meaning no evidence was found indicating a significant error or irregularity.
- 2. High Level:** It provides greater depth and rigour in the investigation and assessment. It includes more extensive procedures, such as verifying data samples and obtaining more direct and detailed audit evidence. It may include site visits and review of the implementation of policies and procedures. The assurance practitioner concludes positively that the information is prepared, in all material respects, in accordance with the applicable criteria. This is a positive assurance statement, meaning that direct evidence of compliance was obtained.

Table 8 shows the distribution of the scope of assurance of non-financial reporting across several countries. It is worth noting that some assurance practitioners use both ISAE 3000 (Revised) and AA1000, and this results in situations where, for example, a report may provide limited assurance (based on ISAE) and at the same time be classified as Type 2 and moderate level (based on AA1000AS v3). Specifically, limited assurance is predominant in all countries, particularly in Italy (95.13%), the Netherlands (85.44%) and Germany (88.18%). Reasonable assurance is less common, with low percentages in France (0.44%), Italy (3.98%) and the Netherlands (6.80%). Some countries, such as Spain (3.05%) and France (29.39%), combine limited and reasonable assurance. The combination of limited assurance with moderate level and Type 2 is notable in Spain (22.34%) and Portugal (10.98%), while the combination of reasonable assurance, moderate level and Type 2 is almost non-existent (only Italy with 0.88%). In Portugal, a combination of limited assurance, reasonable assurance and moderate level and Type 2 is also observed (2.44%). Some reports do not specify the assurance level, although this is rare, with a small percentage in Spain (1.02%) and France (1.75%).

//// **TABLE 8** Scope of the Assurance Report per Country

Scope/Country	Germany	Spain	France	Italy	The Netherlands	Portugal
ISAE Limited	88.18%	73.60%	68.42%	95.14%	85.43%	79.26%
ISAE Reasonable	0.00%	0.00%	0.44%	3.98%	6.80%	0.00%
ISAE Limited + Reasonable	9.09%	3.05%	29.39%	0.00%	7.77%	7.32%
AA1000AS Moderate and Type 2	0.00%	0.00%	1.75%	0.00%	0.00%	0.00%
ISAE Limited + AA1000AS Moderate & Type 2	2.73%	22.34%	0.00%	0.00%	0.00%	10.98%
ISAE Reasonable + AA1000AS Moderate & Type 2	0.00%	0.00%	0.00%	0.88%	0.00%	0.00%
ISAE Limited + Reasonable + AA1000AS Moderate & Type 2	0.00%	0.00%	0.00%	0.00%	0.00%	2.44%
Not specified	0.00%	1.01%	0.00%	0.00%	0.00%	0.00%

As shown in Table 8, assurance practitioners may use different levels of assurance within the same assurance report. More elaborate scopes are usually focused on a specific issue (for example, where

reasonable assurance is provided for certain indicators such as Scope 1 GHG emissions, Scope 2 GHG emissions, Scope 3 GHG emissions, carbon footprint, etc.). These reports combining several types of assurance scope are therefore referred to as hybrid or mixed assurance reports.

2.3.5. Gender of the assurance practitioner

The ISAE 3000 (Revised) standard specifies that the basic elements of the assurance report must include the signature of the practitioner, but not their name. This is not the case with the AA1000AS v3 (2020) standard, which requires the name of the legal entity licensed to perform assurance engagements to be disclosed.

Table 9 presents the gender distribution of the assurance practitioner across several countries, showing clear variation. In Germany and France, women represent the majority with 63.18% and 51.75% respectively, while in Italy, men dominate significantly with 87.17%. Spain and the Netherlands show higher male representation, with 56.85% and 77.67% respectively. Portugal also shows a male majority with 85.37%. Only in the Netherlands (11.65%) and Spain (1.02%) is the name of the service practitioner not disclosed.

//// **TABLE 9** Gender of the Assurance Practitioner by Country

Gender/Country	Germany	Spain	France	Italy	The Netherlands	Portugal
Man	36.82%	56.85%	48.25%	87.17%	77.67%	85.37%
Woman	63.18%	42.13%	51.75%	12.83%	10.68%	14.63%
Not specified	0.00%	1.02%	0.00%	0.00%	11.65%	0.00%

3 Transposition of Directive 2022/2464/EU

3.1. Introduction

Directive (EU) 2022/2464 of the European Parliament and of the Council, also known as the Corporate Sustainability Reporting Directive (CSRD), introduces significant requirements for the disclosure of sustainability information and companies' environmental, social and governance (ESG) performance.

The CSRD considerably expands the scope of sustainability reporting obligations, covering approximately 50,000 EU companies, compared to the 12,000 covered by the previous directive (Directive 2014/95/EU, the Non-Financial Reporting Directive). The new directive includes detailed reporting standards developed by the European Financial Reporting Advisory Group (EFRAG), aimed at improving the comparability and transparency of companies' sustainability reporting.

The objectives of the Directive are as follows:

Transparency and Accountability: The directive seeks to enhance corporate transparency and accountability regarding sustainability impacts. This is achieved by requiring the disclosure of detailed and comparable information on ESG factors.

Harmonisation of information: It aims to harmonise sustainability reporting within the EU, ensuring that the data disclosed by companies is consistent and comparable at the European level.

Informed decision-making: The directive helps investors, consumers and other stakeholders make decisions based on companies' ESG performance.

The main requirements of the Directive are:

Extended Scope: The directive extends the scope of companies subject to these reporting requirements, including not only large companies but also medium-sized and small undertakings that meet certain thresholds.

Report Content: Companies must disclose detailed information on their policies, risks and outcomes related to environmental, social and governance matters. This includes specific data on greenhouse gas emissions, energy consumption, workforce diversity, human rights practices, and more.

Disclosure standards: It is established that information must be disclosed in accordance with recognised international standards to ensure the relevance, reliability and comparability of data.

External Assurance: The Directive also introduces the obligation for sustainability information to be externally assured, thereby ensuring the accuracy and reliability of the disclosed data.

Transposition of Directive 2022/2464/EU involves incorporating its provisions into the national legislation of the EU Member States. The transposition process includes several key steps:

National Legislation: Each Member State must adapt its national laws to comply with the requirements of the Directive. This may involve amending existing laws or creating new, specific regulations for sustainability reporting.

Transposition deadline: Member States are given a set deadline for transposition. This deadline is established in the Directive and is essential to ensure that all companies in the EU are subject to the same requirements within the same timeframe. The deadline expired on 6 July 2024.

Supervision and Enforcement: National supervisory authorities must be designated or strengthened to monitor compliance with the new reporting obligations by companies. These authorities will be responsible for ensuring that companies provide the required information and that such information is accurate and assured.

The impact of the Directive means that companies will need to implement new systems and processes to collect, analyse and report sustainability information. This may require significant investment in technology and training. Investors and other stakeholders will benefit from greater transparency and comparability of ESG information, facilitating the assessment of companies' performance in these areas. As for the market and competition, the Directive may increase competition in terms of sustainability, as companies will be more exposed to public scrutiny and to investors' expectations regarding their ESG practices.

In conclusion, Directive 2022/2464/EU represents an important step towards greater transparency and accountability in the reporting of sustainability information by companies in the EU. Its transposition into national legislation will ensure that all companies in the EU are subject to the same standards, thereby improving the comparability and trustworthiness of disclosed ESG data. Companies will need to adapt to these new requirements, which may pose challenges but also offer opportunities to improve their sustainability performance and their relationship with stakeholders.

3.2. Countries that had transposed Directive 2022/2464/EU as of 31 July 2024

As of the date of this report, 31 July 2024, eight countries had transposed Directive 2022/2464/EU into their national legislation.

3.2.1. France

France is the first EU Member State to have fully transposed Directive 2022/2464/EU into its national legislation. This transposition, along with two others, was completed through the promulgation of **Decree No. 2023-1394** of 30 December 2023, adopted in implementation of **Ordinance No. 2023-1142** of 6 December 2023, which entered into force on 1 January 2024, except for certain specific provisions.

The French transposition amends the structure and provisions of Title II of Book VIII of the French Commercial Code, relating to statutory auditors, to adapt them to the task of assuring sustainability information, specifically:

1. The independent public oversight authority is renamed Haute Autorité de l'Audit (H2A).

The French Ordinance also modifies the powers of this authority. Specifically, the powers of the H2A now include:

- Maintaining the list of professionals authorised to carry out sustainability assurance engagements.
- Supervising those professionals, in cooperation with the Comité Français d'Accréditation (COFRAC) in the case of independent third-party bodies.
- Standardising sustainability assurance practice.

2. The statutory auditor profession.

The French transposition amends the rules governing the statutory audit profession insofar as statutory auditors may be responsible for the audit of sustainability information, by:

- Amending the rules governing authorisation to audit sustainability information, including transitional provisions for statutory auditors registered before 1 January 2026.
- Adapting the rules on professional ethics, independence and professional secrecy.
- Adapting the rules on the appointment and dismissal of statutory auditors.

3. Independent third-party bodies and sustainability assurance service providers.

Under the CSRD, France opted to open its sustainability assurance market to independent assurance service providers, allowing independent third-party bodies, such as statutory auditors or external lawyers (OTIs), to audit and certify sustainability information.

3.2.2. Czech Republic

In the Czech Republic, the transposition of Directive 2022/2464/EU on corporate sustainability reporting (CSRD) was carried out by **Act No. 349/2023 Coll.** This Act adapts the Czech regulatory framework to the requirements of the EU Directive, incorporating the new sustainability reporting obligations that companies must comply with. The Czech Republic established 31 December 2023 as the deadline for full transposition of the Directive into national law. Companies must begin to comply with the new reporting requirements for financial years starting on or after 1 January 2024.

The Czech Republic's Act transposing the CSRD introduces several changes in relation to assurance, including:

1. Professional experience must have been acquired over a period of at least eight months performing sustainability assurance engagements or other services related to sustainability.
2. Upon request, the Chamber of Auditors of the Czech Republic will also issue an authorisation to a statutory auditor from another Member State if statutory audit is not suspended or prohibited in the home Member State, and if the key audit partner designated by that auditor to carry out the statutory audit or the assurance of the sustainability report on its behalf is a statutory auditor.
3. An auditor who issues an audit report on the statutory audit and also issues an audit report on the assurance of a sustainability report may issue a single combined report, provided it also contains the information mentioned.
4. Statutory auditors who passed the audit examination under Act No. 93/2009 Coll., as amended before this Act came into force, and who have not completed the continuing education in accordance with Act No. 93/2009 Coll., as amended effective from this Act's entry into force, are not authorised to perform assurance on the sustainability report nor to act as the key audit partner for the sustainability reporting assurance.

3.2.3. Denmark

Denmark has transposed Directive 2022/2464/EU on corporate sustainability reporting (CSRD) through **Act No. 480 of 22 May 2024**. This Act includes amendments that incorporate the new sustainability reporting requirements established by the CSRD, ensuring alignment with the European Sustainability Reporting Standards (ESRS). It also includes requirements for becoming an assurance practitioner, such as having participated for at least eight months in sustainability reporting assurance tasks and having passed a test on performing sustainability report assurance. If an auditor is authorised before 1 January 2026, they may perform assurance reports provided they document that they possess the necessary knowledge on sustainability reporting and assurance.

3.2.4. Ireland

Ireland has transposed Directive 2022/2464/EU on corporate sustainability reporting (CSRD) through the **Corporate Sustainability Reporting Act (S.I. No. 336 of 2024) of 2024**. This Act implements the new sustainability reporting requirements for companies, aligning with the European standards established by the Directive. In this transposition, Chapters 4, 5, 6 and 7 determine the fundamental aspects concerning assurance of sustainability reports. Under the Act, sustainability report assurance in Ireland may be carried out by auditors or audit firms approved or registered under relevant Irish legislation. Auditors must participate in continuing professional education programmes to maintain their competence in sustainability assurance. Additionally, a quality management system is required for auditors and audit firms providing sustainability assurance.

3.2.5. Romania

Romania transposed Directive 2022/2464/EU (CSRD) through various orders and regulations, implementing significant changes in Romanian law to align with the requirements laid down in the Directive. Key is Minister of Finance Order No. 85/2024, regulating sustainability reporting. Official publication: Official Gazette of Romania; Number: 75; Publication date: 26-01-2024. Chapter 10 of this order states that: *a limited assurance opinion must be expressed on the conformity of sustainability information with the applicable requirements of Directive (EU) 2022/2464*. It also states that *"the opinion referred to above may be expressed by the statutory auditor or audit firm performing the statutory financial audit or by another statutory auditor or audit firm"*.

3.2.6. Slovakia

Slovakia has transposed Directive 2022/2464/EU on corporate sustainability reporting (CSRD) through Act No. 105/2024, which amends Act No. 431/2002 on Accounting, as amended, and complements it with certain other laws. Official publication: Collection of Laws of the Slovak Republic; Date of publication: 20-05-2024 and the Measure of the Ministry of Finance of the Slovak Republic of 26 June 2024 No. MF/009347/2024-74, which establishes the competency tests for the performance of assurance, the competence examination for the performance of assurance, and the examination for the communication of sustainability reporting. Official publication: Financial Bulletin; Date of publication: 03-07-2024. It is worth highlighting that this latter regulation establishes a set of procedures for the conduct of examinations and competency tests in the area of assurers. This measure lays down in detail the process to ensure that auditors and other professionals engaged in the assurance of sustainability reporting are adequately qualified and comply with the relevant standards and regulations.

3.2.7. Sweden

Sweden has transposed Directive 2022/2464/EU on corporate sustainability reporting (CSRD) by amending various laws relating to statutory audit, banking and financial activities, the securities market, etc. The most relevant law to describe here is the Order amending the Ordinance (1995:665) on Statutory Auditors. Official publication: Swedish Code of Statutes (SFS); Number: SFS 2024:360; Date of publication: 04-06-2024, as it sets out requirements for the assurer of the sustainability report. Article 4 includes the following:

"Specific training requirement for authorisation to provide assurance on sustainability reports:

In order for an authorised public accountant to provide assurance on sustainability reports, they must have undergone practical training for a minimum period of eight months specifically covering the assurance of sustainability reporting or the performance of other sustainability-related services. The practical training must have been completed within the European Economic Area (EEA) under the supervision of a natural person authorised to provide assurance on sustainability

reporting in a State within that Area, and may have been completed in full or in part as part of the training referred to in section 4, first paragraph, point 2, or after passing the audit examination".

3.2.8. Hungary

Hungary has transposed Directive 2022/2464, known as the CSRD, through Act CVIII of 2023 on corporate social responsibility rules, which entered into force on 1 January 2024. This Directive expands the scope of sustainability reporting obligations, affecting a greater number of companies compared to its predecessor, the Non-Financial Reporting Directive (NFRD). The new Hungarian legislation requires companies to integrate ESG information alongside financial data in their annual reports, which must be subject to assurance to ensure their quality. The objective is to ensure greater transparency and accountability in corporate sustainability practices, in line with the broader EU goals of promoting sustainable business operations and investments.

From the analysis carried out, it may be concluded that, although the process of transposing Directive 2022/2464/EU into the national legislation of the Member States has begun, as at 31 July 2024 this stage remains incomplete. Thus, once all adaptations have been made, a fundamental step will remain: understanding how EU companies will approach assurance. Having this information and the necessary data will make it possible to complete this picture.

4 Comparison of ISAE 3000 (Revised) and the Proposed ISSA 5000

4.1. Introduction

In the fourth section of this report, we refer to the main assurance standards currently available. As noted above, ISAE 3000 (Revised) has so far been the most widely used standard by providers of assurance services. For its part, the proposed ISSA 5000, developed by the IAASB, was undergoing finalisation during the preparation of this report. Thus, since August 2023, an exposure draft has been available, while its final version was adopted on 20 September 2024. This standard has been introduced with the intention of becoming a leading benchmark for assurance (although only time will tell whether this will be the case).

Therefore, and with the aim of clearly presenting aspects related to assurance standards, we have structured this report by first setting out the proposed ISSA 5000, along with the comment letters received following its public consultation period. Next, once the framework and details set out in the proposed ISSA 5000 have been reviewed, we present a comparative study with ISAE 3000 (Revised).

4.2. Comments received on the proposed ISSA 5000

The initiative by the International Auditing and Assurance Standards Board (IAASB) to develop ISSA 5000 forms part of a global effort to strengthen assurance standards for sustainability information (IAASB, 2023). Among the most significant developments are the creation of the International Sustainability Standards Board (ISSB) and the introduction of new regulatory requirements such as the Corporate Sustainability Reporting Directive (CSRD) in the European Union. These initiatives aim to ensure that assurance practices are robust and fit for purpose. However, the assurance of sustainability information presents unique challenges compared with audits of financial information. Assurance service providers must address a wide range of sustainability topics and reporting frameworks, which requires specialist knowledge and expertise. The IAASB's proposed ISSA 5000 aims to address these challenges by providing clear and comprehensive guidance for sustainability assurance engagements (IAASB, 2023).

With the goal of increasing the confidence of investors, regulators and other stakeholders in sustainability reporting, the IAASB launched a public consultation to collect feedback from stakeholders to help finalise ISSA 5000. The IAASB encouraged stakeholders to provide detailed responses using a structured question/response template, designed to facilitate the collection and analysis of comments. This process was intended to ensure that the perspectives and expertise of stakeholders were taken into account, ultimately leading to a more effective and broadly accepted standard. Accordingly, this report includes a summary of the main comments received by the IAASB on the proposed ISSA 5000 as at 1 December 2023. A total of 146 comment letters were received, 3 of which were submitted after the deadline. Table 10 shows the distribution by stakeholder type.

//// **TABLE 10** Distribution of Stakeholders

Type of Stakeholder	Responses	% Responses
Professional bodies	53	37.06
Assurance practitioners (from the accountancy or other professions)	26	18.18
Others (public sector organisation, academics, oversight groups, etc.)	22	15.38
Global and national organisations	16	11.18
Preparers and users of sustainability reporting	15	10.48
Regulators and audit oversight authorities	11	7.69
TOTAL	143	100%

As shown in Table 10, the largest group is professional bodies. This document will therefore focus on the responses to items that generated the most controversy within this group. To support the IAASB consultation, a template was provided containing 27 questions and a dropdown menu with the following response options: Agree (with no further comments); Agree, with comments below; Disagree (with no further comments); Disagree, with comments below; Neither Agree/Disagree, but see comments below; No response. This template is divided into 3 sections.

Given the relevance of certain questions raised, the following will be analysed: Definitions of sustainability reporting and sustainability matters; Distinction between limited assurance and reasonable assurance; Preliminary understanding of the engagement circumstances, including its scope; Use of the work of other practitioners or experts; Reporting requirements and the assurance report. The following table shows the number of comments by type of response.

//// CHART 2 Main issues raised in comments on the proposed ISSA 5000

No.	Questions/ Possible responses	Yes (no comment)	Yes, with comment	No (no comment)	No, with comment	Yes/No, with comment	No response
5	Do you support the definitions of sustainability information and sustainability matters in ED-5000?	11	28	0	5	1	8
6	Is the relationship between sustainability matters, sustainability information and disclosures clear?	17	21	0	2	3	10
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?	9	25	0	8	4	7
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?	13	26	0	5	0	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?	12	19	0	13	1	8
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?	11	24	1	5	2	10
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?	11	17	0	13	3	9
21	Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users?	10	29	0	1	3	10

The responses to the questions listed in the above table are analysed below. First, a summary table of responses to each question is presented, followed by general conclusions.

//// **CHART 3** Question 5 from the Comments on the Proposed ISSA 5000

Do you support the definitions of sustainability information and sustainability matters in ED-5000?

Yes, with comment	No, with comment	Yes/No, with comment
Align with International Standards such as those of the IESBA, ISSB, ESRS.	Use those already established by the ISSB, GRI, CSRD.	The definition of "sustainability information" is considered too broad.
Include Governance like the other aspects, to align with the reporting frameworks.	Delete the reference to "cultural matters".	Specific examples that cover different scenarios to improve clarity and avoid misunderstandings.
There is no need to separate sustainability information from sustainability matters.	Improve the definition of "sustainability information"	Further elaboration on the inclusion of "cultural matters" within the definition of "sustainability issues".
Practical examples and guidelines to enhance understanding.	Align with the IESBA.	
Include specific topics such as circular economy and resilience.	Using "sustainability matters" to refer to risks and opportunities could cause confusion.	
Greater clarity on what is meant by "cultural matters".	Distinguish between sustainable development and matters related to sustainability.	
Remove references to other IAASB standards.		
Include the definition of materiality in assurance engagements.		
Concern about the broad scope of sustainability matters.		

The responses reflect general support for the definitions proposed in the proposed ISSA 5000, but also highlight the importance of alignment with other standards and regulatory frameworks, the need for clarity and simplicity in definitions, and the usefulness of providing practical examples and clear guidance.

//// **CHART 4** Question 6 from the Comments on the Proposed ISSA 5000

Is the relationship between sustainability matters, sustainability information and disclosures clear?

Yes, with comment	No, with comment	Yes/No, with comment
It is indicated that the relationship between the terms is generally clear.	The terms " <i>sustainability information</i> " and " <i>disclosures</i> " are well defined.	Provide more practical examples.
Diagrams are useful for understanding the relationship between terms.	There is confusion about when and how to use each term.	Review the relationship between sustainability matters, sustainability reporting and disclosures.
The term "disclosure" could cause confusion.	Request for additional application material or practical examples.	
More practical examples illustrating the connection between the terms.		
Alignment with other international frameworks.		
Specific drafting improvements.		
Revisions to the definition of "sustainability matters" are suggested.		
Clarify how to apply the concept of double materiality.		

In summary, the responses indicate that, although the relationship between “sustainability matters”, “sustainability information” and “disclosures” is generally clear, there are key areas that require improvement. Recommendations include providing more practical examples, clarifying definitions and the use of the term “disclosures”, as well as “refining” guidance on the concept of double materiality. In addition, it is important to consider integrating diagrams and examples directly into the main standard to increase its usefulness, rather than placing them in the appendix. By implementing these recommendations, the IAASB can improve the understanding and application of the key terms in the standard.

//// **CHART 5** Question 7 from the Comments on the Proposed ISSA 5000

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?

Yes, with comment	No, with comment	Yes/No, with comment
Support for the differentiation of requirements between reasonable and limited assurance.	Lack of description of the work effort between limited and reasonable assurance.	Differentiation in work effort between limited and reasonable assurance.
Recognition of the need for professional judgement in limited assurance.	The amount of work effort for limited assurance, in relation to internal controls, is inconsistent with other IAASB requirements.	Provide further guidance on the minimum procedures required under limited assurance.
Recognition of the need for ongoing guidance to distinguish sustainability information subject to assurance.	Recommendation to have separate sections or standards for limited and reasonable assurance.	The amount of work effort depends on the type of client and the competence of the practitioner.
Specific need for more clarity or practical examples	Show a clear difference in work effort for transitioning from limited to reasonable assurance.	Recommendation to define more precisely the work effort for limited assurance.
Request for greater differentiation between limited and reasonable assurance, especially in basic procedures and materiality analysis.	More practical guidance to demonstrate differences in documentation and the evidence required for each type of assurance.	
Need for specific details on what information is subject to assurance.	Requirements for issuing a limited or reasonable assurance report should be clearer.	
Need for further review and clarification of suggested procedures for limited assurance.		

The responses generally show strong support for the structure of the proposed standard and the differentiation between limited and reasonable assurance. However, many responses emphasise the need for greater clarity, practical examples and specific guidance for the application of assurance procedures, particularly for limited assurance. The inclusion of illustrative examples and a clearer differentiation of procedures would help address these challenges.

//// **CHART 6** Question 8 from the Comments on the Proposed ISSA 5000

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?

Yes, with comment	No, with comment
Lack of clear definition of the preconditions required to accept an assurance engagement.	Concerns about the effort required in relation to the preconditions and clarity on roles and responsibilities.
Suggestion that the guidance should include practical examples illustrating preliminary understanding based on the risk and scope of the assurance engagement.	The importance of clearly establishing management's responsibilities.
Emphasis on distinguishing the responsibilities of the practitioner when dealing with a new client versus a recurring client.	The current placement of the requirements after the "Documentation" section is not appropriate. Consider merging sections for greater clarity.
The importance of assessing the risk of material misstatements and materiality during the preliminary understanding phase.	Include requirements for both limited and reasonable assurance.
Include additional definitions and clarifications, such as a definition of "preliminary knowledge".	Clarify whether the practitioner should have at least a draft or a previous version of the materiality assessment to accept the engagement.
Need for the standard to recognise the difference in work effort required in environments with established regulatory frameworks versus those without such frameworks.	Complement the acceptance and continuance stage with the assessment of the reporting framework and minimum internal controls.
The importance of management assuming responsibility for the preconditions.	

In summary, the responses to the proposed ISSA 5000 reflect better differentiation of responsibilities between new and recurring clients, and clearly defining the engagement preconditions requirements to ensure that practitioners can carry out their work clearly and consistently.

//// **CHART 7** Question 9 from the Comments on the Proposed ISSA 5000

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?

Yes, with comment	No, with comment	Yes/No, with comment
The importance of the standard helping practitioners understand the reporting framework and its relationship to the assurance objective.	The standard does not sufficiently specify how the practitioner should evaluate the materiality process.	Additional guidance is needed in the standard to clarify that appropriate assurance procedures must be performed.
The need for clarity and for addressing potential scalability challenges for SMEs is highlighted.	It is proposed that the practitioner obtain a detailed understanding of the entity's materiality process as part of planning both limited and reasonable assurance engagements.	The assurance report should clearly define the scope of assurance over the materiality assessment process.
Clarify whether materiality is used to define the content of the report or the scope of the assurance engagement.	Confusion about the terminology used to describe the entity's materiality process.	Examine practices in other jurisdictions that may offer valuable lessons and examples.
Clearly differentiate between the "materiality process" and "materiality as considered by the practitioner".	Need for more practical guidance and examples on how to apply the requirements across different reporting frameworks.	
Differentiate between materiality, double materiality and performance materiality.	They suggest that the IAASB should consider developing a separate standard for materiality.	
Provide further examples and guidance on the application of double materiality.		
Need for more details on the materiality process.		
Clarify the procedures the practitioner should follow to evaluate the entity's materiality process.		
Provide detailed guidance on identifying sustainability objectives and risks, and considering user needs.		
Need for further education and testing in this area.		

In conclusion, the responses indicate the need for greater clarity regarding the "materiality process". They also highlight the need for clear and detailed guidance to ensure consistent practice among assurance practitioners and sustainability report preparers. Likewise, it requires learning from external experiences.

//// CHART 8 Question 14 from the Comments on the Proposed ISSA 5000

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?

Yes, with comment	No, with comment	Yes/No, with comment
Clear definition of the term "another practitioner".	The lack of clarity can hinder the proper application of the standard.	There is a need to be more inclusive and accessible for professionals from various disciplines.
Clarification between the differences among the commitment team members and external experts.	It is proposed that the definitions be revised and it is recommended that examples be included for clarity.	Recommendation to include more visual figures.
Recommendation to include more explanatory and visual material.	Additional guidance is needed on the level of involvement.	Inclusion of a clear definition of "another practitioner".
Importance of direct supervision, direction and review by the engagement team over the work of other professionals.		Lack of clarity highlighted as to how the engagement partner can be sufficiently involved throughout the assurance process.
Need for clear procedures when the engagement team cannot be sufficiently involved in the work of other professionals.		Recommendation for the standard to be more explicit regarding the status and relevant requirements of the professionals.
How the work of experts should be referenced in the assurance report.		Existing standards such as ISA 600 could be leveraged to address similar situations in the context of sustainability assurance.
Coordination with the IESBA regarding expert independence.		
The use of multiple terms can lead to confusion.		

In summary, the main concerns revolve around the clarity of definitions, the ability to supervise and review, and the contextual differences between different types of assurance engagements. In addition, the responses suggest updating definitions, including examples, and carefully assessing the assurance requirements.

//// **CHART 9** Question 15 from the Comments on the Proposed ISSA 5000

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?

Yes, with comment	No, with comment	Yes/No, with comment
Need for clear guidance and practical examples.	There is no clarity on the type of work that can be done by an external expert.	Greater clarity on how the information from work done by other professionals can be used.
More specific guidance on evaluating the competence and objectivity of external professional experts.	Difficulty interacting with and assessing the work of external experts.	Lack of consistency with international auditing standards.
Difficulty for the engagement team to be sufficiently involved in the work of other professionals.	More practical guidance on addressing specific challenges, such as evaluating the competence and independence of experts.	Importance of clear responsibilities for the practitioner when using the work of an external professional expert.
Use of external experts should be aligned with existing standards, such as ISA 620.	It is suggested that the IAASB provide examples and guidance on these issues.	Provide additional guidance for situations in which the practitioner cannot be sufficiently involved in the work of an external professional expert.
Concern about the ability of the assurance service provider to cover the entity's value chain.	Lack of clarity on the type of documents and information that should be shared among assurance teams.	
Need for more specific and detailed training, especially for professionals unfamiliar with international financial and accounting standards.	Incorporate procedures for assessing work performed by the entity's internal audit function, and provide additional guidance.	
Difficulty in assessing the independence and quality of professionals' work.		
Include evaluation of the work of the internal audit function in accordance with the standards.		

From the responses, it can be concluded that there are difficulties in assessing the competence and objectivity of other professionals, particularly in the context of complex value chains. The need for greater clarity, detail, and practical guidance on how to use the work of external experts in sustainability assurance engagements is also highlighted.

//// CHART 10 Question 21 from the Comments on the Proposed ISSA 5000

Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users?

Yes, with comment	No, with comment	Yes/No, with comment
The structure of the assurance report should be aligned with existing standards.	Clarifications on who the intended users of the assurance report are.	Greater understandability of the report in hybrid assurance engagements.
It is essential that reports clearly specify what information has been assured, distinguishing between limited and reasonable assurance.		Importance of providing transparency on what information has been subject to assurance.
More illustrative examples of assurance reports.		Importance of stating that management has been informed of the significant matters.
Communicate inherent limitations in sustainability reporting, especially with regard to estimates and projections.		Need to make explicit reference to the sustainability reporting standard adopted.
Concerns about including recommendations in reports, as this could be confused with qualifications. It is suggested that recommendations be communicated directly to management.		Importance of explicitly recognising users and aligning the assurance report with their needs and expectations.
Need to educate users about the differences between types of assurance and the nature of the information presented.		It is suggested that a complete assurance report should examine and highlight areas where the information may be less relevant.
Support for the standard being scalable and flexible, allowing companies to adapt it to their specific needs.		

In general, there appears to be consensus on the need to improve clarity, consistency and education around sustainability assurance reports. The responses highlight the importance of improving the understandability of sustainability reports, distinguishing the information subject to assurance, communicating significant matters to management, and considering both the standards adopted for sustainability reporting and the needs of the different stakeholder groups in the assurance of that information.

4.3. Comparison between ISAE 3000 (Revised) and the Proposed ISSA 5000

This subsection presents a comparative study of ISAE 3000 (Revised) and the proposed ISSA 5000. To this end, the content of the standards is grouped under the following headings: i) Basic aspects that define the standards: background, objectives of the standards, information subject to assurance, assurance approach and structure of the standard, ii) Requirements for the assurance practitioner, iii) Assurance procedures to be applied, and iv) Assurance report.

4.3.1. General Aspects

We begin our analysis by outlining the basic aspects that define ISAE 3000 (Revised) and the proposed ISSA 5000, with Chart 11 providing a summary of these standards, as well as their differences and similarities.

//// **CHART 11 ISAE 3000 (Revised) and Proposed ISSA 5000 – Basic Aspects of the Standards.**

CONCEPTS	ISAE 3000 (Revised)	Proposed ISSA 5000	COMPARISON
Background	Standards widely used in assurance reporting and the primary reference in most assurance engagements to date.	The IAASB's proposed standard aims to become globally applicable.	ISAE 3000 (Revised) has an extensively proven track record in assurance, whereas ISSA 5000 has not yet been applied.
Objective	To provide a comprehensive framework for assurance engagements other than audits or reviews of historical financial information.	To establish a standard dedicated exclusively to the assurance of sustainability reporting.	The main objective of the proposed ISSA 5000 is more specific, given the growing importance of ESG reporting by companies.
Subject matter of the assurance engagement	The assurance engagement covers both quantitative and/or qualitative information.	Includes assurance over environmental metrics, social indicators, and governance aspects. Addresses the forward-looking nature of sustainability reporting.	The proposed ISSA 5000 is significantly more detailed, also addressing prospective information and referencing relevant reporting frameworks.
Assurance approach	Principles-based approach applied by practitioners using professional judgement.	Emphasis on interdisciplinarity and the composition of the engagement team.	The proposed ISSA 5000 adopts a more holistic approach, requiring the organisation's impact to be considered in the broader context.
Structure of the standard	The standard is organised in sections from acceptance to the issuance of the report.	The structure is similar to that of ISAE 3000 (Revised), but includes specific sections on materiality and the evaluation of forward-looking information over the long term.	Both standards follow a similar structure, although ISSA 5000 includes more detailed content.

As shown in Chart 11, one of the key issues when analysing the standards is understanding their background. As most studies conclude (IFAC/AICPA/CIMA, 2024), assurance reports currently rely primarily on ISAE 3000 (Revised) and the AA1000AS standard. This means there is already experience in the application of ISAE 3000 (Revised), allowing for an analysis of its strengths and weaknesses. However, since ISSA 5000 has not yet been published at the date of this report, its practical consequences are still unknown. Nevertheless, given that the issuing body of this standard has had a significant impact and level of acceptance in its standards for statutory audit, it is reasonable to expect that it could achieve broad international acceptance.

ISAE 3000 (Revised) provides a general framework for assurance engagements. Specifically, it states that it is a standard focused on assurance engagements other than audits or reviews of historical financial information. As a result, this standard has been widely used for reviewing non-financial statements.

By contrast, the proposed ISSA 5000 is intended exclusively for application to sustainability reporting. Therefore, the proposed ISSA 5000 has a very specific objective focused on sustainability assurance, reflecting the growing importance of corporate sustainability reporting.

Regarding the subject matter of the assurance engagement, the proposed ISSA 5000 goes beyond general assurance principles, stating that it aligns with emerging sustainability reporting frameworks (such as the ISSB standards). ISAE 3000 (Revised) refers broadly to the importance of both quantitative and qualitative information, while, the proposed ISSA 5000 specifies that it covers assurance over environmental metrics (e.g. greenhouse gas emissions, resource use, and biodiversity), social indicators (e.g. labour practices and respect for human rights), and governance aspects (e.g. business ethics and sustainability-related risk management). One relevant aspect is that the proposed ISSA 5000 also addresses the forward-looking nature of sustainability reporting.

Regarding the assurance approach, ISAE 3000 (Revised) is principles-based, requiring practitioners to apply professional judgement. The importance of professional judgement is also emphasised in the proposed ISSA 5000, which adopts a more holistic approach to the assurance of sustainability reporting, underlining that an organisation's impact must be considered in the broader context of its operations, value chain and operating environment.

Regarding structure, ISAE 3000 (Revised) is organised into sections that provide clear guidance to practitioners, following the logical flow of an assurance engagement from acceptance to the issuance of the assurance report. The structure of the proposed ISSA 5000 is similar to that of ISAE 3000 (Revised), but since it addresses more specific aspects of sustainability assurance, it includes dedicated sections on materiality and the evaluation of forward-looking information, as well as indirect and long-term impacts.

4.3.2. Requirements for the assurance practitioner

The content of the second section of the standard has been structured to refer to the requirements applicable to the assurance practitioner. Table 12 shows the positions of the standards and their differences/similarities.

//// CHART 12 ISAE 3000 (Revised) and the proposed ISSA 5000 in relation to the Requirements Applicable to the Assurance Practitioner

CONCEPTS	ISAE 3000 (Revised)	Proposed ISSA 5000	COMPARISON
Requirements of the assurance practitioner	The engagement partner must have theoretical training and practical experience (with ongoing training) that confer competence. The standard acknowledges the need to use the work of experts.	Understanding the sustainability reporting frameworks and standards, as well as the sustainability matters relevant to the organisation and the sector in which it operates. Specific competencies in sustainability and ESG. The standard provides guidance on how to manage multidisciplinary teams that may include experts in other areas. Emphasis on the assurance practitioner's ability to evaluate forward-looking information.	The proposed ISSA 5000 goes beyond the general competence requirements set out in ISAE 3000 (Revised), emphasising the need for specific ESG competencies.
Ethics	ISAE 3000 (Revised) is based on the ethical principles of the IESBA Code. The standard requires assurance practitioners to comply with these ethical principles and with independence requirements (including evaluating threats and applying safeguards). It also addresses the importance of professional scepticism and professional judgement.	The proposed ISSA 5000 is based on the same fundamental ethical principles as ISAE 3000 (Revised), but adds specific considerations related to sustainability assurance (Managing conflicts of interest, Sustainability competence, Confidentiality vs. Transparency, Ethical considerations in the value chain, handling external pressure. Professional scepticism in the context of sustainability, ethical considerations in communication).	ISSA 5000 aligns with ISAE 3000 (Revised) but refines and adds specific sustainability-related issues.

The ISAE 3000 (Revised) is based on the fundamental ethical principles set out in the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics). These principles include: Integrity, Objectivity, Professional Competence and Due Care, Confidentiality, and Professional Behaviour. The standard requires assurance practitioners to comply with these ethical principles and with independence requirements, which involves identifying and evaluating threats to independence and applying safeguards where necessary. ISAE 3000 (Revised) also states that professional scepticism and professional judgement are essential to maintaining objectivity and the quality of the assurance work. The standard requires the engagement partner to have competence in assurance skills and techniques obtained through training and practical experience. It also addresses the need for continuing professional development and the need to use the work of experts in certain situations.

The proposed ISSA 5000 is based on the same fundamental ethical principles as ISAE 3000 (Revised), but adds specific considerations related to assurance on sustainability reporting. Some of these additional considerations are: a) Managing conflicts of interest, as more complex conflicts may arise; b) Sustainability expertise, as the standard highlights the importance of having specific competence in sustainability matters; c) Confidentiality vs. Transparency: the proposed ISSA 5000 addresses the balance between maintaining the confidentiality of sensitive information and the need for transparency in sustainability reporting; d) Ethical considerations in the value chain: The proposed ISSA standard provides guidance on how to handle ethical considerations when securing information about the organisation's value chain, which may involve third parties; e) Handling external pressures. The standard addresses how to manage external stakeholder pressures while maintaining objectivity; f) Professional scepticism: the proposed ISSA provides guidance on how to apply

professional scepticism when assessing sustainability information, which often involves long-term estimates, judgements and projections, g) Ethical considerations in communication: the standard addresses how to communicate sustainability-related findings ethically, recognising the potentially broader impact of this information compared to traditional financial reporting.

The proposed ISSA emphasises the importance of understanding sustainability reporting frameworks and standards and the need for specific competence in sustainability and ESG. Practitioners must have a deep understanding of sustainability issues relevant to the organisation and the sector in which it operates. It also highlights, within its conceptual approach, aspects such as how to build and manage multidisciplinary teams, which may include the use of experts, as well as competence in evaluating forward-looking information and long-term sustainability-related objectives. This also means that assurance practitioners must assess the business impact of sustainability-related risks and opportunities.

4.3.3. Assurance procedures to be applied

The third section in which we have structured the content of the standards for the comparative analysis refers to the procedures to be applied by the assurance practitioner. Table 13 shows the positions of the standards and their differences/similarities.

//// CHART 13 ISAE 3000 (Revised) and Proposed ISSA 5000 in relation to the Procedures to be Applied by the Assurance Practitioner

CONCEPTS	ISAE 3000 (Revised)	Proposed ISSA 5000	COMPARISON
Risk assessment	The standard emphasises risk assessment.	It recognises that the risks associated with sustainability information may be more complex than those related to financial information.	The proposed ISSA 5000 adopts a more specific and detailed approach to risk assessment in the context of sustainability information.
Materiality	ISAE 3000 (Revised) provides a general framework for the application of materiality and professional judgement.	It significantly expands the concept of materiality (introduces the concept of double materiality) and provides more specific guidance on the exercise of professional judgement in the context of sustainability information.	The proposed ISSA 5000 adopts a more specific and detailed approach to the application of materiality, setting out financial materiality and impact materiality. It also provides greater detail on professional judgement.
Assurance procedures	The procedures are based on professional judgement and the importance of obtaining sufficient and appropriate evidence to support the conclusion. The general procedures are: Inquiries, Observation, Confirmation, Recalculation, Reperformance, Analytical procedures, Inspection.	ISAE 3000 (Revised) procedures are focused to address sustainability information.	The proposed ISSA 5000 builds on the general procedures in ISAE 3000 (Revised), but adapts and expands them to address the specific challenges of sustainability assurance.

ISAE 3000 (Revised) focuses on risk assessment, requiring assurance practitioners to identify and assess the risks of material misstatement in the information subject to analysis, and to design appro-

appropriate procedures in response to those risks. Professional judgement is fundamental in the application of ISAE 3000 (Revised). Practitioners are required to exercise judgement in areas such as: the assessment of risks of material misstatement; the determination of the nature, timing and extent of the assurance procedures; the evaluation of whether sufficient and appropriate evidence has been obtained; and the formation of the conclusion based on the evidence obtained. The proposed ISSA 5000 adopts a more specific and detailed approach to risk assessment in the context of sustainability information, recognising that the risks associated with sustainability information may be more complex than those related to financial information.

A key aspect of risk assessment is the adopted concept of materiality. ISAE 3000 (Revised) defines materiality as the factors that could influence stakeholders' decisions. ISAE 3000 (Revised) provides a general framework for the application of materiality and professional judgement in assurance engagements. The standard emphasises that materiality should be considered in the context of quantitative and qualitative factors and may vary depending on the nature of the engagement and the information needs of the intended users. A key aspect of risk assessment in the proposed ISSA 5000 is the consideration of double materiality. This involves assessing not only the risks of material misstatement that could influence users' decisions (financial materiality), but also the risks and impacts that the organisation has on the economy, the environment and society (impact materiality).

Regarding assurance procedures, ISAE 3000 (Revised) bases them on the professional judgement of the assurance practitioner and designs them in response to the assessed risks. Nevertheless, it offers a flexible approach recognising the diversity of engagements it may cover. The standard emphasises the importance of obtaining sufficient and appropriate evidence to support the assurance practitioner's conclusion. It also provides guidance on how to adapt these procedures for reasonable and limited assurance engagements. Specifically, it refers to the following general assurance procedures: Inquiries, Observation, Confirmation, Recalculation, Reperformance, Analytical procedures and Inspection. The proposed ISSA 5000 builds on the general procedures in ISAE 3000 (Revised) but develops them in certain respects. The proposed ISSA 5000 also provides guidance on how to apply professional scepticism in the context of sustainability assurance. Some specific procedures include: Assessment of the materiality of sustainability matters, Assurance of sustainability metrics, Assessment of forward-looking information, and Value chain assurance.

4.3.4. Assurance reports

The fourth section in which we have structured the comparative analysis of both standards refers to the assurance reports. Table 14 shows the positions of the standards and their differences/similarities.

//// CHART 14 ISAE 3000 (Revised) and Proposed ISSA 5000 in relation to the Assurance Report

CONCEPTS	ISAE 3000 (Revised)	Proposed ISSA 5000	COMPARISON
Scope of the report	Limited and reasonable	Limited and reasonable	Match
Report	The report sets out the elements that the report must include: title, addressee, level of assurance, applicable criteria, a statement that the engagement was performed in accordance with ISAE 3000 (Revised), a statement that the assurance practitioner applies professional requirements and complies with the ethical requirements of the IESBA Code, and an informative description of the work performed as the basis for the assurance practitioner's conclusion and the conclusion itself.	Adds to the ISAE 3000 (Revised) the following elements specific to sustainability information: more detail on the scope of the engagement, explanation of materiality, description of the specific inherent limitations related to the measurement and evaluation of sustainability information, details on the competence and experience of the engagement team in sustainability matters, more detailed description of the procedures performed in complex areas, a statement on the organisation's adherence to relevant sustainability reporting frameworks.	The proposed ISSA 5000 builds on the reporting requirements of ISAE 3000 (Revised), but adds specific elements related to sustainability information.
Conclusion	The standard provides for the expression of a conclusion.	The standard provides for the expression of a conclusion.	Match

ISAE 3000 (Revised) states that the assurance report must include: (a) A title that clearly indicates that the report is an independent assurance report, (b) An addressee, (c) A description of the level of assurance obtained, the subject matter information and, when appropriate, the underlying subject matter, (d) Identification of the applicable criteria, (e) Where appropriate, a description of any significant inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria, (f) A statement that the responsible party is responsible for the underlying subject matter, (g) A statement that the engagement was performed in accordance with ISAE 3000 (Revised), (h) A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQM 1, (i) A statement that the practitioner complies with the independence and other ethical requirements of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding, (j) An informative summary of the work performed as the basis for the practitioner's conclusion, and (k) The practitioner's conclusion. The standard also provides guidance on how to formulate conclusions for reasonable and limited assurance engagements, and how to address modified conclusions. The proposed ISSA 5000 builds on the reporting requirements of ISAE 3000 (Revised), but adds specific elements related to sustainability information. Some of these additional elements include: (a) A more detailed description of the scope of the engagement, including which aspects of the sustainability information were covered and which were not, (b) An explanation of materiality in the context of sustainability, including how double materiality (financial and impact) was considered, (c) A description of the specific inherent limitations related to the measurement and evaluation of sustainability information, (d) Details on the competence and experience of the engagement team in sustainability matters, (e) A more detailed description of the procedures performed, especially in complex areas such as assurance of greenhouse gas emissions or assessment of long-term targets, (f) Where relevant, information on how uncertainty in estimates and projections related to sustainability was handled, (g) A statement on the organisation's adherence to relevant sustainability reporting frameworks, (h) Where appropriate,

observations or recommendations on the organisation's systems and processes for managing and reporting sustainability information, and (i) The proposed ISSA also provides guidance on how to communicate the findings in a way that is useful for a broad range of users, recognising that sustainability reports often have a more diverse audience than traditional financial reports.

There are significant similarities and differences in both standards. As for the similarities, the risk-based approach, the importance of professional judgement, the importance of ethics and the structure of the assurance process stand out. For their part, some significant differences are also identified, among which we highlight that the proposed ISSA 5000 addresses forward-looking sustainability information, requires specific additional sustainability disclosures in assurance reports and includes the analysis of double materiality.

5 Conclusions

To conclude this report, we set out below ten conclusions that reflect the main points developed and analysed in the preceding pages:

1. Europe has undergone several key developments in relation to the assurance of sustainability reporting. Notable milestones include the adoption of Directives 2014/95/EU and 2022/2464/EU. In both Directives, the assurance of sustainability reporting is framed as a means of providing credibility when carried out by an independent service provider.
2. The transposition of Directive 2014/95/EU across Member States was uneven with regard to assurance. Only Spain, France and Italy introduced a legal requirement for sustainability information to be assured. As a result, most Member States left assurance as an optional measure, meaning that the decision to undertake assurance fell to companies rather than being mandated by regulation.
3. An analysis of the practices adopted by selected Member States (Germany, Spain, France, Italy, the Netherlands and Portugal) following the transposition of Directive 2014/95/EU has enabled us to draw conclusions based on whether assurance was required or voluntary. This analysis covered 916 listed companies on the stock exchanges of these countries over the period 2018-2023, resulting in a total of 5,496 observations:
 - There was an upward trend in assurance over the period, with the proportion of companies providing assurance rising from 48.03% in 2018 to 66.48% in 2023.
 - Among the countries in the sample where assurance was voluntary, Germany had the highest proportion of companies providing assurance (45.67%).
 - The sectors with the highest assurance levels (above 70%) were Basic Materials, Utilities and Energy.
 - Statutory auditors were the most common assurance practitioners in the market. The Big Four hold the largest share. PwC has a very strong position in the Utilities and Financial Services sectors.
4. An analysis of how Directive 2014/95/EU has been implemented by companies listed on the main stock indices in Germany, Spain, France, Italy, the Netherlands and Portugal (DAX-40, IBEX-35, CAC-40, FTSE MIB, AEX-25 and PSI) reveals that:
 - France leads in the percentage of reports subject to assurance, while the Netherlands has the lowest proportion. Notably, in Germany, although assurance is voluntary, 94.02% of reports are assured.
 - The Big 4 dominate the assurance market. In 2023, EY held the top position in Portugal; EY and PwC shared the leading position in Italy, while KPMG was the market leader in Spain and the Netherlands. In France, PwC ranked first, and in Italy, the top position was shared by EY and PwC.
 - Assurance reports are primarily addressed to shareholders and the board of directors.
 - The most commonly used assurance standard is ISAE 3000 (Revised), often in combination with national guidance in Spain, France and Portugal, whereas in Germany, Italy and the Netherlands ISAE 3000 (Revised) is used on its own.

- The assurance engagement is predominantly limited in scope. It is notable that in France, 68.42% of reports are subject to limited assurance and 29.39% to hybrid or mixed engagements (Limited + Reasonable), as detailed in section 2.3.4. Hybrid engagements account for less than 10% of reports in Germany, Spain, the Netherlands and Portugal.
 - In Germany and France, assurance is most often provided by women.
5. As of 31 July 2024, Directive 2022/2464/EU has been transposed by France, the Czech Republic, Denmark, Ireland, Romania, Slovakia, Sweden and Hungary. The transposition process remains pending in the rest of the Member States, as does the response of companies to these new EU-level requirements.
 6. The proposed ISSA 5000 standard, published by the IAASB, was subject to public consultation until December 2023, comprising 27 questions. Of the responses received, 37.06% came from professional accountancy bodies, making them the most active stakeholder group.
 7. The following points emerged from the analysis of the comments received on the proposed ISSA 5000:
 - With regard to the definitions proposed in the proposed ISSA 5000 relating to sustainability reporting and its associated terminology, there is concern over the need for greater clarity of key terms, which are fundamental to understanding the standard. All of this must be understood within the framework of the need to avoid confusion among stakeholders. Some comments stressed the importance of aligning terminology with other standards and collaborating with other organisations. The inclusion of more practical examples was also encouraged, in order to reduce the risk of divergent interpretations.
 - Regarding the scope of assurance, comments were broadly unanimous in highlighting the need for more detailed guidance and examples to clearly define limited assurance and reasonable assurance engagements.
 - With regard to the assurance service provider, several issues are highlighted concerning the need for the assurance practitioner to be able to perform their work appropriately. These include: the importance of providing more information about the required service, the importance of risk assessment, a clear distinction between management's responsibilities and those of the assurance practitioner, and the definition of engagement acceptance.
 - The importance of materiality also features in one of the questions raised by the IAASB during the exposure draft period. In this respect, comments call for: clarification of the terms used, determination of materiality, clarification of whether materiality is used to define the content of the report or the scope of the assurance engagement, clarification concerning double materiality, and the inclusion of more illustrative examples.
 - When external experts are engaged by the assurance practitioner, the comments once again emphasise the need for examples to assist in applying the standard appropriately. The need to align the use of experts with international auditing standards is also noted. Another highly relevant issue is concern about the assurance service provider's ability to cover the entire value chain.
 - Another particularly interesting question is whether the proposed standard will meet stakeholders' expectations. Comments highlight the need to improve the clarity, consistency and awareness surrounding assurance reports, as well as the understandability of those reports.
 8. The comparison between ISAE 3000 (Revised) and ISSA 5000 highlights several points:
 - The practical application of ISAE 3000 (Revised) is well known, but given that the final text of ISSA 5000 has not been published at the time of submission of this report, its impact, application and consequences remain to be seen.
 - The structure of both standards is similar, although the proposed ISSA 5000 contains more detailed sections. Both aim to provide a framework for the assurance of sustainability re-

porting (although ISSA 5000 also addresses the forward-looking nature of sustainability information and incorporates more specific sustainability-related issues).

- While ISAE 3000 (Revised) sets out a general framework for assurance engagements, the proposed ISSA 5000 focuses on assurance of sustainability reporting.
- Both standards emphasise the importance of professional judgement, although the proposed ISSA 5000 adopts a more holistic approach and provides greater specificity regarding professional judgement.
- The assurer must possess the necessary competencies, with the proposed ISSA 5000 highlighting specific ESG competencies, whereas ISAE 3000 (Revised) refers to general assurance competencies.
- In both standards, the assurer must comply with the ethical principles of the IESBA Code of Ethics, although the proposed ISSA 5000 addresses certain ethical challenges related to sustainability.
- Both standards indicate the need for a risk-based approach.
- The proposed ISSA 5000 provides more specific procedures for assurance of sustainability reporting (whereas in ISAE 3000 (Revised) they are more general).
- The proposed ISSA 5000 demonstrates greater concern with evaluating sustainability impacts across the company's value chain.
- Although both standards provide a general framework for the application of materiality, the proposed ISSA 5000 introduces the concept of double materiality, addressing both financial materiality and impact materiality, whereas ISAE 3000 (Revised) follows a more traditional approach to materiality.
- The assurance procedures are consistent in both standards, though with greater detail in the proposed ISSA 5000 for assurance of sustainability reporting.
- In both standards, the level of assurance may be limited or reasonable.
- The structure of the assurance report is aligned, although the proposed ISSA 5000 adds elements related to sustainability-specific disclosures.

9. All the above leads us to make the following additional considerations:

- We are in a period of significant change and must face it with confidence. It is therefore necessary to work on practical examples that help professionals meet the challenge at hand.
- Assurance is expected to go beyond a legal requirement, with companies not subject to legislation also submitting their sustainability reporting to assurance in order to enhance the credibility of their disclosures.
- The definition of assurance teams and interdisciplinary collaboration must be firmly incorporated into the assurance processes.
- Continuous education of assurance teams on sustainability-related matters is essential.
- Throughout the process, one fundamental issue must be borne in mind: meeting stakeholders' expectations.

10. Finally, it should be emphasised that companies must be aware of the importance of assurance and that it demonstrates an organisation's true commitment to sustainability.

6 References

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Directiva 2022/2464/UE del parlamento europeo y del consejo de 14 de diciembre de 2022 por la que se modifican el Reglamento (UE) n.º 537/2014, la Directiva 2004/109/CE, la Directiva 2006/43/CE y la Directiva 2013/34/UE, por lo que respecta a la presentación de información sobre sostenibilidad por parte de las empresas.

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7 Annex

The following section analyses the responses to the questions presented in the Tables in section 4.2.

Question No. 5: Do you support the definitions of sustainability information and sustainability matters in ED-5000?

Yes, with comments

- Definitions of sustainability information and matters should be aligned with those of the International Ethics Standards Board for Accountants (IESBA) and other frameworks such as the International Sustainability Standards Board (ISSB) and the European Sustainability Reporting Standards (ESRS). This would help ensure standardised terminology and facilitate global adoption of the standard.
- It is suggested that the definition of “sustainability matters” explicitly include governance, in addition to environmental and social aspects, to better align with generally accepted reporting frameworks.
- The need to distinguish between “sustainability matters” and “sustainability information” is questioned, with a suggestion to merge the terms in order to simplify the standard.
- It is proposed that practical examples be provided to improve the understanding of these definitions.
- There are recommendations to include specific topics such as circular economy and resource resilience in the examples given in the standard.
- Greater clarity is requested regarding the meaning of “cultural matters” in the definition of sustainability matters. It is also suggested that the examples provided be categorised to aid understanding.
- It is recommended that references to other IAASB standards be removed from the definitions in order to preserve the independent nature of the proposed ISSA 5000.
- Some comments recommend using consistent and widely recognised terms such as “ESG” (Environmental, Social, Governance), rather than introducing new terminology that could cause confusion.
- The need to provide practical examples and clear guidance is emphasised to help practitioners apply the standard effectively, particularly in distinguishing between financial and non-financial information.
- It is suggested that the definition of materiality in sustainability assurance engagements should include a qualitative assessment, taking into account the nature of the sector and the indicators relevant to the entity.
- Concerns are raised about the broad scope of sustainability matters, suggesting it would be useful to include examples of topics that are not considered sustainability matters.

No, with comments

The comments are summarised below:

- It is suggested that the proposed ISSA 5000 should not introduce new definitions of sustainability information and sustainability matters, but instead adopt those already established by the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), and the Corporate Sustainability Reporting Directive (CSRD).
- It is proposed to eliminate the reference to “cultural matters”, considering them as part of social matters.
- Improve the definition of “sustainability information” for greater clarity.
- Suggestion that the IAASB collaborate closely with the International Ethics Standards Board for Accountants (IESBA) to align definitions and avoid confusion in the market.
- Suggestion that using “sustainability matters” to refer to sustainability-related risks and opportunities may lead to confusion.
- Proposal to clearly distinguish between sustainable development and the sustainability-related matters that affect the organisation.

Yes/No, with comments

The most noteworthy comments are as follows:

- The definition of “sustainability information” is considered too broad and subject to multiple interpretations in practice.
- It is recommended to provide concrete examples covering various scenarios to improve clarity and avoid misunderstandings.
- It is noted that an entity reporting under a compliance framework may disclose information that does not meet the characteristics of “sustainability information” as currently defined.
- More elaboration is recommended on the inclusion of “cultural matters” within the definition of “sustainability matters”.

Question No. 6: Is the relationship between sustainability matters, sustainability information and disclosures clear?

Yes, with comments

- It is indicated that the relationship between the terms is generally understood, though there is room for improvement.
- Diagrams are helpful for understanding the relationships, but some suggest integrating them into the main body of the standard to enhance their prominence.
- The term “disclosure” could cause confusion due to its common use in English and in financial audit contexts. Alternatives such as “metric” from the Sustainability Accounting Standards Board (SASB) standards are suggested to avoid this.
- More practical examples are requested to illustrate the connection between the terms across different sustainability engagement projects.
- Alignment with other international sustainability reporting frameworks, such as ESRS and ISSB standards, is recommended to improve interoperability and reduce confusion.
- Specific drafting improvements are recommended to increase clarity of the terms and their relationships.
- Revisions are suggested to improve the understanding of “sustainability matters” and avoid misinterpretation.

- Clarifying how to apply the concept of double materiality is essential for the relevance and applicability of the proposed ISSA 5000. Additional guidance in this area would help assurance service providers better assess sustainability information.

No, with comments

The comments can be summed up as follows:

- The terms “sustainability information” and “disclosures” are defined in the proposed ISSA 5000, which is seen as a positive step, as it shows users are identifying and engaging with the definitions provided.
- There is confusion about when and how to use each term. This could impact planning, risk evaluation and responses, which is important for proper application of the standard.
- The request for additional application material or practical examples is a constructive suggestion to help resolve inconsistencies and clarify use of the terms.

Yes/No, with comments

General analysis of comments:

- Provide more practical examples.
- Review the relationship between sustainability matters, sustainability information and disclosures across a variety of possible sustainability assurance engagements.

Question No. 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?

Yes, with comments

In summary, the comments received are as follows:

- Support for differentiating requirements between reasonable and limited assurance.
- Recognition of the need for professional judgement in limited assurance engagements.
- Recognition of the need for ongoing guidance to distinguish sustainability information subject to assurance.
- Specific need for more clarity or practical examples.
- Request for greater differentiation between limited and reasonable assurance, especially in basic procedures and materiality analysis.
- Need for specific details on what information is subject to assurance.
- Need for further review and clarification of suggested procedures for limited assurance.

No, with comments

The comments can be summed up as follows:

- Lack of description of work effort. The standard should clearly differentiate work effort requirements between limited and reasonable assurance.
- The proposed amount of work effort for limited assurance, particularly in relation to internal controls, is inconsistent with other IAASB requirements.
- Recommendation to have separate sections or standards for limited and reasonable assurance, with appropriate guidance.
- The proposed ISSA 5000 must show a clear difference in work effort to justify transitioning from limited to reasonable assurance.

- More practical guidance is needed to demonstrate differences in documentation and the evidence required for each type of assurance.
- Requirements for issuing a limited or reasonable assurance report should be clearer.

Yes/No, with comments

A detailed analysis of the responses is presented below:

- The standard should be profession-agnostic, and the differentiation in work effort between limited and reasonable assurance should be clearly understood.
- It is suggested to provide further guidance on the minimum procedures required under limited assurance.
- The amount of work effort depends on the type of client and the competence of the audit practitioner, rather than on a generalised distinction between the two types of assurance.
- It is recommended to more precisely define the work effort required for "limited assurance"; this would significantly improve the consistency and clarity of limited assurance engagements.

Question No. 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?

Yes, with comments

A summary of the main issues addressed in the responses is presented below:

- Lack of clear definition of the preconditions required to accept an assurance engagement.
- The need for further guidance on the extent of the preliminary knowledge required. Suggestion that the guidance should include practical examples illustrating preliminary understanding based on the risk and scope of the assurance engagement.
- Emphasis on distinguishing the responsibilities of the practitioner when dealing with a new client versus a recurring client.
- The importance of assessing the risk of material misstatements and materiality during the preliminary knowledge-gathering phase and how to address this aspect, particularly in the context of sustainability.
- Include additional definitions and clarifications, such as a definition of "preliminary knowledge" and the inclusion of specific examples.
- The need for the standard to acknowledge the difference in work effort required in environments with established regulatory frameworks versus those without.
- The importance of management assuming responsibility for the preconditions.

No, with comments

A detailed analysis of the responses is presented below:

- Concerns regarding the effort required in relation to the preconditions and the clarity of roles and responsibilities.
- The importance of clearly establishing management's responsibilities.
- The current placement of the requirements after the "Documentation" section is not appropriate. Consider merging sections for greater clarity.
- Include requirements for both limited and reasonable assurance.

- Clarify whether the assurance practitioner should have at least a draft or a previous version of the materiality assessment to accept the engagement.
- Complement the acceptance and continuance phase with the evaluation of the reporting framework and minimum internal controls.

Question No. 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?

Yes, with comments

The key points of the responses are:

- The importance of the standard helping practitioners understand the reporting framework and its relationship to the assurance objective.
- The need for clarity and for addressing potential scalability challenges for SMEs is highlighted.
- Clarify whether materiality is used to define the content of the report or the scope of the assurance engagement.
- Clearly differentiate between the "materiality process" and "materiality as considered by the practitioner".
- Differentiate between materiality and double materiality.
- Provide further examples and guidance on the application of double materiality.
- Need for more details on the materiality process.
- Clarify the procedures the practitioner should follow to evaluate the entity's materiality process.
- Provide detailed guidance on identifying sustainability objectives and risks, and considering user needs.
- Need for further education and testing in this area.

No, with comments

The key points mentioned in the responses are discussed below:

- The standard does not sufficiently specify how the assurance practitioner should evaluate the entity's materiality process, which is important to ensure all material information is included in the sustainability reports.
- It is proposed that the assurance practitioner obtain a detailed understanding of the entity's materiality process as part of the planning phase for both limited and reasonable assurance engagements.
- Confusion about the terminology used to describe the entity's materiality process.
- Need for more practical guidance and examples on how to apply the requirements across different reporting frameworks such as GRI and IFRS S1 and S2.
- They suggest that the IAASB should consider developing a separate standard on materiality that addresses both the entity's materiality process and the practitioner's own materiality considerations.

Yes/No, with comments

The main points raised are as follows:

- Additional guidance is needed in the standard to clarify that appropriate assurance procedures should be performed to assess whether material sustainability matters have been omitted.

- The assurance report should clearly delineate the scope of the assessment of materiality so that users are aware of this limitation.
- It is recommended that the IAASB explore the experience of certain jurisdictions, such as the Netherlands, which already has a local sustainability assurance standard and where assurance is provided over the entire sustainability report.

Question No. 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?

Yes, with comments

An analysis of the main points discussed is detailed below:

- A clear definition of the term "another practitioner"
- It is suggested that the standard better clarify the differences between engagement team members and external experts.
- The inclusion of more explanatory material and visual aids in the standard is recommended to support its application and understanding.
- The importance of direct supervision, direction and review by the engagement team over the work of other practitioners is emphasised. A lack of clarity on how to manage this could lead to inconsistencies.
- The need for clear procedures when the engagement team cannot be sufficiently involved in the work of other practitioners due to legal or regulatory restrictions is highlighted.
- Guidance on how to refer to the work of experts in the assurance report, especially in relation to the prohibitions in ISA 620.
- Coordination with the IESBA is vital, particularly regarding independence in sustainability engagements and the use of experts, to avoid conflicts and ensure the standard is practicable.
- The use of multiple terms can create confusion; a review is suggested to ensure consistent and clear terminology.

No, with comments

An analysis of the responses follows:

- The lack of clarity could hinder proper application of the standard, and the recommendation is relevant and points to a specific improvement.
- It is proposed that the definitions be revised and it is recommended that examples be included for clarity.
- There is a need for additional guidance on the level of involvement required to determine whether the involvement is sufficient and appropriate.

Yes/No, with comments

A detailed analysis of the responses is presented below:

- This suggests that the standard needs to be more inclusive and accessible for professionals from various disciplines.
- The inclusion of more visual figures in the standard is recommended to facilitate its application and knowledge.
- Inclusion of a clear definition of "other practitioners" in the exposure draft is considered helpful to avoid misunderstandings.

- A lack of clarity is noted regarding how the lead practitioner can be sufficiently involved in the overall assurance process (i.e. direction, supervision and review) of other practitioners' work.
- The standard should be more explicit about the status and relevant requirements of professionals.
- Existing standards, such as ISA 600, could be leveraged to address similar situations in the context of sustainability assurance.

Question No. 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?

Yes, with comments

The recurring themes in the responses are as follows:

- Need for clear guidance and practical examples.
- More specific guidance is needed for assessing the competence and objectivity of external experts or other practitioners.
- Engagement teams may face challenges in being sufficiently involved in the work of other practitioners, which can lead to inconsistencies in the evaluation process.
- The use of external experts should be aligned with existing standards, such as ISA 620, to maintain consistency.
- Concerns were raised regarding the capacity of sustainability assurance service providers to cover an entity's full value chain.
- There is a need for more targeted and detailed training, particularly for professionals who are not familiar with international financial and accounting standards.
- Evaluating the independence and quality of work performed by professionals located further along the value chain presents difficulties.
- Include procedures to evaluate the work performed by the entity's internal audit function, in line with the applicable standards.

No, with comments

The main points of the responses are presented below:

- The requirements do not provide sufficient clarity regarding the nature of the work external experts may perform, the agreements needed between the practitioner and the expert, and the considerations for relying on their work.
- There are challenges in interacting with and evaluating the work of other practitioners or experts across complex sustainability value chains involving multiple entities and layers of information.
- Evaluating the independence and competence of other professionals, particularly when they are not professional accountants or auditors, is difficult.
- More practical guidance on how to address specific challenges, such as evaluating the competence and independence of experts, and how to handle situations where communication with another practitioner is not effective.
- It is suggested that the IAASB provide non-binding examples and guidance on these issues.
- Lack of clarity on the type of documents and information that should be shared between assurance teams, especially when both financial and non-financial elements are involved.
- Incorporate procedures for evaluating the work performed by the entity's internal audit function, and provide additional guidance.

Yes/No, with comments

Some key points are as follows:

- The need for greater clarity on how work performed by other professionals in the value chain of an entity can be used in the assurance engagement.
- The lack of consistency between the requirements of the proposed standard and the International Standards on Auditing (ISAs) regarding the use of work from external experts and other professionals.
- The importance of having clear responsibilities for the practitioner when using the work of an external expert or other professional.
- The need for the standard to be comprehensive and to provide additional guidance in situations where the assurance practitioner cannot be sufficiently involved in the work of an external expert or other professional.

Question No. 21: Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users?

Yes, with comments

The key points are mentioned below:

- The structure of the assurance report should align with existing standards to facilitate understanding and comparability.
- It is essential that reports clearly specify which information has been subject to assurance, distinguishing between limited and reasonable assurance. This will help users better understand the reliability of the information presented.
- There is a strong desire for more illustrative examples of assurance reports, especially for entities that are not listed. This could help preparers and users better understand expectations and recommended practices.
- The importance of communicating the inherent limitations in sustainability information has been noted, particularly regarding estimates and projections. This is important to prevent misunderstandings among users.
- There are concerns about including recommendations in reports, as these could be mistaken for qualifications. It is suggested that such recommendations be communicated directly to management rather than included in the report.
- The need to educate users about the differences between types of assurance and the nature of the information presented has been highlighted. This could include educational materials clarifying the concepts and processes involved.
- The idea that the standard should be scalable and flexible is supported, allowing companies to adapt it to their specific needs, particularly those that are new to sustainability reporting.

No, with comments

In this case there is only one response, which requests clarifications on who the intended users of the assurance report are.

Yes/No, with comments

Here are the key points:

- Greater comprehensibility of the report in hybrid or mixed assurance engagements combining several types of scope. This suggests there is a need to improve clarity and understanding of sustainability reports in this context.

- Importance of providing transparency about which information has been subject to assurance and which has not.
- The importance of stating that management has been informed of the significant matters brought to the attention of the assurance practitioner is highlighted.
- The need to explicitly reference the adopted sustainability reporting standard is emphasised.
- The importance of explicitly recognising the users and aligning the assurance report with their specific needs and expectations is stressed.
- It is suggested that a complete assurance report should examine and highlight areas where the information may be less relevant for certain categories of stakeholders not explicitly addressed by the chosen reporting standards.

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