



Background

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 34% are in Asia-Pacific, 45% in EMEA and 21% in the Americas. WFE's 90 member CCPs and clearing services collectively ensure that risk takers post some \$1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 50,000 listed companies, and the market capitalisation of these entities is over \$100 trillion; around \$140 trillion (EOB) in trading annually passes through WFE members (at end 2022).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

Simrita Lota, Regulatory Affairs Manager: slota@world-exchanges.org

Victoria Powell, Senior Regulatory Affairs Manager: vpowell@world-exchanges.org

Richard Metcalfe, Head of Regulatory Affairs: rmetcalfe@world-exchanges.org

or

Nandini Sukumar, Chief Executive Officer: nsukumar@world-exchanges.org.

General Comments

The WFE welcomes the opportunity to comment on IAASB's Exposure Draft of proposed ISSA 5000.

In general, the WFE is happy with IAASB's proposal; however as the guidance is intended to be sector agnostic, we request for further clarification on some key concepts.

Detailed Comments

1. **Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).**

Overall, the WFE agrees. However, it is important to note that since the standard is intended to be sector agnostic, there are some terms/ concepts that need further clarification/ guidance to those practitioners who may not have a background in financial audit and assurance. We have pointed out where such clarification may be helpful in the 'Specific Questions' section.

2. **Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?**

Agree.

3. **Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?**

Yes, with comments below.

Guidelines around when to use ED-5000 rather than ISAE 3410 are broadly clear. However, more clarity can be given on which standard to use when overall sustainability information being assured incorporates GHG emissions related data.

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

No, with comments below.

It would be good to receive more guidance around what 'at least as demanding' looks like – as although this concept is not unfamiliar to financial assurance providers, this standard is intended to be sector agnostic.

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

Yes, with comments below.

The WFE is in general agreement with the IAASB's on the definitions; it is good to see guidance on definitions on 'sustainability information' as this would help aid harmonization in reporting and assurance globally. It is understandable that definitions need to be kept broad in order to reflect the current sustainability environment; however, examples may be useful to help aid users in using such definitions without leading to an unnecessary amount of fragmentation.

6. **Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?**

Yes, with no further comments.

7. **Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?**

Yes, with no further comments.

8. **Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?**

Yes, with comments below.

It would be helpful to differentiate if there is a difference between responsibilities of a practitioner that is obtaining an assurance engagement for a new client versus a practitioner that is carrying out a repeat assurance engagement for an existing client.

9. **Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?**

Yes, with comments below.

The guidance provided is helpful in terms of making sure the standards are applicable to a wide range of entities. There is a little concern around the proposed definition of materiality; examples of qualitative and quantitative factors are a helpful guide.

Clarification would be helpful around whether materiality is to be used for defining what content the preparer should report to investors or for defining what the assurance scope is.

10. **Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?**

Yes, with comments below.

It would be helpful to have more specific guidance and examples.

11. **Does ED-5000 appropriately address the notion of "double materiality" in a framework-neutral way, including how this differs from the practitioner's consideration or determination of materiality? If not, what do you propose and why?**

Yes, with comments below.

The WFE is in favour of allowing the decision of using double or single materiality to stay with the professional judgment of the practitioner as long as the practitioner is able to clearly report the rationale of their decision to the users of the sustainability information.

Transparency around the practitioner's materiality determination process as well as details of the type of materiality used would be very useful for the users of sustainability information.

12. **Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?**

Agree, with no further comments.

13. **Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?**

Agree, with comments below.

It would be useful if the IAASB could further elaborate on what it means by 'consider' in terms of the extent of work required.

14. **When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?**

Yes, with no further comments.

15. **Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?**

No, with comments below.

Clarity is requested on what work the external expert can provide (e.g., advisory, etc.).

16. **Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?**

Agree, with no further comments.

17. **Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?**

Yes, with no further comments.

18. **Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when "consolidated" sustainability information is presented by the entity? If not, what do you propose and why?**

Agree, with no further comments.

19. **Do you agree that ED-5000 appropriately addresses the topic of fraud (including "greenwashing") by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?**

Agree, with no further comments.

20. **Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?**

Yes, with no further comments.

21. **Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.**

No, with comments below.

Clarification is requested on intended 'users' of the assurance report.

22. **Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?**

Agree, with no further comments.

23. **For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?**

Yes, with no further comments.

24. **Are there any public sector considerations that need to be addressed in ED-5000?**

No, with no further comments.

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

No other matters to raise.

26. **Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.**

No response.

27. **Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?**

Agree, with comments below.

This seems fairly reasonable and in line with (or longer) than other recent sustainability related frameworks; for example, ISSB S1 & S2 were finalized in mid-2023 and are effective for reporting periods beginning on or after 1 January 2024.