

Basis for Conclusions

Prepared by the Staff of the International Auditing
and Assurance Standards Board® (IAASB)

International Standard on Sustainability Assurance
(ISSA) 5000

ISSA 5000
General Requirements for
Sustainability Assurance
Engagements

and

Conforming and Consequential
Amendments to Other IAASB
Standards Arising from ISSA 5000

NOVEMBER 2024



IAASB™

International Auditing and Assurance Standards Board
AN IFEA BOARD

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About the IAASB

This document has been prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB). It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Sustainability Assurance (ISSAs) or other of the IAASB's International Standards.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

**BASIS FOR CONCLUSIONS: INTERNATIONAL STANDARD
ON SUSTAINABILITY ASSURANCE (ISSA) 5000**

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The Staff of the IAASB has prepared this Basis for Conclusions. It relates to, but does not form part of, ISSA 5000, *General Requirements for Sustainability Assurance Engagements*, or the conforming and consequential amendments to other IAASB Standards.

ISSA 5000 and the conforming and consequential amendments to other IAASB Standards were approved with affirmative votes of 18 out of 18 IAASB members.

Section A – Introduction

Background

1. Reporting on sustainability information has quickly become a matter of global importance. The reliability of such reporting is a key issue for many stakeholders, in particular investors and other users of an entity's general purpose external reporting, regulators, and non-governmental organizations (NGOs). Stakeholders are increasingly demanding assurance on sustainability information, and mandatory assurance requirements have been promulgated or proposed in the European Union and other jurisdictions.
2. In 2022, the IAASB engaged with key stakeholders, who are a driving force behind promoting reliable sustainability information and assurance thereon. Key stakeholders included the International Organization of Securities Commissions (IOSCO), the International Forum of Independent Audit Regulators (IFIAR), the Financial Stability Board (FSB), the European Commission (EC), the United States Securities Exchange Commission (SEC), the Committee of European Auditing Oversight Bodies (CEAOB), the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), the Forum of Firms (FOF) and the Global Public Policy Committee of the largest international network firms (GPPC), and Jurisdictional / National Standard Setters (NSS).
3. Engagement with these key stakeholders clearly indicated demand for international standards for assurance on sustainability reporting to reduce the risk of fragmentation in assurance standards globally and drive consistent, high-quality assurance engagements that enhance the degree of confidence of intended users about sustainability reporting.
4. In September 2022, the IAASB approved a [project proposal](#) to develop an overarching standard for assurance on sustainability reporting. The project proposal stated that the project objective is to develop a new overarching standard for assurance on sustainability reporting, that is:
 - a) Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
 - b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
 - c) Implementable by all assurance practitioners.

Exposure Draft of Proposed ISSA 5000

5. The [Exposure Draft](#) of proposed ISSA 5000 (ED-5000) was approved at the [June 2023 Board meeting](#) and published on August 2, 2023, and closed for comment on December 1, 2023. ED-5000 was accompanied by an [Explanatory Memorandum](#) that highlighted the public interest issues and significant matters addressed by the IAASB in developing the exposure draft.

6. 143 responses were received from a broad range of stakeholders from all geographical regions. Responses were received from four Monitoring Group members.¹ The IAASB also developed a stakeholder survey targeted at stakeholders who may not ordinarily respond to IAASB consultations. 36 respondents completed the survey.
7. During the exposure period, the IAASB engaged in a [comprehensive outreach campaign](#), including four global roundtables and four regional roundtables, targeted outreach with key global stakeholders, webinars, and presentations at various conferences and forums.

Section B – Public Interest

8. In developing the project proposal, the IAASB leveraged the Public Interest Framework (PIF)² to articulate the public interest responsiveness of the project. The **Appendix** to this Basis for Conclusions maps the key aspects of ISSA 5000 to the objectives and standard-setting action in the project proposal that support the public interest (see the project proposal paragraphs 13, 18 and 27). The **Appendix** also highlights the following qualitative standard-setting characteristics that were at the forefront, or of most relevance, in developing proposed ISSA 5000 (see the project proposal paragraph 32):
 - a) *Timeliness* – focuses on timely standard-setting action to address identified needs without sacrificing quality.
 - b) *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments relating to sustainability reporting and assurance thereon; and, for sustainability assurance engagements, developing principles-based requirements that enable the objectives of those requirements to be achieved in differing circumstances (i.e., in the context of external reporting that provides information about the impacts of sustainability matters on the entity and the entity’s actual or potential impacts, positive or negative, on the environment, society or economy).
 - c) *Comprehensiveness* – addresses limiting the extent to which there are exceptions to the principles set out in the proposed standard.
 - d) *Implementability* – focuses on the proposed standard being able to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as being adaptable to the different conditions prevalent in different jurisdictions.
 - e) *Enforceability* – focuses on clearly stated responsibilities of the practitioner or the engagement leader, as applicable, and an appropriate balance of requirements and application material in the proposed standard.

¹ The Monitoring Group comprises the Basel Committee on Banking Supervision (BIS), the European Commission (EC), the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the World Bank (WB). Responses to ED-5000 were received from BIS, IAIS, IFIAR and IOSCO.

² See the PIF published by the Monitoring Group in July 2020 (as part of their report “[Strengthening the International Audit and Ethics Standard-Setting System](#)”). The PIF sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, the PIF explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

- f) *Scalability* – including the proportionality of the proposed standard’s relative impact on different stakeholders by including requirements that can be applied to all entities, regardless of size and complexity (i.e., addressing both less and more complex circumstances commensurate to the nature and circumstances of the entity).

Section C – Coordination with the International Ethics Standards Board for Accountants (IESBA)

9. Respondents to ED-5000 and IESBA’s two exposure drafts [*Proposed International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) \(IESSA\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting*](#) and [*Using the Work of an External Expert*](#) highlighted the importance of coordination between the two Boards on key concepts and terminology and certain specific matters.
10. Both Boards were fully committed to alignment on the identified coordination matters and ongoing coordination among the respective Task Forces and staff of the Boards took place throughout the Boards’ respective projects. This included a meeting in July 2024 of the Chairs, Task Force Chairs, project team leaders and senior staff of the Boards to discuss the status of the coordination matters and any further actions needed to achieve alignment. The status of the identified coordination matters was also discussed during a joint plenary session of the two Boards in September 2024, where there was concurrence on the coordinated positions reached on those matters and emphasis on the importance of ongoing coordination as IESBA continues its work to finalize its standards (targeted for December 2024).

Section D – Scope and Applicability

Background

11. ED-5000 applied to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, in which case ISAE 3410³ applied.
12. The IAASB noted the need for a clear and straightforward approach regarding the relationship of ED-5000 and ISAE 3410. The IAASB recognized that in many cases a GHG statement may be included with other sustainability information, and the practitioner may or may not be providing a separate conclusion on the GHG statement.

Summary of Comments Received on Exposure

13. Respondents across all stakeholder groups indicated that additional clarity was needed about the scope and applicability of ED-5000, particularly when the sustainability information includes GHG information that does not comprise a “GHG statement.” Respondents found paragraph 2 of ED-5000 inherently inconsistent and confusing. It was noted that paragraph 2 could be interpreted to mean that ISAE 3410 applies whenever a conclusion is provided on a GHG statement, even if it is part of broader sustainability disclosures, leading to uncertainty about when ISSA 5000 would apply.
14. Respondents also commented that a limited assurance engagement on a GHG statement under ISAE 3410 requires a different level of work effort than under ED-5000 due to differing approaches to risk assessment. ISAE 3410 focuses on identifying and assessing risks at the GHG statement level

³ International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

and for material types of emissions and disclosures, while ED-5000 required practitioners to design and perform risk procedures to identify disclosures where material misstatements are likely to arise. It was noted that this could lead to varying procedures for limited assurance engagements depending on whether a separate conclusion is provided on the GHG statement, which could confuse practitioners and be unclear to users of sustainability information.

15. Various suggestions were provided regarding the future of ISAE 3410, recognizing that any decisions would be made in connection with the IAASB's future strategy and work plans. Options noted by respondents included either integrating ISAE 3410 into the ISSA suite of standards, or incorporating relevant requirements from ISAE 3410 into proposed ISSA 5000 along with additional guidance as necessary. Respondents noted that either of those options could lead the IAASB to withdraw ISAE 3410 in accordance with due process.

IAASB Decisions

16. The IAASB acknowledged the views of respondents that the scope and applicability of ED-5000 were not clear. The IAASB noted that sustainability information is defined as information about sustainability matters, and matters relating to climate, including GHG emissions, are a topic that may be covered as part of the sustainability information reported. Therefore, information about GHG emissions is sustainability information as defined in ED-5000. The IAASB was also of the view that, based on current sustainability reporting practices and the requirements of sustainability reporting frameworks, GHG "emissions information" would meet the definition of a "GHG statement." Therefore, in essence there is no longer a distinction between the two.
17. The IAASB also discussed respondents' comments about the different level of work effort for a limited assurance engagement between ISAE 3410 and ED-5000. The IAASB was of the view that the differences between the two standards would be further narrowed if proposed ISSA 5000 followed the same approach to risk assessment for limited assurance engagements as ISAE 3410. See the further discussion in Section K – Risk Assessment Procedures below.
18. In view of the above, and respondents' suggestions to incorporate relevant requirements from ISAE 3410 into proposed ISSA 5000, the IAASB agreed that the simplest approach would be for ISSA 5000 to apply to all assurance engagements on sustainability information, regardless of the form of that information (see paragraph 8 of ISSA 5000).

Future of ISAE 3410

19. As a result of the decision to make ISSA 5000 applicable for all assurance engagements on sustainability information, the IAASB reassessed the requirements of ISAE 3410 and concluded that they were appropriately addressed in ISSA 5000. Therefore, the IAASB agreed that ISAE 3410 could be withdrawn in accordance with due process (i.e., proposed that ISAE 3410 be withdrawn once ISSA 5000 becomes effective). The IAASB also concluded that relevant application material from ISAE 3410 not included in ISSA 5000 could be repurposed as implementation guidance.

Section E – Sustainability Matters and Sustainability Information

Background

20. In developing ED-5000, the IAASB acknowledged the importance of having clear and understandable definitions of sustainability information and sustainability matters that maintain framework neutrality

yet are reflective of the concepts embedded in various sustainability reporting frameworks. The alignment of definitions in ED-5000 with the corresponding concepts and definitions developed by IESBA in its sustainability project was also an important consideration.

21. In simplest terms, sustainability information is information about sustainability matters. The IAASB recognized however, that matters to be reported ordinarily are driven by the sustainability reporting framework or other applicable criteria, and that the term “sustainability matters” is described or used differently in various reporting frameworks and other sources. Therefore, the IAASB concluded that the best approach in ED-5000 was to define the term “sustainability matters,” which would then serve as the foundation for the definition of “sustainability information.”
22. Regarding the definition of sustainability matters, the IAASB considered input from stakeholders that environmental, social and governance matters, or the acronym “ESG,” while still widely used, may not be consistent with the current environment and evolving views about the nature and scope of sustainability matters. Therefore, the IAASB broadened the definition to include environmental, social, economic and cultural matters, and to also include a reference to the impacts of an entity’s activities, products and services on the environment, society, economy or culture, or the impacts on the entity.
23. The IAASB discussed whether governance was an overarching topic similar to environmental, social, economic and cultural matters. Although an important consideration for the entity when deciding on the matters to report and the related disclosures about those matters, the IAASB was of the view that governance is related to the actions taken by the entity to address sustainability matters, and therefore can apply to all topics being disclosed.
24. The IAASB also recognized the importance of coherence and the need to remain consistent with foundational concepts and related terminology in its other assurance standards, in particular the concepts of “underlying subject matter” and “subject matter information.” Therefore, the IAASB expanded the definitions to note that, for purposes of the ISSAs:
 - Sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.
 - Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria, and therefore is the equivalent of “subject matter information” in other IAASB assurance standards.

Summary of Comments Received on Exposure

25. Respondents expressed support for the definitions of sustainability information and sustainability matters, as well as the clarity of the relationship among the terms sustainability matters, sustainability information, and disclosures, as depicted in Appendix 1 of ED-5000. However, respondents provided specific comments about the definitions and suggestions to improve their clarity, including:
 - Support for including “governance” as one of the core elements of the definition of sustainability matters, which would make the definition more consistent with the commonly understood reference to environment, social and governance (ESG) matters, which is widely used and accepted globally.
 - Confusion about the inclusion of “cultural” and “economic” matters in the definition of sustainability matters.

- Concerns that the term “sustainability information” was used inconsistently in ED-5000, with suggestions to use “sustainability information” when referring to the reported sustainability information as a whole and to use a different term when referring to the information that is within the scope of the assurance engagement.

IAASB Decisions

Sustainability Matters

26. The IAASB agreed with the views of respondents that targeted revisions were needed to the definition of sustainability matters. The IAASB considered that an appropriate way to address the mixed views of respondents, and lessen the debate about which specific points should be included in the definition, would be to include a more straightforward definition limited to the core notion of environmental, social and governance matters. The IAASB concluded that adding “governance” as a core element of the definition, and deleting the references to “economic” and “cultural” matters, was responsive to comments that the definition should be more reflective of the common understanding of “ESG.” A more straightforward definition also enabled additional relevant detail to be provided in application material.

Sustainability Information

27. The IAASB retained the definition from ED-5000 that sustainability information is information about sustainability matters.
28. After discussing various approaches to address respondents’ comments about whether the term “sustainability information” refers to the reported sustainability information as a whole or the information that is the subject of the assurance engagement, the IAASB:
- Noted in paragraph 5 of ISSA 5000 that the scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity or only part of that information. The requirements for the assurance report in ISSA 5000 require the practitioner to identify or describe the information that is subject to the assurance engagement.
 - Added essential application material to the definition of sustainability information in paragraph 18 of ISSA 5000 indicating that references to “sustainability information to be reported” are intended to relate to the entirety of the sustainability information to be reported by the entity and are used primarily in the context of the practitioner’s preliminary knowledge of the engagement circumstances. If the assurance engagement does not cover the entirety of the sustainability information reported by the entity, the term “sustainability information” is to be read as the information that is subject to assurance.

Alignment with IESBA

29. The IAASB had extensive coordination discussions with IESBA on the definitions of sustainability matters and sustainability information. Both Boards agreed to provide the same core definitions of these terms, supplemented with application material that provides specific context for their respective purposes. As a result, the IAASB and IESBA are fully aligned on these definitions.

Section F – Relevant Ethical Requirements and Quality Management Standards

Background

30. Paragraph 5 of ED-5000 explained that the proposed standard was based on the fundamental premises that:
- The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and
 - The practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1.
31. The IAASB recognized the importance of these fundamental premises in ED-5000 and the need for a consistent understanding of the related requirements and the concept of "at least as demanding" to underpin the performance of quality sustainability assurance engagements in the public interest.
32. The Explanatory Memorandum to ED-5000 noted that the concept of "at least as demanding" is not new. It exists currently in ISAE 3000 (Revised),⁴ as amended based on the issuance of the IAASB's quality management standards in December 2020. However, the IAASB discussed that regulators and NSS share the responsibility for determining what may be considered "at least as demanding" in their respective jurisdictions. Paragraph A3 of ED-5000 was added to acknowledge this point.
33. The IAASB also recognized the importance of coordination with IESBA on matters related to relevant ethical requirements.

Summary of Comments Received on Exposure

34. Respondents expressed strong support for the fundamental premises in ED-5000 but noted that the concept and assessment of "at least as demanding" is a matter of judgment and subject to interpretation. Concerns were raised about the existence of standards equivalent to ISQM 1 or the IESBA Code that may be used by non-accountant assurance practitioners. Therefore, respondents called for more guidance on the concept of "at least as demanding," including how the assessment can be done on a consistent basis and by whom.
35. Many respondents noted the important role of jurisdictional/national regulators and standard setters in determining whether requirements were "at least as demanding" as ISQM 1 or the IESBA Code, with many citing that ultimate responsibility rests at this level.
36. Respondents across stakeholder groups suggested requiring outright compliance with ISQM 1 and the IESBA Code to eliminate the risk of inconsistencies in practice when making a determination of "at least as demanding." This was suggested as a necessary outcome if it was determined that no other requirements exist that are at least as demanding, or if the IAASB was unable to clarify how to evaluate whether alternative requirements are at least as demanding.

⁴ ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

37. Some respondents called for additional transparency in the assurance report regarding the ethical and quality management requirements that have been applied. ED-5000 required identification in the assurance report of the quality management requirements applied on the engagement, but only required disclosure in the assurance report of the jurisdiction of origin of the relevant ethical requirements applied.

IAASB Decisions

38. The IAASB noted the calls from respondents to require direct compliance with the IESBA Code and ISQM 1 by all assurance practitioners using ISSA 5000. However, the IAASB concluded that this is not a viable option, as it would contravene the objective of developing a standard that provides sufficient flexibility and is capable of being implemented by all assurance practitioners. Doing so would also be inconsistent with auditing standards, as some jurisdictions have not adopted the IESBA Code or ISQM 1 for all auditors of financial statements.
39. The IAASB reaffirmed its view that the fundamental premises in ED-5000 were appropriate, but considered whether the requirements could better illustrate the options available to practitioners, while also directly acknowledging the important role of regulators and standard setters.
40. Paragraph 29 of ED-5000 required the engagement leader to be a member of a firm that applies the ISQMs or other professional requirements, or requirements in law or regulation, that are at least as demanding as the ISQMs. In response to comments, the IAASB retained this two-tiered approach in paragraph 30 of ISSA 5000 but revised subpart (b) of the requirement to refer to professional requirements, or requirements in law or regulation, that an “appropriate authority” has determined to be at least as demanding as ISQM 1. The reference to an “appropriate authority” was added to acknowledge the important role of jurisdictional/national regulators and standard setters. Application material was added to clarify that an appropriate authority could be a national standard setter, regulator, or oversight body with responsibility for audit, assurance or related relevant ethical requirements, or a designated accreditation organization recognized by a public authority (see paragraph A74 of ISSA 5000).
41. The IAASB discussed that this two-tiered approach for quality management standards would also be appropriate for relevant ethical requirements, but noted that adding such a requirement would require consultation with IESBA. Those coordination discussions indicated support for such a requirement and therefore the IAASB added paragraph 34 of ISSA 5000 related to compliance with relevant ethical requirements, including independence.
42. Prior to concluding on the two-tiered approach, the IAASB considered a third tier to the requirements in paragraphs 30 and 34 of ISSA 5000. The third tier would have included an option for the firm to determine whether the quality management standards and relevant ethical requirements applied on the engagement were at least as demanding as ISQM 1 or the IESBA Code, respectively. However, after further discussion, and considering input from IESBA and from outreach with stakeholders, the IAASB ultimately decided to remove the firm determination option due to concerns about the consistency with which it would be applied in practice.

Guidance on “At Least as Demanding”

43. Regarding respondents’ comments asking for further guidance on the concept of “at least as demanding,” the IAASB noted that the wording in the application material in ED-5000 may have given

rise to questions or confusion by implying that each requirement of ISQM 1 and the IESBA Code needed to have an equivalent that is “at least as demanding.”

44. The IAASB concluded that the application material from ISAE 3000 (Revised) (prior to the conforming and consequential amendments arising from the quality management standards) would provide greater clarity about what is expected to be addressed in an assessment of “at least as demanding” related to quality management standards. Therefore, the IAASB revised paragraph A73 of ISSA 5000 to note that professional requirements, or requirements in law or regulation, that deal with the firm’s responsibilities to design, implement, and operate a system of quality management are at least as demanding as ISQM 1 when they address all the matters referred to in paragraphs A69-A71 of ISSA 5000 and impose obligations on the firm that achieve the aims of the objectives and requirements of ISQM 1.
45. The IAASB similarly revised the application material in paragraph A62 of ISSA 5000 to indicate that professional requirements, or requirements in law or regulation, addressing compliance with relevant ethical requirements are at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements when they address all the matters referred to in paragraphs A58-A61 of ISSA 5000 and impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements.

Transparency in the Assurance Report

46. See Section L – Reporting below for a discussion about transparency in the assurance report with respect to quality management standards and relevant ethical requirements applied on the sustainability assurance engagement.

Section G - Materiality

Background

47. The Explanatory Memorandum to ED-5000 noted that materiality considerations are important in planning and performing an assurance engagement on sustainability information and in evaluating whether the sustainability information is free from material misstatement. Throughout the course of developing ED-5000, the IAASB received input from stakeholders about the importance of materiality considerations for both the entity and the practitioner.

The Entity’s Process to Identify Sustainability Information to be Reported

48. In developing ED-5000, the IAASB recognized that understanding the entity’s process to identify topics and aspects of topics to be reported, and the reporting boundary, is critical to determining whether the sustainability information complies with the reporting framework or entity-developed criteria. The IAASB debated whether understanding that process would form part of the practitioner’s preliminary knowledge of the engagement circumstances.
49. Because the work effort to understand the entity’s process to select sustainability matters to be reported may be straightforward (e.g., when the reporting topics are specified by the criteria, such as under law or regulation), the IAASB concluded that the entity’s process could be addressed in the application material in ED-5000 (see paragraphs A156-A157 of ED-5000). This application material noted that the entity’s process may often be referred to as the “process to identify reporting topics,” “materiality assessment,” or “materiality process,” among other terms.

The Notion of Double Materiality

50. The IAASB recognized that some reporting frameworks require “double materiality” to be applied in preparing the sustainability information (e.g., European Sustainability Reporting Standards (ESRS)). Paragraph A180 of ED-5000 explained that the information needs of the intended users of sustainability information may relate to the impact of sustainability matters on the entity, and the impacts of the entity on sustainability matters. When the needs of the intended users relate to both the impacts on the entity and the entity’s impacts, this may be referred to as double materiality. ED-5000 also explained that the needs of intended users will not always include both perspectives, so double materiality is not always relevant to every engagement.

The Practitioner’s Approach to Materiality

51. The IAASB discussed whether the practitioner should be required to “consider” or “determine” materiality for purposes of planning and performing the engagement, and concluded on a “bifurcated” approach to materiality for purposes of planning and performing the engagement (i.e., determining materiality for quantitative disclosures and considering materiality for qualitative disclosures (paragraph 91 of ED-5000)). This approach was based on feedback that it is impracticable for practitioners to determine materiality for qualitative disclosures and to determine materiality for sustainability information as a whole, given the nature of the disclosures, i.e., qualitative and quantitative disclosures about a number of different topics and aspects of topics. Paragraph 93 of ED-5000 required documentation of the factors relevant to the practitioner’s consideration or determination of materiality. These factors were described in the application material (see paragraphs A278-A281 of ED-5000).
52. The IAASB also discussed the need to clarify the relationship between the practitioner’s materiality for the engagement and the entity’s “materiality process.” The application material in ED-5000 explained that materiality is a matter of professional judgment and is affected by the practitioner’s perception of the information needs of intended users of the sustainability information. The applicable criteria may also include principles to assist the entity in identifying information relevant to users, which may include terms that refer to materiality. ED-5000 further explained that while such principles or terms, if present in the applicable criteria, may provide a frame of reference for the practitioner in considering or determining materiality for the engagement, the practitioner’s materiality for the engagement differs from the entity’s “materiality process” (see paragraphs A272 and A273 of ED-5000).

Summary of Comments Received on Exposure

The Entity’s Process to Identify Sustainability Information to be Reported

53. Overall, respondents sought clarification of the term used for the entity’s materiality process and called for a requirement for the practitioner to explicitly consider the entity’s materiality process at the acceptance and continuance stage.
54. Respondents also called for the practitioner’s procedures on the entity’s materiality process to build on the preliminary knowledge obtained as part of engagement acceptance and continuance, including further guidance about how the entity’s materiality process is considered by the practitioner through the different stages of the engagement.

The Notion of Double Materiality

55. A number of respondents proposed that conditional requirements were needed for the circumstances when the reporting framework requires application of double materiality, noting that this would drive consistency in practice. Many of these respondents were of the view that double materiality will have an impact on the materiality considerations of the practitioner, especially when evaluating the completeness of the material sustainability information reported in accordance with the applicable reporting framework and determining whether uncorrected misstatements are material, individually or in the aggregate.
56. Respondents also suggested that additional application material or guidance was needed to clarify how double materiality would impact the materiality applied by the practitioner for the engagement, to reduce varying interpretations among practitioners, stakeholders, and regulators.

The Practitioner's Approach to Materiality

57. While expressing overall support for the bifurcated approach to consider or determine materiality, respondents indicated that further clarity was needed about the practitioner's work effort and called for additional guidance or examples in the final standard or implementation support materials.

IAASB Decisions

The Entity's Process to Identify Sustainability Information to be Reported

58. The IAASB agreed that a consistent term needs to be used throughout the standard regarding the entity's process to identify reporting topics and that the term should not include the word "materiality" to avoid confusion with the practitioner's consideration or determination of materiality for purposes of planning and performing the assurance engagement.
59. The IAASB discussed several terms and concluded that the term "entity's process to identify sustainability information to be reported" was appropriate, as the meaning is clear and relatively simple to understand. Therefore, the IAASB added paragraph 4 to the introduction of ISSA 5000, which indicates that this term refers to the process applied by the entity to determine the sustainability matters to be reported in the sustainability information and the reporting boundary. Application material (see paragraph A3) indicates that other terms may be used in some reporting frameworks to describe this process. This application material also refers to Appendix 2, which includes a diagram illustrating how the entity's process to identify sustainability information to be reported is considered by the practitioner throughout the engagement, with references to the relevant requirements and application material in ISSA 5000.
60. The IAASB also recognized the importance of providing clarity in the standard regarding the practitioner's consideration of the entity's process to identify sustainability information to be reported. This was of particular importance for certain standard-setters and regulators. In that regard, the IAASB:
 - Added a requirement (paragraph 76(a) of ISSA 5000) for the practitioner to consider, prior to acceptance or continuance of the engagement, whether the entity has a process to identify sustainability information to be reported. The IAASB discussed whether this requirement would be necessary or appropriate for all sustainability assurance engagements or would need to be conditional to accommodate other engagement circumstances (for example, in a narrow-scope

engagement). The IAASB concluded that this requirement does not need to be conditional as it is scalable.

- Introduced a new requirement in paragraph 117 of ISSA 5000 for the practitioner to obtain, as part of understanding the entity's information system and communication, an understanding of the entity's process to identify the sustainability information to be reported. Such understanding also informs the practitioner's identification and assessment of the risks of material misstatement, and the design of further procedures in response to assessed risks (see also Appendix 2 of ISSA 5000).

61. The IAASB considered whether requirements and application material were necessary for instances when an assurance conclusion on an entity's process to identify sustainability information to be reported is required. While acknowledging various circumstances in which the practitioner might need to report on other matters required by the reporting framework or by law or regulation, the IAASB viewed these as separate reporting responsibilities. The IAASB discussed the potential inclusion of a conditional requirement in the assurance report but determined that the global diversity in reporting frameworks makes it inappropriate for an overarching standard.

The Notion of Double Materiality

62. The IAASB agreed that, if the applicable criteria require the entity to apply both financial materiality and impact materiality in preparing the sustainability information, then the practitioner should take into account both perspectives when considering or determining materiality. Accordingly, a conditional requirement was added (see paragraph 99 of ISSA 5000) and referenced to application material from ED-5000 that explains the notion of double materiality.

The Practitioner's Approach to Materiality

63. The IAASB retained the bifurcated approach to determine materiality for quantitative disclosures and consider materiality for qualitative disclosures (see paragraph 98 of ISSA 5000). Various revisions were made to the application material to:

- Further clarify the practitioner's work effort, including factors that may be relevant for the practitioner's consideration or determination of materiality.
- More clearly separate the entity's process to identify sustainability information to be reported from the practitioner's approach to materiality in planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement. The application material indicates that the practitioner considers disclosures that may be important to intended users, and that the practitioner's risk assessment procedures are designed and performed to identify and assess risks of material misstatement at the disclosure level (for limited assurance) or at the assertion level for the disclosures (for reasonable assurance). Therefore, judgments about materiality and the nature and likelihood of potential misstatements are relevant to the practitioner's approach, including the way in which the sustainability information is grouped for planning and performing the engagement. See paragraph A294 of ISSA 5000.

64. The IAASB also added a requirement in paragraph 101 of ISSA 5000 for the practitioner to revise materiality for a disclosure(s) in the event of becoming aware of information during the assurance engagement that would have caused the practitioner to have considered or determined a different

materiality initially. Paragraph 102 requires documentation of the factors relevant to the practitioner's consideration of materiality for qualitative disclosures and the basis for the determination of materiality for quantitative disclosures.

Section H – Acceptance and Continuance of the Engagement, Including Preconditions

Background

65. Consistent with the requirements in ISAE 3000 (Revised), ED-5000 paragraph 69 required the practitioner to obtain a preliminary knowledge of the engagement circumstances as a basis for determining whether the preconditions for an assurance engagement are present in order to accept or continue the assurance engagement. The IAASB agreed that the practitioner's preliminary knowledge needs to encompass both the sustainability information expected to be reported and whether the scope of the proposed assurance engagement extends to all or part of that sustainability information.
66. As sustainability reporting frameworks and other criteria are evolving, suitable criteria may not be available for measuring or evaluating all of the sustainability matters that the entity intends to report. Accordingly, the IAASB included requirements to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement and to identify the sources of those criteria (paragraphs 72(a) and (b) and related application material in ED-5000).
67. The IAASB acknowledged that framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary, but may need to be supplemented by additional entity-developed criteria, if the framework criteria do not provide sufficient detail to measure or evaluate the sustainability matters (paragraph A170 of ED-5000).

Summary of Comments Received on Exposure

Preliminary Knowledge of Engagement Circumstances

68. Overall, respondents expressed strong support for the requirement to obtain a preliminary knowledge of the engagement circumstances, including the sustainability information to be reported and the scope of the proposed assurance engagement.
69. Some respondents were of the view that the extent of the knowledge required may be too onerous prior to acceptance or continuance of the engagement. In particular, respondents noted that the nature and extent of the requirements or application material in ED-5000 implied a level of understanding that is more appropriate in the planning or risk assessment phase. It was suggested that the nature and extent of work effort on the preconditions at the acceptance and continuance stage could be clarified by defining "preliminary knowledge" or limiting it to the knowledge that is sufficient to determine whether or not the practitioner is able to accept or continue the engagement. Respondents also suggested clarifying that a more extensive understanding of the preconditions would be necessary after engagement acceptance that builds on the preliminary knowledge.

Suitability and Availability of Criteria

70. Overall, a significant majority of respondents agreed that ED-5000 appropriately addressed the practitioner's evaluation of the suitability and availability of criteria used by the entity in preparing the sustainability information.

71. Some respondents suggested that an “evaluation” of the suitability of the criteria prior to making an engagement acceptance decision implied a more in-depth understanding of the criteria that would be more appropriate in the planning and performance phase of the engagement. In particular, respondents noted that ISSA 5000 should recognize more clearly that framework criteria embodied in law, regulation, or issued by recognized bodies following due process are presumed to be suitable unless evidence suggests otherwise, and that there would be little work effort regarding the criteria in these circumstances. It was suggested that this could be done by elevating the presumption that the criteria are suitable from application material (paragraph A170 of ED-5000) to a requirement.

IAASB Decisions

Preliminary Knowledge of Engagement Circumstances

72. In considering respondents’ views that the work effort for establishing whether the preconditions are present prior to acceptance is too onerous, the IAASB noted the following:
- To establish whether the preconditions for an assurance engagement are present, the practitioner is required to “evaluate” the suitability of the roles and responsibilities and whether the engagement exhibits all of the characteristics in paragraphs 77-80 of ISSA 5000. The [CUSP Drafting Principles and Guidelines](#) state that “evaluate” requires the practitioner “to identify and analyze the relevant issues or matters, to come to a specific conclusion.”
 - As the requirement to establish whether the preconditions are present is limited to “preliminary knowledge and discussion,” the procedures required to evaluate whether the engagement exhibits all of the characteristics in paragraphs 77-80 are likewise limited.
73. However, to address comments about the nature and extent of the procedures that would be sufficient for obtaining the preliminary knowledge, the IAASB:
- Considered a definition of “preliminary knowledge,” but concluded that the term may be difficult to define and unlikely to be able to adequately reflect the wide range of engagement circumstances.
 - Considered replacing “evaluate” with “consider” in the requirement to reflect the level of certainty that the practitioner is likely to reach at the acceptance and continuance stage, given there may be incomplete information available. However, ISAE 3000 (Revised) requires the practitioner to “determine” these matters, which has a similar outcome to “evaluate” in terms of work effort and documentation. As it would not be appropriate to lessen the robustness of the requirements in comparison to ISAE 3000 (Revised), the IAASB concluded that the verbs should not be changed.
 - Revised the application material to emphasize that the practitioner uses professional judgment to determine the nature and extent of the preliminary knowledge, and that the preliminary knowledge the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement (see paragraph A184 of ISSA 5000). Certain application material that implied a level of detailed understanding or work effort that is not commensurate with what is reasonable as part of a preliminary understanding was deleted.
 - Added a new requirement and application material in the Risk Assessment Procedures section (see paragraphs 107 and A326 of ISSA 5000) to differentiate the work effort in determining the suitability of the applicable criteria at this stage of the engagement from the work effort in

evaluating the suitability of the criteria at the acceptance and continuance stage. The work effort at the risk assessment stage builds on the preliminary knowledge of the engagement circumstances.

Suitability of Framework Criteria

74. The IAASB noted that ISSA 5000 should not impose unnecessary work effort, and that the requirement to evaluate the suitability of the criteria in paragraph 78 can be satisfied in a straightforward way, particularly if the criteria is set by law or regulation or issued by an authorized or recognized body.
75. However, to highlight this point, which was of particular interest to certain stakeholders, the IAASB revised paragraph 3 of ISSA 5000 to indicate that, in the absence of indications to the contrary, framework criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process may be presumed to be suitable. Application material (paragraph A197) further indicates that the entity may select and apply reporting policies to apply the framework criteria (see further discussion about reporting policies in Section K – Risk Assessment Procedures below). Paragraph A198 describes circumstances in which the framework criteria may need to be supplemented by additional framework criteria or entity-developed criteria.

Section I – Using the Work of Another Practitioner or Practitioner’s Expert

Background

76. The Explanatory Memorandum to ED-5000 noted that sustainability assurance engagements may be performed on a wide range of sustainability matters that require specialized skills and knowledge beyond those possessed by the engagement leader and other members of the engagement team, which may necessitate using the work of a practitioner’s expert. A practitioner’s expert may be either a practitioner’s internal expert, or a practitioner’s external expert.
77. If the practitioner intends to use the work of a practitioner’s external expert or a firm other than the practitioner’s firm, paragraph 42 of ED-5000 required the engagement leader to determine whether the practitioner will be able to be sufficiently and appropriately involved in such work (see also paragraph 30 of ED-5000).
78. When the practitioner considers that the work of a firm other than the practitioner’s firm is relevant to the practitioner’s engagement, and the practitioner is able to be sufficiently and appropriately involved in such work, the requirements in ED-5000 applicable to the engagement team applied. When the practitioner is unable to be sufficiently and appropriately involved, such firms and the individuals from those firms who performed that assurance work are not members of the engagement team and are referred to as “another practitioner” and the requirements in paragraphs 51-54 of ED-5000 applied.
79. Paragraph 87 of the Explanatory Memorandum to ED-5000 included a diagram that provided a visual illustration of the individuals that may be involved in a sustainability assurance engagement and the requirements in ED-5000 that are applicable to the work of such individuals.

Summary of Comments Received on Exposure

80. A significant majority of respondents, across stakeholder groups, agreed that ED-5000 was clear about when firm(s) and the individuals from those firm(s) are members of the engagement team, or

are “another practitioner.” In addition, respondents found the diagram depicting different individuals involved in an engagement to be very useful and suggested that it be included directly within the standard.

81. Many respondents called for a definition of “another practitioner” and sought further clarity on the concept of “sufficient involvement.” Respondents also suggested that paragraph 42 of ED-5000 provide a clearer “roadmap” for practitioners as to which requirements in the standard are applicable in the circumstances, which would involve elevating elements of the application material to become part of the requirement.
82. Additional themes emerging from respondents’ comments relating to the requirements applicable to using the work of another practitioner included:
 - Guidance on communications with another practitioner;
 - Additional clarity on the expected work effort, including any difference between limited and reasonable assurance engagements, and how to address information incorporated from the value chain;
 - Practical implementation challenges when working with another practitioner, particularly related to the work of another practitioner at a value chain entity.
83. With respect to using the work of a practitioner’s expert, respondents noted that the requirements should also apply to practitioner’s internal experts, consistent with ISAE 3000 (Revised) and ISA 620.⁵ Respondents also suggested including more requirements and guidance from ISA 620 to help promote consistency in application by professional accountant and non-accountant assurance practitioners.

IAASB Decisions

84. The IAASB added a definition of another practitioner (see paragraph 18 of ISSA 5000). To clarify why another practitioner is not part of the engagement team, the essential application material to the definition explains that:
 - The work of another practitioner that the practitioner may intend to use for purposes of the sustainability assurance engagement is performed in the context of a separate engagement, and
 - Individuals from another practitioner who perform the work are not members of the engagement team as they are not performing procedures on the sustainability assurance engagement. Such individuals also are not practitioner’s experts.
85. Other changes in response to comments received on using the work of others included:
 - Revising paragraph 43 of ISSA 5000 to clearly indicate the requirements that apply if the practitioner intends to obtain evidence from using the work of a firm other than the practitioner’s firm, based on the engagement leader’s ability to be sufficiently and appropriately involved in such work.

⁵ ISA 620, *Using the Work of an Auditor’s Expert*

- Revising the application material to further clarify the concept of sufficiency of involvement, drawing on ISA 220 (Revised).⁶
- Broadening the requirements for using the work of a practitioner's expert to include both internal and external experts, unless the requirement specifically addresses external experts (e.g., paragraph 56(b) of ISSA 5000 regarding evaluating the objectivity of a practitioner's external expert).
- To provide sufficient focus on the evaluation of the adequacy of an expert's work for the practitioner's purposes, adding a separate, more robust requirement (paragraph 57 of ISSA 5000), consistent with ISA 620.

One-to-Many Reports

86. To address comments about the practical challenges of using the work of another practitioner, particularly at a value chain entity, the IAASB developed a new conditional requirement (see paragraph 51 of ISSA 5000) that is based on a similar requirement in ISA 402.⁷
87. The premise of this requirement is that, due to the relationship between entities in a value chain, it is expected that assurance engagements undertaken by practitioners to provide an assurance report designed for user entities and their assurance practitioners across a value chain, similar to service organization assurance reports, may evolve as a necessary solution to address reporting entities' information needs when complying with relevant sustainability reporting frameworks. If the practitioner plans to use such a report (referred to in ISSA 5000 as a one-to-many report), paragraph 51 requires the practitioner to determine whether that assurance report provides sufficient appropriate evidence for the practitioner's purposes. The IAASB was of the view that including this requirement in ISSA 5000 would help to future-proof the standard and provide a way forward if the ecosystem evolves as some stakeholders predict.
88. If the practitioner intends to obtain evidence about the operating effectiveness of controls, paragraph 52 of ISSA 5000 requires the practitioner to determine whether any complementary user entity controls identified in a one-to-many or other assurance report of another practitioner are relevant to the user entity.

Coordination with IESBA

89. The IAASB had extensive discussions with IESBA on matters related to using the work of another practitioner and a practitioner's external expert to maintain alignment of key concepts and requirements between ISSA 5000 and the Code, including IESBA's proposed revisions as part of its sustainability and using the work of an external expert projects. The specific matters of coordination are explained in more detail in paragraphs 90-94 below.

Another Practitioner

90. If the practitioner intends to use the work of another practitioner, paragraph 51 of ED-5000 required the practitioner to evaluate whether that practitioner is independent and has the necessary competence and capabilities for the practitioner's purposes. In the course of coordination discussions

⁶ ISA 220 (Revised), *Quality Management for An Audit of Financial Statements*

⁷ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*, paragraph 17

with IESBA, it was noted that the work performed by another practitioner could be either assurance or non-assurance work.

91. Because relevant ethical requirements may have different provisions depending on the nature of the work performed, the IAASB deemed it necessary to revise the requirement to refer more generally to the practitioner's compliance with relevant ethical requirements that apply to using the work of another practitioner (see paragraph 50(a) of ISSA 5000). To provide an appropriate bridge to the IESBA Code, the IAASB also:
- Revised the application material to indicate that using the work of another practitioner may include work that has already been completed, or that is yet to be performed but will be completed prior to completion of the practitioner's engagement. Such work may specifically relate to sustainability matters or may be other assurance or non-assurance work that, in the practitioner's judgment, is relevant to the sustainability assurance engagement (paragraph A123 of ISSA 5000).
 - Added application material indicating that relevant ethical requirements may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to using the work of another practitioner, and that these responsibilities may vary depending on whether the work performed by another practitioner is assurance or non-assurance work (paragraph A125 of ISSA 5000).
 - Added application material to provide guidance for practitioners to differentiate between assurance and non-assurance engagements (paragraph A126 of ISSA 5000). The IAASB was of the view that a few high-level principles, focused on the nature of the engagement and the wording of the report of another practitioner, would provide the necessary steer for practitioners.

Practitioner's External Expert

92. ISSA 5000 does not explicitly indicate what the practitioner does if the practitioner is unable to evaluate whether, or determines that, a practitioner's external expert does not have the necessary competence, capabilities and objectivity for the practitioner's purposes in accordance with paragraph 56(a). The IAASB noted that it is implicit in the requirements (paragraphs 56-57 of ISSA 5000) that the practitioner would be unable to use the work of that expert in those circumstances. It also was noted that this implicit presumption is consistent with ISA 620.
93. As part of the coordination discussions with IESBA, the IAASB was asked to add application material to ISSA 5000 to provide a bridge to the relevant ethical requirements that may address this matter. The IAASB agreed and added paragraph A145 of ISSA 5000.
94. The IAASB's Strategy and Work Plan for 2024-2027 includes a planned narrow-scope project to consider amendments to IAASB standards, including ISA 620, arising from IESBA's Using the Work of an External Expert project. The IESBA's explicit introduction of ethical requirements in relation to using the work of an external expert in the preparation of financial and non-financial information and in audit, assurance and non-assurance engagements, may necessitate amendments to IAASB standards to ensure that the two Boards' standards can continue to be effectively applied together. This would include consideration of IESBA's introduction and revision of certain definitions and terminology.

Section J – Group Sustainability Assurance Engagements

Background

95. The IAASB considered the manner and extent to which ED-5000 should address “consolidated” sustainability information or sustainability assurance engagements for groups. As an overarching standard, the IAASB was of the view that it would be inappropriate for ED-5000 to include all the detailed requirements and guidance set out in ISA 600 (Revised)⁸ for group circumstances. The IAASB therefore concluded that, on balance, the principles-based requirements in the proposed standard are capable of being applied for all sustainability assurance engagements, including when other practitioners (whether from within the practitioner’s firm or network, or outside of the practitioner firm’s network) are needed to perform procedures and obtain evidence.

Summary of Comments Received on Exposure

96. Respondents had mixed views about whether the principles-based requirements in ED-5000 would be sufficient for group sustainability assurance engagements. Some respondents were of the view that the principles-based approach could be applied in theory, but additional requirements or guidance would be needed, and could be provided as application material in the standard, implementation guidance outside of the standard, or in a separate ISSA in the future.

97. Other respondents across stakeholder groups suggested that additional requirements and guidance specific to group engagements were needed in the final standard to address the complexities and challenges of group engagements. These respondents commented that, as an overarching standard, ED-5000 should include requirements and guidance needed to perform a group sustainability assurance engagement. It was unclear to them how ED-5000 could be practically applied in a group context, particularly given the unique risks that arise from information aggregated from multiple entities, including the value chain (see also the discussion on information from the value chain in Section M – Other Matters below).

98. Other respondents noted that, in some jurisdictions (e.g., the European Union), many of the first entities that will be in scope for the first wave of mandatory sustainability reporting and assurance are likely to be groups. Therefore, there is a greater need for ED-5000 to address group sustainability assurance engagements to avoid inconsistencies in approaches.

99. Respondents also noted the importance of coordination with IESBA, including alignment of key concepts, terminology and requirements between ED-5000 and IESBA’s proposed revisions to the Code for group sustainability assurance engagements.

IAASB Decisions

100. Given the principles-based nature of ISSA 5000, the IAASB discussed the importance of striking a balance between including additional group-specific requirements and application material in an overarching standard, versus providing guidance outside of the final standard to supplement the principles-based requirements.

101. The IAASB noted that the same foundational concepts and principles (i.e., determining the resources needed to perform the engagement, identifying the sources of information and where and how evidence will need to be obtained) apply to all engagements. However, the IAASB also recognized

⁸ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

the many calls for specific requirements and guidance for group engagements to address the complexities and challenges of such engagements, and to drive more consistent performance by practitioners.

102. The IAASB concluded that the most appropriate way to address respondent comments was to add selected requirements for group engagements, along with group-specific terminology. In this regard, the IAASB considered the matters cited most often by respondents as needing additional requirements and guidance in ISSA 5000. Accordingly, the IAASB added:

- Relevant definitions for groups and components (see paragraph 18), based on similar terms for group audits in ISA 600 (Revised).
- A conditional requirement (paragraph 96), based on paragraph 22 of ISA 600 (Revised), for the practitioner to determine the overall strategy and engagement plan, along with related application material.
- A requirement (paragraph 60) applicable to all engagements for the engagement leader to take responsibility for determining that communications take place at appropriate times throughout the engagement among the engagement team (including any component practitioners) and, as applicable, practitioner's external experts and the internal audit function. The IAASB did not include another practitioner(s) in this overarching requirement because communications may not always be possible when the practitioner is unable to direct, supervise and review the work of another practitioner. However, in determining whether the evidence obtained from another practitioner's work is adequate for the practitioner's purposes, the practitioner is required, to the extent necessary in the circumstances, to communicate with that other practitioner about the findings from that practitioner's work (see paragraph 53 of ISSA 5000).
- Conditional requirements (paragraphs 151L and 151R) to design and perform further procedures to respond to the assessed risks of material misstatement arising from the aggregation process for group sustainability information. The IAASB noted that sustainability reporting frameworks may require "consolidated" or aggregated sustainability information, but ordinarily do not provide detailed guidance for how the entity would aggregate information from multiple entities in preparing the disclosures.

103. The IAASB acknowledged the calls from respondents for requirements and guidance about materiality in a group context. However, the IAASB was of the view that additional guidance on materiality, including for groups, is best addressed in implementation guidance.

Coordination with IESBA

104. The IAASB acknowledged the importance of coordination with IESBA on key concepts, terminology and requirements related to group sustainability assurance engagements. Following extensive coordination discussions, the two Boards achieved alignment on the approach to groups, including:

- Definitions of group-related terminology, with each Board having flexibility to supplement the definitions with application material to provide specific context for their respective purposes.
- The approach to components, including that the determination of components is a practitioner-driven concept for purposes of planning and performing the engagement, and that components can be either group components or value chain components (i.e., within the reporting

boundary). See the definition of component in paragraph 18 and related application material in paragraph A17 of ISSA 5000.

- References to “assurance work” to emphasize the practitioner’s focus when developing the overall strategy and engagement plan for a group sustainability assurance engagement, but also to distinguish assurance work from non-assurance work, for example, when obtaining evidence from using the work of another practitioner. This recognizes that relevant ethical requirements, including independence requirements, may differ based on whether work performed is assurance or non-assurance work.

Involvement of Another Practitioner in a Group Component

105. The IAASB addressed concerns raised by a Monitoring Group member about circumstances in which another practitioner may have performed work at a group component (i.e., the practitioner is unable to be sufficiently and appropriately involved in such work). This was deemed to be inconsistent with the expectation that the practitioner would be sufficiently and appropriately involved in work performed at a group component.
106. Given the evolving sustainability reporting landscape and wide variety of types of engagements that may be performed, the IAASB was of the view that it would be possible for another firm (including another office of the practitioner’s firm or a network firm) to have performed a separate engagement at a group component (e.g., a subsidiary) of which the practitioner was unaware. The IAASB noted that such circumstances already existed in practice, and therefore needed to be recognized in ISSA 5000. Accordingly, the IAASB:
- Strengthened the expectation to a presumption that the practitioner would ordinarily be sufficiently and appropriately involved in work performed in relation to sustainability information of a group component (see paragraph A104 of ISSA 5000).
 - Revised the application material (see paragraph A105 of ISSA 5000) to acknowledge the circumstances in which a separate engagement has been performed and the practitioner was unable to be sufficiently and appropriately involved. In these circumstances, the requirements related to another practitioner in paragraphs 50-55 of ISSA 5000 apply. The IAASB concluded that the robust requirements for using the work of another practitioner would be appropriate in these circumstances, including determining whether the evidence obtained from that other practitioner’s work is adequate for the practitioner’s purposes.
 - Further recognized in the application material that if a similar separate engagement is expected to be performed in subsequent years relating to that group component, there would be the opportunity for appropriate planning and communication between the practitioners such that the involvement of that other firm could evolve to be that of a component practitioner. Accordingly, the application material notes that the practitioner would be able to consider this in developing the overall strategy and engagement plan for the group engagement, including the involvement of that other firm as a component practitioner (i.e., the presumption of sufficient and appropriate involvement in that work applies).

Section K – Risk Assessment Procedures

Risk Assessment for Limited Assurance Engagements

107. For a limited assurance engagement, ED-5000 required the practitioner to design and perform risk procedures “sufficient to identify disclosures where material misstatements are likely to arise” and thereby provide a basis for designing further procedures to focus on those disclosures. This approach was consistent with the requirements of ISAE 3000 (Revised) for all limited assurance engagements. The IAASB noted that ISAE 3410 requires, for limited assurance engagements, the identification and assessment of risks of material misstatement at the GHG statement level and for material types of emissions and disclosures. However, the IAASB was of the view that the approach in ISAE 3000 (Revised) provided an appropriate framework for the practitioner’s consideration of disclosures where material misstatements are likely to arise for a sustainability assurance engagement. See paragraphs 98-101 of the Explanatory Memorandum to ED-5000.
108. A majority of respondents to ED-5000 supported a requirement for an explicit risk assessment for limited assurance engagements, noting that risks of material misstatement should always be identified and assessed regardless of the type of assurance engagement. However, there were differing views as to whether the risk assessment should occur at the level of the disclosure, similar to ISAE 3410, or at the assertion level. Respondents also indicated that there should be a clear distinction in the work effort required for risk procedures for limited and reasonable assurance engagements.
109. In considering the differing views from respondents, the IAASB noted that the approaches to limited assurance engagements in ED-5000 and ISAE 3410 are both risk-based. This is the case for all of the IAASB’s standards, when undertaking audits, reviews, and other assurance engagements (see also the IAASB’s International Framework for Assurance Engagements).⁹ The difference is in the nature and application of the risk-based approach.
110. The IAASB agreed with those respondents that noted that, due to the nature of sustainability information, the approach in ISAE 3410 would provide a more appropriate basis for designing and performing further procedures for limited assurance engagements. Therefore, ISSA 5000 (paragraph 122L) requires the practitioner to identify and assess the risks of material misstatement at the disclosure level for limited assurance engagements. The IAASB was of the view that this approach:
- Provides a basis for designing and performing further procedures to obtain a meaningful level of assurance.
 - Addresses concerns from respondents about the difference in the work effort for risk identification and assessment between ED-5000 and ISAE 3410 (see also paragraph 14 above).
 - Drives consistency and quality in sustainability assurance engagements.
 - Better facilitates the transition from limited assurance to reasonable assurance in the future.

⁹ Refer to the [IAASB Handbook 2023-2024](#), Volume IV.

Understanding the Entity's Reporting Policies

111. In connection with its discussions about the suitability of criteria, the IAASB also discussed the difference between criteria and the entity's reporting policies. To provide clarity in ISSA 5000 about the difference between the two, the IAASB:

- Explained in paragraph A2 of ISSA 5000 that, while a sustainability reporting framework may not specify how to measure or evaluate all sustainability matters, it ordinarily embodies sufficient broad principles that can serve as a basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the framework. This is consistent with financial reporting frameworks, as explained in paragraph A6 of ISA 200.¹⁰
- Added requirements (paragraphs 108 and 109 of ISSA 5000) for the practitioner to obtain an understanding of the entity's reporting policies and the reason for any changes thereto, and to evaluate whether the entity's reporting policies are appropriate and consistent with the applicable criteria and criteria used in the relevant industry. These requirements are consistent with the approach to understanding an entity's accounting policies in accordance with ISA 315 (Revised 2019).¹¹
- To provide further clarification about how the entity's reporting policies relate to the applicable criteria, added application material to explain that the entity's reporting policies are not criteria, but those policies assist the entity in complying with the applicable criteria. The application material includes matters to consider when obtaining an understanding of the entity's selection and application of reporting policies (paragraph A343), and an example to illustrate how the entity's reporting policies are used to apply the criteria (paragraph A344).

Identifying and Assessing the Risks of Material Misstatement

112. In the course of its deliberations, the IAASB had mixed views about the practitioner's approach to identifying and assessing risks of material misstatement, including how materiality is applied in doing so. Two different positions were expressed:

- The first position was that the entity's process to identify sustainability information to be reported (see also paragraph 59 above) leads to the disclosures that management has determined are material based on the information needs of intended users. Therefore, the practitioner should view all disclosures as being material and accordingly identify, assess and respond to the risks of material misstatement of all disclosures.
- The second position was that, in planning and performing the engagement, while management's disclosures provide a starting point for the practitioner's approach to the engagement, the practitioner may decide that grouping the sustainability information differently may provide for a more effective approach (as acknowledged in paragraph A267 of ED-5000).

113. The approach taken in ISSA 5000 ultimately recognized that the practitioner's identification and assessment of the risks of material misstatement, which is an iterative process, is based on the practitioner's understanding obtained from performing risk assessment procedures and applying the

¹⁰ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

practitioner’s materiality. In doing so, the practitioner will group the disclosures in a logical way that takes into account, among other matters, the practitioner’s consideration of the information needs of intended users. The practitioner then identifies and assesses the risks of material misstatement at the disclosure level (for limited assurance) or at the assertion level for the disclosures (for reasonable assurance) and plans and performs further procedures to respond to the assessed risks.

114. Based on its discussions and to further clarify its position, the IAASB made several revisions to the application material, including to:
- Paragraphs A284-A287, which discuss the practitioner’s approach to planning and performing procedures, including considerations that may affect the practitioner’s decision about grouping the entity’s disclosures for purposes of planning and performing the engagement.
 - Paragraphs A404-A414, which discuss, among other matters, that the manner in which the practitioner groups the disclosures for purposes of planning and performing the engagement affects how the practitioner identifies and assesses the risks of material misstatement and that the identification and assessment of the risks of material misstatement at the disclosure level in a limited assurance engagement is less extensive than for a reasonable assurance engagement. This application material also draws attention to circumstances in which a sustainability reporting framework may require disclosure of a large number of individual metrics for different sustainability matters.

Section L – Reporting

115. Overall, the IAASB developed the reporting requirements in ED-5000 based on the requirements in ISAE 3000 (Revised) and ISAE 3410, but consideration was given to relevant requirements in ISA 700 (Revised),¹² ISA 710,¹³ ISA 720 (Revised)¹⁴ and ISA 800 (Revised).¹⁵ Given the expected evolution of entities’ general purpose external reporting to incorporate both sustainability and financial reporting, the IAASB decided that ISA 700 (Revised) should be used as a guide for the elements of the assurance report on sustainability information. The IAASB also noted that ISA 700 (Revised) reflects the latest thinking about the form and content of the auditor’s report, including the ordering of the report elements.
116. Respondents were broadly supportive of the form and content of the assurance report in ED-5000 but provided comments and suggestions on various aspects of the report. Respondents recommended including a requirement for the assurance report to identify the relevant ethical requirements applied by the assurance practitioner in addition to the identification of the jurisdiction of origin of those requirements (see also paragraph 37 above). Suggestions also included providing additional application material and examples of reports that include an “Inherent Limitations” section, in order to provide more clarity and guidance on the challenges related to estimates and forward-looking information, and obtaining evidence for disclosures related to the value chain.

¹² ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹³ ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

¹⁴ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

¹⁵ ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

Transparency about Relevant Ethical Requirements and Quality Management Standards

117. ED-5000 required that the practitioner's report identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code. The IAASB agreed with those respondents that noted that this was not as robust as the requirement in ISAE 3000 (Revised), and therefore enhanced the requirement to include identification of the ethical requirements applied (see paragraph 190(d)(iv) of ISSA 5000). In addition to being consistent with ISAE 3000 (Revised), this aligned the requirement with the similar requirement to identify the quality management requirements applied (see paragraph 190(d)(vi)).
118. The IAASB also concluded that, if applicable, the assurance report should require identification of the appropriate authority that made the determination that the relevant ethical requirements or quality management requirements applied on the engagement are at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements or ISQM 1. Accordingly, the IAASB added this to the requirements in paragraphs 190(d)(iv) and (vi).
119. Following coordination with IESBA, the IAASB added a conditional requirement (paragraph 190(d)(v) of ISSA 5000) to include a statement in the assurance report if relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to sustainability assurance engagements of certain entities, such as public interest entities (PIE) in the case of the IESBA Code. The IAASB adapted this requirement from ISA 700 (Revised),¹⁶ as revised for amendments arising from the IAASB's [PIE Track 1 project](#).

Limited Assurance – Basis for Conclusion

120. In developing ED-5000, the IAASB considered it important to make clear to users of the assurance report that, in a limited assurance engagement, the procedures performed vary from, and are less in extent than for, a reasonable assurance engagement and that the level of assurance obtained is substantially lower. To give these statements sufficient prominence and bring them to users' attention, the IAASB decided that they should be located in the Basis for Conclusion section of the limited assurance report.
121. The majority of respondents agreed that the placement in the Basis for Conclusion section of the assurance report gives sufficient prominence to the statements about the difference between the procedures performed, and the level of assurance obtained, in a limited assurance engagement versus a reasonable assurance engagement. Nonetheless, respondents suggested a need for additional guidance or educational materials to help users better understand limited assurance engagements and to minimize the expectations gap.
122. The IAASB did not propose any further changes to the placement of the statements in the limited assurance Basis for Conclusion section of the assurance report. The IAASB noted the importance of intended users reading the entire assurance report, including the Summary of Work Performed for a limited assurance engagement.

Key Audit Matters (KAM)

123. The IAASB acknowledged the potential public interest benefits of communicating KAM and considered the outcome of the Auditor Reporting Post-Implementation Review that explored demand

¹⁶ ISA 700 (Revised), paragraph 28(c)

for extending the concept of KAM to other assurance reports. However, due to a number of factors as described in the Explanatory Memorandum to ED-5000, the IAASB agreed it was not appropriate to require communication of KAM or equivalent (e.g., “key sustainability assurance matters”) in ED-5000 as an overarching standard and instead noted that the IAASB will consider addressing KAM in the future.

124. Respondents strongly supported not requiring the practitioner to communicate KAM, noting that such a requirement would not be relevant to all sustainability assurance engagements. In particular, respondents noted that communicating KAM in a limited assurance engagement could be confusing to users of the assurance reports given that such reports are required to include a Summary of Work Performed section. Respondents supported addressing KAM in the future after a post-implementation review of the application of ISSA 5000.
125. Given the views of respondents, the IAASB reaffirmed its position that ISSA 5000 should not require communication of KAM in the assurance report. The IAASB remained of the view that it is more appropriate to consider the communication of KAM after ISSA 5000 has been applied for a period of time, given the evolving nature of sustainability assurance. The IAASB also noted the views expressed by some respondents that ISSA 5000 does not preclude a practitioner from reporting KAM on a voluntary basis or if required by law or regulation.

Inherent Limitations

126. The IAASB noted respondents’ general support for the assurance report to include, when applicable, an “Inherent Limitations in Preparing the Sustainability Information” section. Therefore, the IAASB retained the requirement from ED-5000, but expanded it to include limitations relating to forward-looking information included in the sustainability information (see paragraph 190(g) of ISSA 5000).
127. In response to comments from respondents about limitations on management’s ability to obtain information from value chain entities, the IAASB added paragraph A559 in ISSA 5000 to acknowledge that management may choose to explain such limitations in the sustainability information. The practitioner may also choose to describe the effects on the practitioner’s procedures in the assurance report provided any such description does not imply that the practitioner’s responsibility for obtaining sufficient appropriate evidence to support the assurance conclusion is reduced with respect to such information.
128. Regarding requests from respondents to provide examples of reports that include an “Inherent Limitations” section, the IAASB concluded that doing so in ISSA 5000 would not be appropriate as this section should be tailored to the facts and circumstance of the assurance engagement. Therefore, providing examples in the standard may lead to boilerplate wording by practitioners. The IAASB was of the view that any additional guidance or examples are best considered in connection with implementation guidance or other non-authoritative support materials.

Section M – Other Matters

Communication with the Auditor of the Financial Statements

129. Respondents to ED-5000 highlighted the connectivity between the sustainability information being reported and the audited financial statements, and the importance of communication between the sustainability assurance practitioner and the auditor of the financial statements. This was reinforced

to the IAASB through feedback from stakeholders in the roundtables and other outreach throughout the course of the project.

130. The IAASB noted that as reporting requirements continue to evolve at the global level, financial and sustainability reporting are becoming more integrated. Therefore, communication between practitioners and the auditors of the financial statements is essential to achieve consistency between the different reporting requirements. The IAASB also noted that the issue of connectivity between the practitioner and the auditor of the financial statements was mentioned most often by respondents in the context of the practitioner's responsibilities for "other information."
131. In response to the comments received and other stakeholder input, the IAASB added the following in ISSA 5000:
- A requirement in paragraph 174 related to the practitioner's responsibilities for other information (as defined in paragraph 18 of ISSA 5000). If the other information includes the entity's financial statements subject to audit and the practitioner identifies that a material inconsistency appears to exist between those financial statements and the sustainability information, or becomes aware that the financial statements appear to be materially misstated, the practitioner is required to also communicate the matter to the auditor of the entity's financial statements, unless prohibited by law or regulation, or professional requirements.
 - Application material (paragraph A279) to the planning section to encourage communication between the sustainability assurance practitioner and the auditor of the financial statements on matters that may be of mutual interest between the two engagements. This application material indicates that such communication, if not prohibited by law or regulation, may be useful for planning the assurance engagement and may take place at appropriate times throughout the engagement.
 - Application material (paragraph A14) that recognizes that, in some circumstances, the sustainability reporting framework may permit sustainability information to be incorporated by reference from other sources, such as the audited financial statements or another section of a management report. If such information is within the scope of the sustainability assurance engagement, the practitioner responsible for the sustainability assurance engagement may intend to obtain evidence from the work performed by the financial statement auditor or another assurance practitioner. In these circumstances, the requirements in ISSA 5000 addressing using the work of another practitioner apply, including communication, to the extent necessary in the circumstances, about the findings from the other practitioner's work.

Fraud and Non-Compliance with Laws and Regulations (NOCLAR)

132. The reporting of sustainability information, and the system of internal control related to sustainability matters and preparation of the sustainability information, are continuing to develop and in many cases are less mature than for historical financial information. This may increase the susceptibility of the sustainability information to misstatements due to fraud, particularly when there are pressures for management to meet publicly announced targets or goals.
133. The IAASB recognized the importance of the practitioner's consideration of the risks of material misstatement due to fraud and responding appropriately to actual or suspected fraud identified during the engagement. Therefore, ED-5000 had numerous references to fraud throughout the requirements

and application material. The IAASB also discussed the importance of continued coordination with IESBA on the topics of fraud and non-compliance with laws and regulations.

Fraud

134. Respondents to ED-5000 generally agreed that ED-5000 appropriately addressed the topic of fraud. While there were suggestions that the term “greenwashing” be defined, respondents generally supported the fact that the term was not used in ED-5000. Respondents had various comments on the need for more specific guidance and examples on the topic of fraud in the context of sustainability reporting, including with respect to management override of controls and management bias. It was also suggested that the IAASB consider aligning ED-5000 with the [current project](#) to revise ISA 240.¹⁷
135. With respect to fraud, the IAASB:
- Noted that, given the maturity of internal controls for sustainability reporting is behind that of financial reporting, the risk of management override of controls is elevated in sustainability assurance engagements. Accordingly, the IAASB added requirements in the risk assessment and response sections of ISSA 5000 (paragraphs 123R and 150R, respectively) to address the risk of management override of controls. The IAASB concluded that these requirements should only be applicable for reasonable assurance engagements as extending them to limited assurance engagements would imply a deeper understanding of control activities than is required in ISSA 5000 for limited assurance engagements.
 - Reaffirmed its view that the definition of fraud in ED-5000 was appropriate and no changes were needed. The IAASB noted that fraud is defined in ISSA 5000 in the same way as in ISA 240 and ISAE 3410, and is not exclusively a financial reporting concept. The definition is broad enough to encompass all intentional actions by management and those charged with governance to obtain an unjust or illegal advantage and clear enough not to include unintentional management bias.
 - Also reaffirmed its view not to define or describe “greenwashing” in ISSA 5000. Terms such as “greenwashing,” “greenhushing,” “social washing” and their relationship with fraud and management bias are better explained in implementation guidance.

NOCLAR

136. The IAASB considered respondents’ comments on NOCLAR and concluded that ISSA 5000 appropriately addressed those matters. However, based on its discussions the IAASB added a requirement (paragraph 67 of ISSA 5000) for the practitioner to determine whether law, regulation or relevant ethical requirements require reporting fraud or NOCLAR to an appropriate authority outside the entity, or establish responsibilities under which such reporting may be appropriate in the circumstances. This requirement, which was elevated from application material, was adapted from ISA 240 (paragraph 69) and ISA 250 (Revised)¹⁸ (paragraph 29).
137. The IAASB also coordinated with IESBA to maintain alignment with provisions in relevant ethical requirements related to NOCLAR, and concluded that ISSA 5000 is consistent, or does not conflict, with relevant ethical requirements regarding communication with the financial statement auditor.

¹⁷ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁸ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

Estimates and Forward-looking Information

138. The IAASB acknowledged the importance for ED-5000 to address the unique considerations related to estimates and forward-looking information, including estimation uncertainty, the use of judgment by management, the use of professional judgment by the practitioner and, obtaining sufficient appropriate evidence about the estimates or forward-looking information.
139. The IAASB was of the view that, regardless of the source or degree of estimation uncertainty, or the extent of judgment involved, it is necessary for management to appropriately apply the applicable criteria when developing estimates and forward-looking information and the related disclosures, including selecting and using appropriate methods, assumptions and data. Therefore, the IAASB concluded that the most appropriate approach was to address estimates and forward-looking information together in the “Responding to Risks of Material Misstatement” section of ED-5000.
140. The majority of respondents across stakeholder groups supported the approach to the requirements in ED-5000 related to estimates and forward-looking information, including addressing them in the same section of the standard, but asked for additional clarification and examples to be included in the application material or non-authoritative implementation guidance.
141. In response to comments, the IAASB added:
- A requirement for the practitioner to obtain an understanding, for estimates and forward-looking information, of how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the applicable criteria (paragraph 117(c) of ISSA 5000).
 - Application material to provide further clarification and examples on various matters, including with respect to the practitioner’s development of a point estimate or range to evaluate management’s estimate or forward-looking information. The application material also explains that the practitioner is not required to obtain evidence about whether the entity’s intended future strategy, targets or other intentions disclosed as part of forward-looking information will be achieved, or to come to a conclusion to that effect.

Information from the Value Chain

142. Respondents to ED-5000 expressed various comments and concerns about the potential challenges, for both the entity and the practitioner, related to information from the value chain. Some of these practical implementation challenges related to using the work of another practitioner, and concerns about the ability for the practitioner to be sufficiently and appropriately involved in the work of another practitioner, particularly several steps up and down the entity’s value chain.
143. The IAASB was of the view that the fundamental principles in ISSA 5000 with respect to obtaining and evaluating evidence apply regardless of the source of the information (i.e., whether information is from entities within or outside of the entity’s control). However, to acknowledge the comments from respondents regarding these potential challenges, the IAASB added application material in several places throughout ISSA 5000, including:
- Paragraph A238, which indicates that limitations on access to information from entities outside of the entity’s control, or to the work of another practitioner that may have provided an assurance report on such information, may also affect the practitioner’s evaluation of the relevance and reliability of this information intended to be used as evidence.

- Paragraphs A252 and A255, which indicate that, in circumstances in which there may be limitations on management’s ability to obtain information from value chain entities outside of the entity’s control, the applicable criteria may provide certain relief provisions for management (e.g., the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). However, regardless of any such limitations, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management.
- Paragraphs A289-A290, which describe procedures that may be considered by the practitioner when such limitations exist, including testing management’s process for obtaining such information.
- Paragraph A559, which addresses the disclosure of inherent limitations in the assurance report (see also paragraph 128 above).

Section N – Conforming and Consequential Amendments

144. The IAASB proposed a limited number of conforming and consequential amendments to the Preface to the *International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* (the Preface), the IAASB standards, and the International Framework for Assurance Engagements arising from ISSA 5000. The IAASB responded to the limited number of comments received and aligned the final conforming and consequential amendments with the final changes to ISSA 5000.
145. Substantive changes to the proposed conforming and consequential amendments from those presented in ED-5000 included the following:
- Changes were proposed in ED-5000 to several paragraphs in the Preface to replace the reference to “professional accountant” with “auditor or practitioner” to reflect that the standard is intended for use by all assurance practitioners. In hindsight, the IAASB noted that the use of the term “professional accountant(s)” is consistent with the IAASB’s other standards, including ISQM 1, ISA 220 (Revised), and ISAE 3000 (Revised), as well as being consistent with the IESBA Code. Therefore, the IAASB reverted to the phrase “professional accountant or practitioner” throughout the Preface.
 - The definitions of a firm in paragraph 16(i) and relevant ethical requirements in paragraph 16(t) of ISQM 1 were amended to include a reference to practitioners, consistent with the changes to the Preface as described above.
 - The conforming amendments proposed to ISAE 3410 were deleted given the IAASB’s decision to withdraw ISAE 3410, as explained in paragraph 20 above.
 - Paragraphs A3 and A5 of ISA 720 (Revised) were amended to clarify that, for audits of financial statements, sustainability reports or other sustainability-related information may form part of the annual report and are therefore other information within the scope of ISA 720 (Revised), unless these are special purpose reports addressing certain kinds of sustainability information. The IAASB was of the view that this amendment is appropriate as circumstances have changed since the issuance of ISA 720 (Revised) with respect to sustainability information.

Section O – Effective Date

Background and Summary of Comments Received on Exposure

146. In developing ED-5000, the IAASB acknowledged the urgent need for a global sustainability assurance standard to address the increasing number of jurisdictions with regulatory requirements being introduced for sustainability reporting, with assurance required on some or all of the sustainability information reported. The IAASB also recognized the need for national due process and translation, as applicable, relating to the adoption of the standard, and incorporating the changes into firm methodologies, tools and training materials.
147. To balance the need for urgency with allowing sufficient time to implement the standard, the IAASB proposed an implementation period of approximately 18 months after approval of the final standard.
148. The vast majority of respondents agreed with the proposed implementation period of approximately 18 months after approval of the standard, and indicated that this would provide sufficient time for jurisdictions and practitioners to prepare for the implementation of ISSA 5000. Some respondents, however, were of the view that a longer implementation period (e.g., 24 months) would be appropriate given that ISSA 5000 is a significant new standard, also citing the lack of resources in some jurisdictions and the need for training for practitioners and regulators. Respondents generally also supported early implementation of the standard.
149. Respondents also encouraged the IAASB to align the effective date for ISSA 5000 with the effective date of the sustainability provisions in the IESBA Code.

IAASB Decisions

150. Taking into account the date of approval of the standard and expected timing of certification by the Public Interest Oversight Board, and given the vast majority of respondents supported an implementation period of approximately 18 months, the IAASB agreed that ISSA 5000 should be effective for assurance engagements on sustainability information reported:
- For periods beginning on or after December 15, 2026, or
 - As at a specific date on or after December 15, 2026.
- Earlier application of the standard is permitted and encouraged.
151. The IAASB considered this effective date to be in the public interest because it would provide an implementation period of approximately 18 months for engagements on sustainability information reported as at December 15, 2026, and approximately 27 months for engagements for periods beginning or after December 15, 2026.
152. The IAASB also was of the view that jurisdictions will have the flexibility to adopt ISSA 5000 early. Such flexibility may be particularly relevant in jurisdictions that are following an accelerated path to mandating assurance of sustainability information, for example, by adopting ISSA 5000 or using ISSA 5000 as the global baseline for their local equivalent standards. ISSA 5000 may also be adopted or may inform interim arrangements in jurisdictions where there is a timing difference between reporting periods for which sustainability assurance is required and when jurisdiction-specific standards may be finalized.
153. The effective dates of ISSA 5000 and the revisions to the IESBA Code were aligned.

Early application

154. Paragraph 15 of ISSA 5000 states that earlier application of the standard is permitted. Other IAASB standards generally have not explicitly stated that earlier application is permitted because paragraph 18 of the Preface indicates that, unless otherwise stated in the International Standard, the professional accountant or practitioner is permitted to apply an International Standard before the effective date specified therein. However, the IAASB concluded that it is appropriate to include such a statement in this instance, as ISSA 5000 is a significant new standard intended to be used by all practitioners, including non-accountant assurance practitioners who might not be familiar with the IAASB's standards.

Period vs. "As At" Engagements

155. The IAASB noted that sustainability information reported for a period (e.g., for the year ending December 31) frequently includes both information for the period then ended and "as at" that date. This is the same as for a set of financial statements. Accordingly, the IAASB was of the view that assurance engagements on sustainability information reported in accordance with many recognized sustainability reporting frameworks would include information for both the period and an "as at" date, and therefore the appropriate effective date for such engagements would be for periods beginning on or after December 15, 2026.
156. The IAASB was also of the view that assurance engagements on sustainability information as at a specific date generally may be more narrow-scope engagements.

Appendix – Mapping the Key Proposals in Developing ISSA 5000 to the Objectives and Standard-Setting Action in the Project Proposal that Support the Public Interest

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
<p>Project Objective (a): Develop a new overarching standard for assurance on sustainability reporting that is responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements (see PP, paragraph 13).</p>			
<p>Undertake timely standard-setting action in response to the demand to address the public interest need for a global baseline standard for assurance on sustainability reporting for use by all assurance practitioners.</p>	<p>Overall approach</p>	<p>The preliminary timetable included in Section G of the PP was aimed at addressing the need for timely standard-setting action. The Board agreed at the March 2023 IAASB meeting to accelerate the development of proposed ISSA 5000, while remaining committed to developing an appropriately robust standard. The approval of the final pronouncement was moved up from December 2024 to September 2024. Subject to certification by the Public Interest Oversight Board, ISSA 5000 will be effective for assurance engagements on sustainability information reported for periods beginning on or after December 15, 2026, and as at a specific date on or after December 15, 2026. Early application will be permitted.</p>	<ul style="list-style-type: none"> • <i>Timeliness</i>
<p>Project Objectives (b) and (c): Develop a new overarching standard for assurance on sustainability reporting that is (see PP, paragraph 13):</p> <p>(b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and</p> <p>(c) Implementable by all assurance practitioners.</p>			

¹⁹ The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, in developing the relevant proposals (see **Section B** of this Basis for Conclusions).

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
Developing a standard that addresses the conduct of an assurance engagement in its entirety by addressing all elements of the engagement, from engagement acceptance through to reporting (see PP, paragraph 18(a)).	All the requirements and related application material	ISSA 5000 covers the entire engagement from acceptance or continuance to reporting and is applicable to assurance on sustainability information reported under any suitable criteria. The requirements and application material are organized under appropriate headings and sub-headings that address all the elements of an assurance engagement.	<ul style="list-style-type: none"> • <i>Comprehensiveness</i> • <i>Enforceability</i>
Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)).	Overall approach <u>Requirements</u> Paras. 8 - 14	<p>The priority areas are identified in paragraph 27 of the PP. The rows in this table below describe how each of the priority areas has been addressed in the proposed standard and are identified as PA.1 to PA.6.</p> <p>The requirements and application material in ISSA 5000 have been drafted following the CUSP Drafting Principles and Guidelines to help provide for more consistent understanding and application.</p> <p>ISSA 5000 is applicable to all types of sustainability information, including greenhouse gas emissions, regardless of how that information is presented. Accordingly, the Board has proposed for ISAE 3410 to be withdrawn in accordance with due process when ISSA 5000 becomes effective.</p> <p>Furthermore, ISSA 5000 is an overarching standard that includes requirements and application material for all elements of a sustainability assurance engagement. Accordingly, the practitioner is not required to apply ISAE 3000 (Revised) when performing the engagement.</p>	<p><i>As indicated for each of the priority areas in the rows below</i></p> <ul style="list-style-type: none"> • <i>Relevance</i> • <i>Implementability</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
<p>PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence</p>	<p>The differentiation is noted throughout the proposed standard as applicable. Key sections of the standard that highlight the differentiation include those noted below.</p> <p><u>Requirements</u></p> <p>Paras. 103L/R – 152, 190, 198L/R</p> <p><u>Application Material</u></p> <p>Paras. A313 – A469R</p> <p>Appendix 3</p>	<ul style="list-style-type: none"> • Although most of the requirements and application material apply to both reasonable and limited assurance engagements, ISSA 5000 uses a columnar format to distinguish requirements that differ between limited and reasonable assurance. • Uses letters (R) and (L) as paragraph number suffixes to indicate which material applies to the respective engagements. • Presents the requirements to understand the components of internal control for limited and reasonable assurance side-by-side in the columnar format, with separate requirements for each component to clarify the differences in the understanding required and the work effort necessary to obtain the understanding. • Emphasizes the difference between the “deep dive” in a limited assurance engagement if the practitioner becomes aware of a matter that causes the practitioner to believe the sustainability information may be materially misstated, and the need to obtain evidence to enable the expression of a reasonable assurance conclusion in a reasonable assurance engagement. • For reasonable assurance engagements, irrespective of the assessed risks of material misstatement, requires the practitioner to consider the need to design and perform substantive procedures for disclosures that, in the practitioner’s judgment, are material. This recognizes 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Comprehensiveness</i> • <i>Implementability</i> • <i>Enforceability</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
		<p>that while the practitioner may determine that the risks of material misstatement for certain disclosures (or groups of disclosures) are at an acceptably low level, there may be a need to design and perform substantive procedures on those disclosures if they include information that is likely to be of particular importance to intended users. Application material provides further guidance on this requirement.</p> <ul style="list-style-type: none"> Includes illustrative assurance reports for each type of assurance engagement (reasonable, limited, or combined) to assist practitioners in understanding how the reporting requirements apply to the respective engagements. 	
<p>PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”</p>	<p><u>Requirements</u> Paras. 78, 107</p> <p><u>Application Material</u> Paras. A194 – A202, A326 – A337</p>	<ul style="list-style-type: none"> Requires the practitioner, as part of establishing whether the preconditions for an assurance engagement exist, to evaluate the suitability of the reporting criteria and its availability to the intended users. Recognizes that, in the absence of indications to the contrary, framework criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process are presumed to be suitable. Requires the practitioner to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Implementability</i> <i>Enforceability</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
		<ul style="list-style-type: none"> • Requires the practitioner to identify the sources of the criteria, and recognizes that the criteria may be framework criteria, entity-developed criteria, or a combination of both. • Requires the practitioner to evaluate whether the criteria exhibit the following five characteristics: relevance, completeness, reliability, neutrality, and understandability. • Provides detailed application material on each characteristic of suitable criteria. • Application material provides guidance for the practitioner when determining the suitability of criteria for qualitative and forward-looking sustainability information. • Application material explains that, in meeting the information needs of the intended users that assists their decision-making, relevant criteria may relate to both the material impacts of environmental, social and governance matters on the entity’s strategy, business model and performance (which may be referred to as “financial materiality”), and the material impacts of the entity’s activities, products and services on the environment, society, or economy (which may be referred to as “impact materiality”). Applicable criteria may refer to both impacts as “double materiality.” 	
<p>PA.3: The scope of the assurance engagement</p>	<p><u>Requirements</u></p>	<ul style="list-style-type: none"> • Clarifies that ISSA 5000 does not address sustainability information that is required to be included in the entity’s 	<ul style="list-style-type: none"> • <i>Relevance</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
	Paras. 1, 8 – 14, 75 – 76, 80, 190 <u>Application Material</u> Paras. A12 – A15, A43 – A46, A184 – A191, A207 – A217, A543 – A544 Appendix 2	financial statements in accordance with the applicable financial reporting framework. <ul style="list-style-type: none"> • Requires the practitioner to obtain a preliminary knowledge of the sustainability information to be reported and whether the scope of the proposed assurance engagement encompasses all or part of that sustainability information. • Requires the practitioner to consider whether the entity has a process to identify sustainability information to be reported, which includes the sustainability matters to be reported in the sustainability information and the reporting boundary. • Requires the practitioner to determine whether the engagement exhibits a rational purpose, including whether the scope of the assurance engagement is appropriate, including when the scope of the assurance engagement excludes part of the sustainability information to be reported. • Requires the practitioner to identify or describe in the assurance report the sustainability information subject to the assurance engagement, including, if appropriate, the sustainability matters and how that information is reported. 	<ul style="list-style-type: none"> • <i>Implementability</i> • <i>Scalability</i>
PA.4: Evidence, including the relevance and reliability of information and what	<u>Requirements</u>	<ul style="list-style-type: none"> • Uses a principles-based approach for evaluating the relevance and reliability of information intended to be used as evidence, including information obtained from 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Comprehensiveness</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
<p>comprises sufficient appropriate evidence</p>	<p>Paras. 50-59, 89 – 94, 103L/R – 152</p> <p><u>Application Material</u></p> <p>Paras. A123 – A154, A225 – A276</p>	<p>sources external to the entity. The application material includes guidance on the attributes of relevance and reliability, as well as the factors that might affect the practitioner’s judgment regarding these attributes.</p> <ul style="list-style-type: none"> • Includes overarching requirements for the practitioner to design and perform procedures to obtain sufficient appropriate evidence, in a manner that is not biased. • Requires an evaluation of whether information produced by the entity is sufficiently reliable for the practitioner’s purposes. • Includes requirements related to information intended to be used as evidence that has been prepared by a management’s expert. • Application material includes detailed guidance for the practitioner to evaluate the relevance and reliability of information intended to be used as evidence and for information that has been prepared by a management’s expert. • Application material discusses in detail the characteristics of sufficiency and appropriateness of evidence, including the challenges in obtaining sufficient and appropriate evidence related to qualitative and forward-looking information. • Includes requirements regarding the actions to be taken when the practitioner has doubts about the relevance and reliability of the information intended to be used as 	<ul style="list-style-type: none"> • <i>Implementability</i> • <i>Enforceability</i> • <i>Scalability</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
		<p>evidence, and application material describing factors or circumstances that may give rise to such doubts.</p> <ul style="list-style-type: none"> • Includes requirements and application material for obtaining evidence from using the work of others, including another practitioner, a practitioner’s expert, and the internal audit function. • Application material addresses challenges related to the relevance and reliability of information obtained from value chain entities outside of the entity’s control, and the impact on the practitioner’s procedures. • Includes requirements and application material for designing and performing risk assessment procedures and responses to assessed the risks of material misstatement, including procedures for estimates and forward-looking information. • Requires the practitioner to evaluate the sufficiency and appropriateness of evidence obtained, and the engagement leader to determine that sufficient appropriate evidence has been obtained to support the conclusions reached and for the assurance report to be issued, and to document the basis for that determination. 	
<p>PA.5: The entity’s system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence</p>	<p><u>Requirements</u> Paras. 113L/R – 121</p>	<ul style="list-style-type: none"> • Addresses the differentiation in work effort for limited and reasonable assurance engagements by presenting the requirements to understand the components of internal control for limited and reasonable assurance side-by-side in the columnar format, with separate requirements for 	<ul style="list-style-type: none"> • <i>Comprehensiveness</i> • <i>Enforceability</i> • <i>Scalability</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
	<p><u>Application Material</u></p> <p>Paras. A354 – A403 (and A256)</p>	<p>each component to clarify the differences in the understanding required and the work effort necessary to obtain the understanding.</p> <ul style="list-style-type: none"> • For limited assurance engagements, requires the practitioner to obtain an understanding of and evaluate the design and determine the implementation of only those controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including related general IT controls that address risks arising from the use of IT. • For reasonable assurance engagements, the practitioner is required to obtain an understanding of control activities by identifying controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including the related general IT controls that address risks arising from the use of IT, and other controls that the practitioner considers are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures. In addition, the practitioner is required to evaluate whether these controls have been designed effectively and have been implemented. • Application material highlights that the level of formality of the entity’s system of internal control, including the control environment, the entity’s risk assessment process, and process to monitor the system of internal control, may vary by size and complexity of the entity, 	

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
		<p>and the nature and complexity of the sustainability matters and the applicable criteria.</p> <ul style="list-style-type: none"> • Includes detailed application material about understanding the different components of the entity's system of internal controls, evaluating the design and determining the implementation of controls, and determining the extent of testing the operating effectiveness of controls. • The application material clarifies that the practitioner's understanding of the entity and its environment, the applicable criteria and the entity's system of internal control may assist the practitioner in identifying appropriate sources of information to be used as evidence. 	
<p>PA.6: Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information</p>	<p><u>Requirements</u> Paras. 98 – 102, 159 – 160</p> <p><u>Application Material</u> Paras. A292 – A312, A484 – A498</p>	<ul style="list-style-type: none"> • For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, requires the practitioner to: <ul style="list-style-type: none"> ○ Consider materiality for qualitative disclosures; and ○ Determine materiality for quantitative disclosures. • Requires the practitioner to determine performance materiality for quantitative disclosures. • Requires the practitioner to take into account both financial materiality and impact materiality perspectives when considering or determining materiality for purposes 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Comprehensiveness</i> • <i>Implementability</i>

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
		<p>of planning and performing the assurance engagement and evaluating whether the sustainability information is free from material misstatement. This is conditional on the applicable criteria requiring the entity to apply both financial materiality and impact materiality in preparing the sustainability information.</p> <ul style="list-style-type: none"> • Application material indicates that materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users. • Application material addresses in detail the factors relevant to the practitioner’s consideration (qualitative disclosures) or determination (quantitative disclosures) of materiality, as well as the basis for the practitioner’s determination of performance materiality (quantitative disclosures). • The application material explains that materiality is a matter of professional judgment and is affected by the practitioner’s perception of the common information needs of intended users as a group. Therefore, materiality is ordinarily considered or determined for different disclosures. • Requires the practitioner to determine whether materiality remains appropriate, prior to evaluating the effect of uncorrected misstatements. 	

The objectives and standard-setting action in the <u>project proposal</u> (PP)	Paragraphs in final ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹⁹
		<ul style="list-style-type: none"> Requires the practitioner to determine whether uncorrected misstatements are material, individually or in the aggregate, with detailed application material that provides further guidance for fulfilling the requirement. 	

International Standards on Auditing, the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities, International Standards on Review Engagements, International Standards on Sustainability Assurance, International Standards on Assurance Engagements, International Standards on Related Services, International Standards on Quality Management, International Auditing Practice Notes, Exposure Drafts, Consultation Papers, and other IAASB publications are copyright of IFAC.

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