

International Standard on Sustainability Assurance (ISSA) 5000 Implementation Guide



IAASB

International Auditing and Assurance Standards Board
AN IFEA BOARD



JANUARY 2025

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About the IAASB

This document was developed and approved by the International Auditing and Assurance Standards Board.

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.

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A. INTRODUCTION

Matters Addressed in This Part:

- Purpose and Authority of This Guide
- The Sustainability Reporting Ecosystem
- What is a Sustainability Assurance Engagement?
- Understanding ISSA 5000
- Using This Guide

Purpose and Authority of This Guide



Why use this Guide?

1. This Guide provides practical non-authoritative guidance intended to assist practitioners in conducting assurance engagements in accordance with International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ISSA 5000). ISSA 5000 addresses assurance engagements on sustainability information reported by entities of all sizes and complexity, prepared under any suitable framework or other criteria. This Guide covers the fundamental concepts in ISSA 5000 and the conduct of the assurance engagement from acceptance and continuance to reporting. It provides further explanation of concepts and the practitioner's responsibilities. It also discusses key principles and, as appropriate, the interaction between requirements, and challenges practitioners encounter in practice when conducting sustainability assurance engagements. The IAASB identified these specific challenges through outreach, direct stakeholder engagement, exposure draft responses and Board deliberations.
2. ISSA 5000 is the IAASB's authoritative pronouncement that governs sustainability assurance engagements – it applies to all assurance engagements on sustainability information, including all types of sustainability information and regardless of how that information is presented. As this Guide is non-authoritative, it does not introduce any further requirements beyond those in ISSA 5000, nor does it override or change any of the requirements or application material of ISSA 5000. In explaining the principles and requirements of ISSA 5000, the Guide presumes that practitioners have an understanding of the entire text of ISSA 5000. There is no requirement to refer to this Guide in undertaking a sustainability assurance engagement, and furthermore, it is not a comprehensive text and therefore does not address all aspects of conducting a sustainability assurance engagement.



Who can use this Guide?

3. This Guide is intended to be used by assurance practitioners who conduct sustainability assurance engagements in accordance with ISSA 5000. The standard and the Guide are designed to be practitioner agnostic, i.e., they can be used by any assurance practitioner, whether they are professional accountants or non-accountants, or whether they work in the private or public sector, provided that they meet the quality management and ethical requirements of ISSA 5000.
4. The Guide may also assist other parties to a sustainability assurance engagement in understanding aspects of those engagements, such as preparers of sustainability information, users of entities' sustainability reports, or policymakers and regulators (e.g., market regulators and audit and

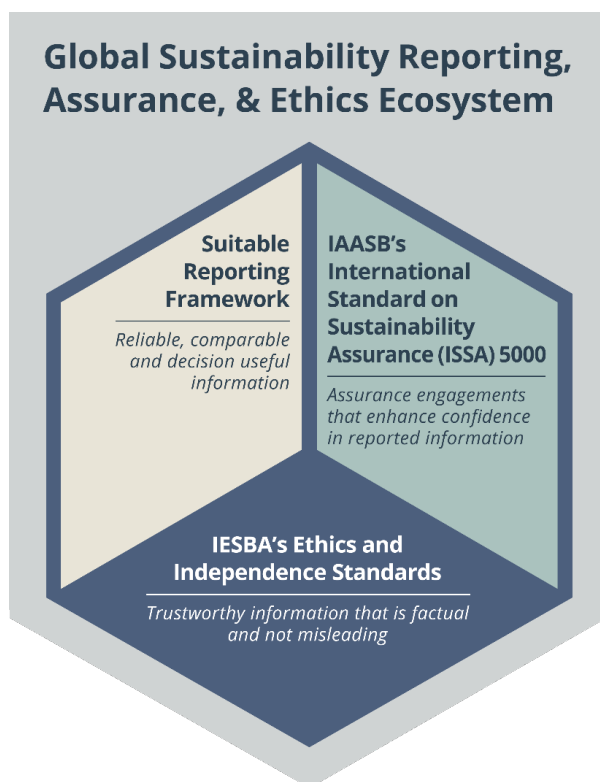
assurance regulators or oversight bodies), although the Guide has not been developed with the specific needs of such parties in mind.

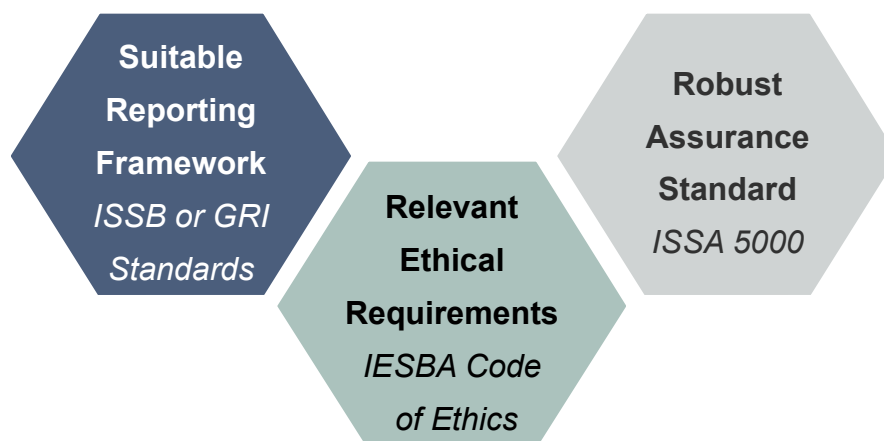
The Sustainability Reporting Ecosystem

5. A sustainability reporting ecosystem is a dynamic and evolving landscape that involves various stakeholders, including investors, policymakers, regulators, and society, that may be the intended users of sustainability information or represented by those users. This reporting ecosystem is designed to facilitate the disclosure of relevant and reliable sustainability information to inform decision-making of the intended users.
6. A robust and reliable sustainability reporting ecosystem that provides sustainability information relevant to the information needs of intended users, in which those users can have confidence and trust, requires three core elements:
 - (a) A suitable sustainability reporting framework for preparation and reporting of sustainability information to meet the intended users' needs (or, in the absence of a framework, other suitable criteria);
 - (b) Robust sustainability assurance standards developed under a transparent due process, underpinned by quality management requirements; and
 - (c) Relevant ethical requirements to be applied by the assurance practitioner in conducting the assurance engagement, and by professional accountants or others preparing the sustainability information to be reported.

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Diagram A.1 – Elements of Robust and Reliable Sustainability Reporting Ecosystem




Example: A robust and reliable sustainability reporting ecosystem

What is a Sustainability Assurance Engagement?

7. A sustainability assurance engagement is an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the sustainability information, which is the outcome of the measurement or evaluation of the sustainability matters (underlying subject matter) against criteria (any suitable framework or other criteria). ISSA 5000 assumes that the responsible party is often the engaging party, as usually management or those charged with governance of the entity is responsible for preparing the sustainability information.
8. The elements of an assurance engagement as set out in the International Framework for Assurance Engagements are:
 - (a) A three-party relationship involving a practitioner, a responsible party, and intended users;
 - (b) An appropriate underlying subject matter;
 - (c) Suitable criteria;
 - (d) Sufficient appropriate evidence; and
 - (e) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.
9. Engagements that do not meet all of the elements of an assurance engagement are not permitted to be conducted under ISSA 5000. For example, consulting engagements or readiness assessments would not usually have an intended user other than the responsible party, and may not gather sufficient appropriate evidence to support an assurance conclusion nor provide a reasonable or limited assurance report. Such engagements can nevertheless be very valuable to the entity, for example, by advising the entity on developing an adequate system of internal control to support the preparation of sustainability information to be reported or to assist the entity in preparing for an assurance engagement to be conducted on that information in the future.

Understanding ISSA 5000



What does ISSA 5000 address?

10. ISSA 5000 addresses assurance engagements on sustainability information, whether that information comprises all of the sustainability information reported by an entity, part of the sustainability information reported, or information reported on specific topics (e.g., only water and effluents) or aspects of topics (e.g., only an entity's strategy for managing sustainability-related risks and opportunities). See **Part B – Fundamental Principles and Concepts** for further explanation of topics and aspects of topics.
11. ISSA 5000 applies to all sustainability assurance engagements, regardless of how the sustainability information is presented. It may be presented as part of an entity's annual report or in a separate report or statement. In an annual report, for example, it may be presented as a separate sustainability report or included as part of the management report. Sustainability information may also be included in an entity's integrated report. ISSA 5000 also is applicable to assurance engagements on greenhouse-gas (GHG) statements, covered by ISAE 3410¹ until that standard is withdrawn with effect from the date ISSA 5000 becomes effective.²
12. ISSA 5000 applies to the following types of assurance engagements:
 - Attestation engagements, when a party other than the practitioner (such as management of the entity) measures or evaluates the sustainability matters against the criteria and presents the resulting sustainability information in a report or statement. ISSA 5000 does not apply to direct engagements, in which the practitioner measures or evaluates the sustainability matters against the criteria and concludes on the reported outcome of the measurement or evaluation of the sustainability matters against the criteria.
 - Limited assurance, reasonable assurance or combined assurance engagements. Combined assurance engagements arise when limited assurance is obtained on selected information and reasonable assurance on other information and the conclusions are presented in the same assurance report.
 - Sustainability information reported under either a compliance or a fair presentation framework.
 - Assurance engagements on general-purpose sustainability information. ISSA 5000 does not include specific requirements for assurance engagements on special-purpose sustainability information. Special-purpose sustainability information is designed to meet the information needs of specific users (e.g., sustainability reporting requirements set out in a sustainability project grant contract). However, the practitioner may be able to adapt and supplement ISSA 5000 as necessary in the engagement circumstances to an assurance engagement on special-purpose sustainability information.



How does ISSA 5000 fit within the IAASB suite of standards?

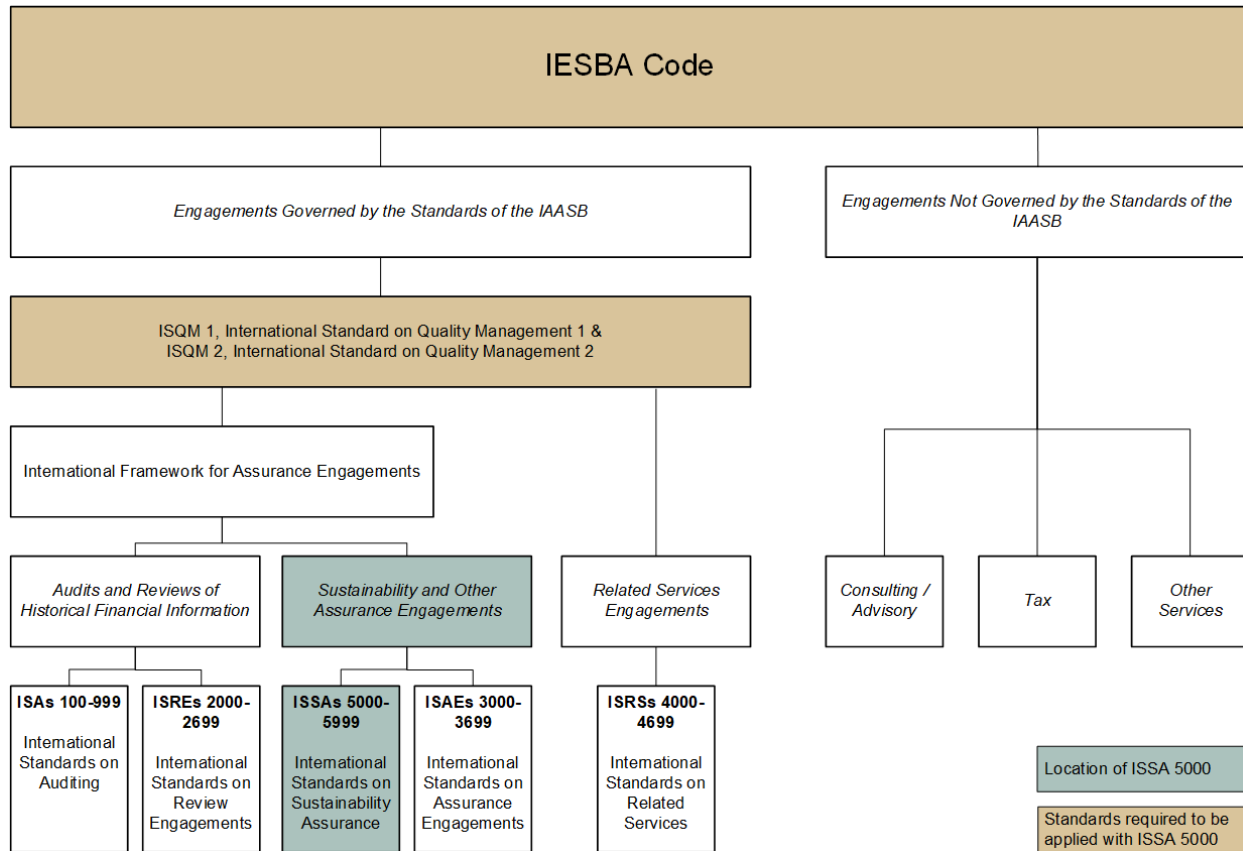
13. ISSA 5000 is the first in the suite of International Standards on Sustainability Assurance (ISSAs). As it is part of a separate suite of standards, it does not require reference to other standards for

¹ International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements,

² The withdrawal of ISAE 3410 in accordance with the IAASB's due process is expected in 2025.

performance of the engagement. However, ISSA 5000 does require compliance with the IESBA Code³ and the International Quality Management Standards (ISQM 1⁴ and, if applicable, ISQM 2⁵), or professional requirements or requirements in law or regulation for ethics and quality management that an appropriate authority⁶ has determined to be “at least as demanding” as the IESBA Code and the ISQMs respectively. How the ISSAs fit into the suite of IAASB Standards and how they relate to the IESBA Code and ISQMs is shown in the diagram below.

Diagram A.2 – Relationship Between ISSA 5000 and the IESBA Code and ISQMs



? What authority does ISSA 5000 have?

14. ISSA 5000 is an International Standard of the IAASB that was issued following the IAASB’s stated due process, and as such is an authoritative IAASB pronouncement. It governs sustainability assurance engagements that are conducted in accordance with International Standards on Sustainability Assurance. ISSA 5000 does not override the local laws or regulations that govern assurance

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³ The International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

⁴ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁵ ISQM 2, *Engagement Quality Reviews*

⁶ 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.

engagements on sustainability information in a particular country required to be followed in accordance with that country's national standards. In the event that local laws or regulations differ from, or conflict with ISSA 5000, an engagement conducted in accordance with local laws or regulations will not automatically comply with ISSA 5000. A practitioner cannot represent compliance with ISSA 5000 unless the practitioner has complied with all of the relevant requirements of ISSA 5000.

15. ISSA 5000 does not require reference to any other performance standards (i.e., ISAs,⁷ ISAEs or ISREs⁸) when conducting a sustainability assurance engagement.



How is ISSA 5000 structured?

16. ISSA 5000 comprises various sections that collectively form the standard. These are identified under the following headings that each have a different purpose, as follows:

- Introduction

Introductory material provides context relevant to a proper understanding of ISSA 5000, including the subject matter of ISSA 5000, the premises for applying the standard, the scope of ISSA 5000, its relationship with other International Standards issued by the IAASB and the effective date for application of the standard.

- Definitions

A description of the meanings attributed to certain terms used in the requirements of ISSA 5000 to assist in the consistent application and interpretation of the ISSAs, but that are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise.

- Objectives

The objectives are the matters required to be achieved by the practitioner in the conduct of the engagement. If the practitioner is unable to achieve the objectives of ISSA 5000, the practitioner is required to modify their assurance conclusion or withdraw from the engagement.

- Requirements

Basic principles or essential procedures that must be applied in all cases where those requirements are relevant in the circumstances of the engagement (requirements are expressed in the ISSAs using "shall"). A requirement is not relevant if it is conditional, and the condition does not exist (e.g., if management has not used an expert to assist in the preparation of the sustainability information, requirements related to a management's expert do not apply, or if the engagement is carried out by a sole practitioner, engagement team considerations will not apply). In exceptional circumstances, a practitioner may judge it necessary to depart from a relevant requirement in order to achieve the purpose of that procedure. When such a situation arises, the practitioner is required to document how alternative procedures performed achieve the purpose of the procedure and, unless otherwise clear, the reasons for the departure. The need for the practitioner to depart from a relevant requirement is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective in

⁷ ISA, *International Standards on Auditing*

⁸ ISRE, *International Standards on Review Engagements*

achieving the aim of the requirement.

- Application and other explanatory material

Guidance related to the requirements that provides further explanation of the requirements of ISSA 5000 and guidance for carrying them out. In particular, it may:

- Provide background information on matters addressed in the requirements.
- Explain more precisely what a requirement means or is intended to cover, including in some cases why a procedure is required.
- Include examples of procedures that may be appropriate in the circumstances, with more detailed examples being presented in boxes.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements of ISSA 5000.

- Appendices

The Appendices form part of the application and other explanatory material and are an integral part of ISSA 5000. The purpose and intended use of the appendices are explained in the related application material or within the title and introduction of the appendix itself.

17. Other materials published with ISSA 5000 include:

- Basis for Conclusions for ISSA 5000

A separate document required by the IAASB's Due Process and Working Procedures, which explains the basis for conclusions with respect to comments received on the exposure draft for ISSA 5000. The Basis for Conclusions document is not subject to voting approval by the IAASB and, therefore, does not constitute part of ISSA 5000 and is non-authoritative, nor does it amend, extend or override ISSA 5000. It is helpful to firms and practitioners in developing their methodologies and to other stakeholders, for example, regulators, in understanding the IAASB's rationale for certain decisions in finalizing the standard.

- Conforming and Consequential Amendments

Amendments necessary in other IAASB pronouncements arising from ISSA 5000. The conforming and consequential amendments are authoritative changes to other standards and were voted on by the IAASB as part of the approval of ISSA 5000.



Is ISSA 5000 scalable?

18. ISSA 5000 is a principles-based standard, so it is intended to be suitable for sustainability assurance engagements conducted for any entities, regardless of size or complexity. The requirements are scalable in the context of the nature and circumstances of the engagement, whether the engagement is for a single entity that is less complex through to complex groups. Being principles-based means that the requirements in ISSA 5000:

- Provide principles or outcomes rather than procedures or steps, that allow the practitioner to apply professional judgment in planning and performing the assurance engagement.
- Apply in virtually all engagements, so few conditional requirements are included, and those that are included relate to matters of overriding importance to the public interest.

19. The application material in ISSA 5000 explains that the nature and extent of the practitioner's procedures will vary depending on the nature and circumstances of the entity and the nature of the assurance engagement, including the level of assurance to be obtained. In addition, scalability has been specifically addressed in application material in ISSA 5000 on:

- Planning the engagement when the engagement is conducted by a sole practitioner or a very small engagement team, when coordination of, and communication between, team members is easier.
- The nature, timing and extent of risk assessment procedures and further procedures in responding to risks that are likely to vary considerably from engagement to engagement.
- Understanding the entity's control environment, its process to monitor the system of internal control and its information system and communication when controls may be informal or not fully documented.
- The difference in nature, timing and extent of the procedures in a limited assurance engagement from those in a reasonable assurance engagement.



When is ISSA 5000 effective?

20. The effective date for ISSA 5000 is 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, with early application permitted.



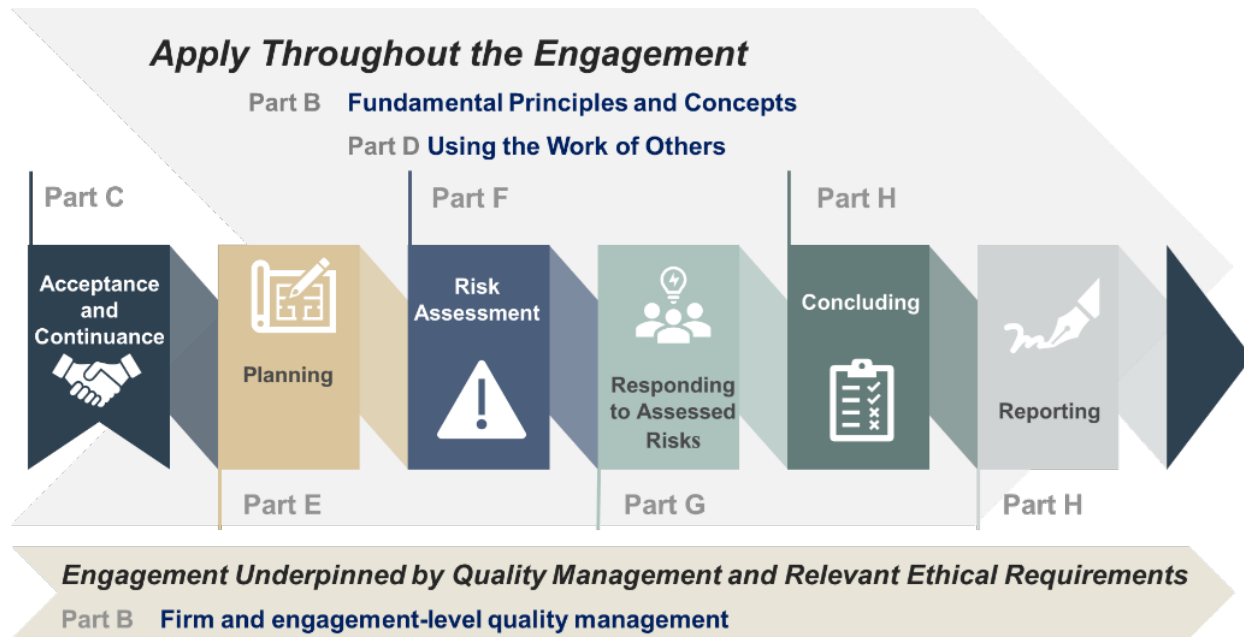
How does the effective date apply when the information is both as at a specific date and for a period?

21. Assurance engagements on sustainability information reported in accordance with many recognized sustainability reporting frameworks will 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.

Using This Guide

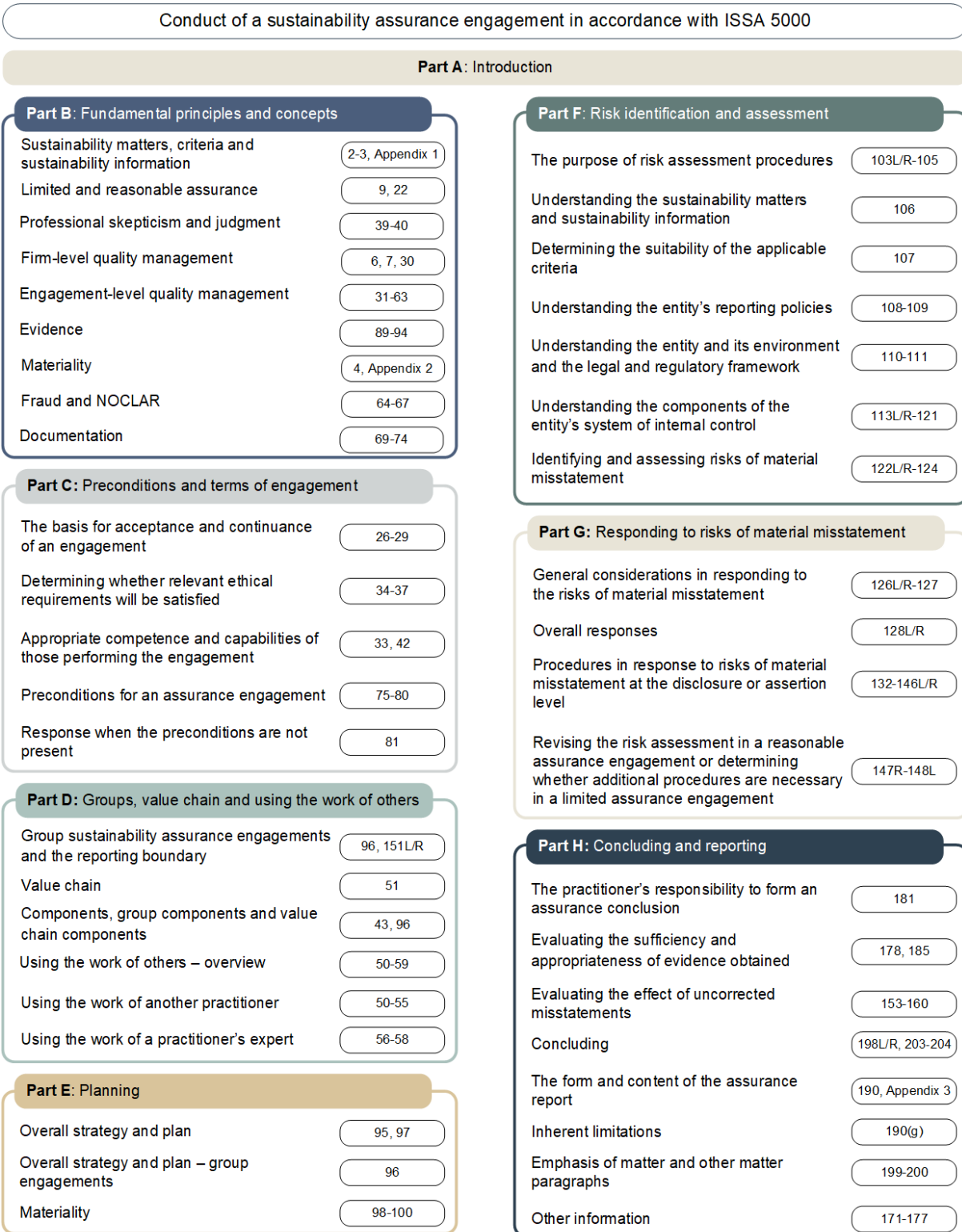
22. This Guide is structured in parts that relate to fundamental principles and concepts and specific stages of a sustainability assurance engagement performed in accordance with ISSA 5000. How the parts follow the flow of stages of a sustainability assurance engagement is illustrated in the diagram below, as an aid to navigating this Guide.

Diagram A.3 – Overview of Matters Addressed in this Guide



23. How the Guide aligns with the requirements in ISSA 5000 is set out in the diagram below.

Diagram A.4 – Parts in this Guide Mapped to the Requirements in ISSA 5000



24. The following symbols are used in this Guide to enable readers to easily identify the relevance of different materials presented:

Key to Icons Used in This Guide

	Example		Group engagement considerations
	Practitioner's considerations		Definition or key point
	Frequently asked question		

B. FUNDAMENTAL PRINCIPLES AND CONCEPTS

Matters Addressed in This Part:

- Sustainability Matters, Criteria and Sustainability Information
- Limited and Reasonable Assurance
- Professional Skepticism and Professional Judgment
- Firm-level Quality Management
- Engagement-level Quality Management
- Evidence
- Materiality
- Fraud and Non-compliance with Laws and Regulations
- Documentation

Sustainability Matters, Criteria and Sustainability Information



Sustainability Matters: *Environmental, social, governance or other sustainability-related matters as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting sustainability information.*

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Para. 18

For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.

25. Sustainability matters is a broad term used to refer to any matter that is determined as relating to sustainability. Typically, this may relate to environmental, social and governance matters. However, ISSA 5000 explains that matters considered to be related to sustainability may be defined or described in law or regulation, relevant sustainability reporting frameworks, or can also be determined directly by a reporting entity.
26. Sustainability matters may address impacts on the entity’s strategy, business model or performance; impacts of the entity’s activities, products and services on the environment, society or economy; the entity’s sustainability policies, plans, goals or targets; or sustainability-related risks and opportunities or dependencies.
27. When considering whether the preconditions for an assurance engagement are present in accepting an engagement, ISSA 5000 requires the practitioner to evaluate whether the sustainability matters within the scope of the engagement are appropriate. This is further explained in **Part C – Acceptance and Continuance of the Engagement, Including Preconditions for Assurance**.

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28. The sustainability matters to be reported depends on the criteria to be applied by the entity in preparing its sustainability information (“criteria” and “sustainability information” are defined in paragraph 18 of ISSA 5000; see also paragraphs 29-40 below). The criteria may specify such matters directly or may direct the reporting entity to follow a process to identify the matters and related sustainability information to be reported. In addition to setting out the sustainability matters, and the metrics or other information about those matters, to be reported by the entity, the criteria also may establish how those sustainability matters are to be measured or evaluated, and how they are to be presented or disclosed.

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Para. 18



Can an entity define any subject matter as being a sustainability matter?

29. No. Although sustainability is a concept that covers a broad range of potential topics, sustainability matters as defined in ISSA 5000 are “environmental, social, governance or other sustainability-related matters.” Ordinarily, sustainability reporting frameworks will describe the range of sustainability matters for which information is to be disclosed by an entity. Law or regulation may also specify what are considered to be sustainability matters. The reporting framework may require reporting on matters that are not sustainability-related, in which case an assurance engagement on such matters could be performed under other IAASB standards, as applicable (e.g., ISAE 3000 (Revised)).



Criteria: *The benchmarks used to measure or evaluate the sustainability matters. Criteria comprise either framework criteria, entity-developed criteria or both. Framework criteria are either fair presentation criteria or compliance criteria.*

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The term “fair presentation criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework and:

- (a) *Acknowledges explicitly or implicitly that, to achieve fair presentation of the sustainability information, it may be necessary for management to provide information beyond that specifically required by the framework; or*
- (b) *Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the sustainability information. Such departures are expected to be necessary only in extremely rare circumstances.*

The term “compliance criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgments in (a) or (b) above.

30. Framework criteria include those issued by authorized or recognized organizations that follow a transparent due process. Criteria in sustainability reporting frameworks are typically framework criteria, and the recognition, measurement, presentation and disclosure principles that they incorporate may provide the basis for the reporting policies applied by the entity.

31. Criteria used for a particular sustainability assurance engagement, referred to as the applicable criteria, may be taken from a sustainability reporting framework or developed by the entity itself, or a combination of both.
32. Similar to evaluating whether the sustainability matters within the scope of the engagement are appropriate, ISSA 5000 requires the practitioner to evaluate, as part of the preconditions for an assurance engagement, whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances. This is further explained in **Part C – Acceptance and Continuance of the Engagement, Including Preconditions for Assurance**. ISSA 5000
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33. Whether the criteria are “fair presentation” or “compliance” criteria has implications for the practitioner’s assurance conclusion and report (this is further explained in **Part H – Concluding and Reporting**)
34. The criteria determine the sustainability information to be reported.



Sustainability information: Information about sustainability matters.

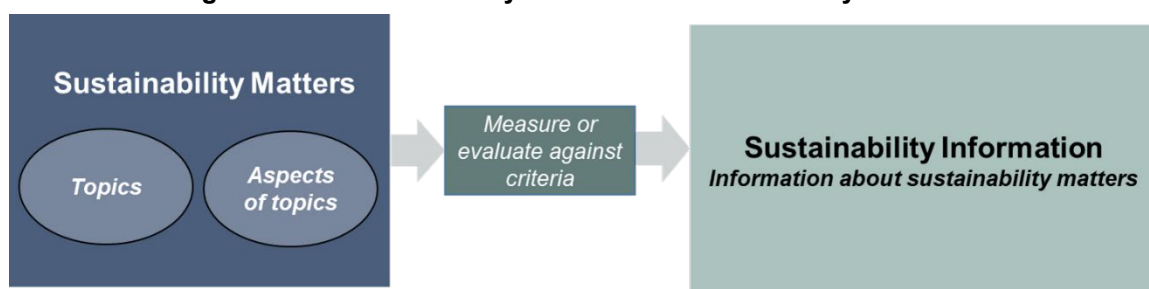
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Para. 18

For purposes of the ISSAs:

- (a) Sustainability information results from measuring or evaluating sustainability matters against the criteria.
- (b) Sustainability information that is the subject of the assurance engagement is the equivalent of “subject matter information” in other IAASB assurance standards.
- (c) 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.
- (d) 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.

35. Sustainability information is the outcome of measuring or evaluating the sustainability matters against the criteria:

Diagram B.1 – Sustainability Matters and Sustainability Information

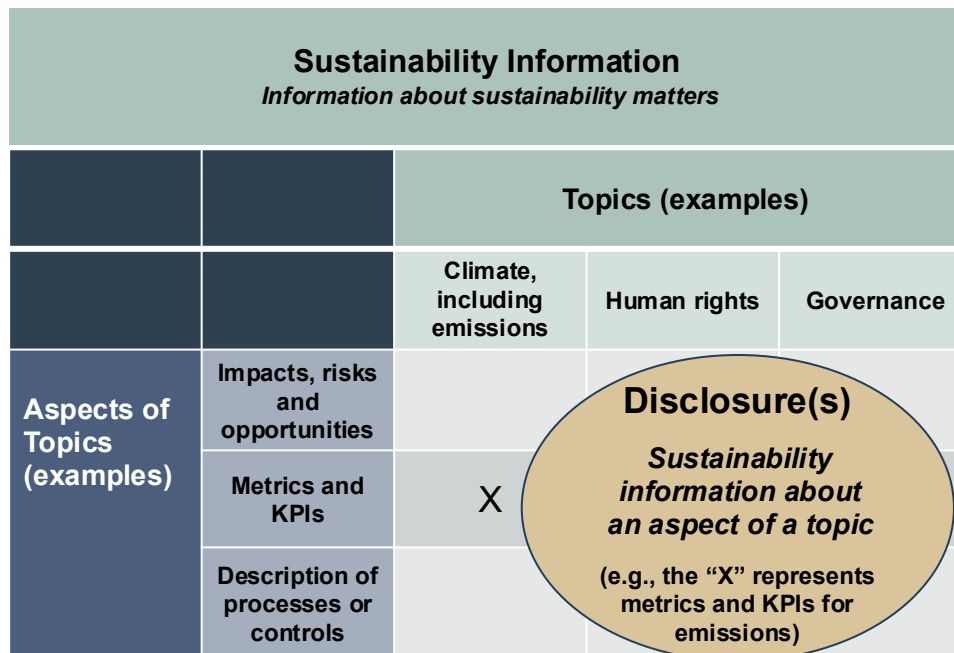


36. As explained, the criteria may require disclosure of a range of different information about sustainability matters. ISSA 5000 (paragraph A43) refers to the different types of information as “topics” and “aspects of topics,” and provides the following examples of the types of information that may be required to be disclosed:

Topics	
<i>Environmental</i>	• Climate, including emissions • Energy, such as type of energy and consumption • Water and effluents, such as water consumption and water discharge • Biodiversity, such as impacts on biodiversity or habitats protected and restored
<i>Social</i>	• Labor practices, such as diversity and equal opportunity, training and education, and occupational health and safety • Human rights and community relations, such as local community engagement, impact assessments and development programs • Customer health and safety
<i>Governance</i>	• Monitoring, managing and overseeing sustainability matters and their related impacts
Aspects of Topics	
• Impact analysis, including magnitude of impact • Strategy and business model • Risks and opportunities • Innovation to address risks and opportunities • Financial effects arising from risks and opportunities • Risk management or mitigation • Governance • Metrics and key performance indicators • Targets • Internal control over monitoring and managing risk • Scenario analysis	

37. Sustainability information about an aspect of a topic is further defined in ISSA 5000 as a “disclosure.” In effect, the concept of a disclosure is simply a more granular way to refer to individual elements of the reported sustainability information, as illustrated below:

Diagram B.2 – Disclosures



38. Disclosures can be in various forms (e.g., narrative descriptions or other qualitative information, tables with key performance indicators or other quantitative information, or a combination thereof) and may be limited to a single paragraph or table or may span multiple pages in a separate sustainability report, part of the entity’s annual report or some other reporting mechanism. How the entity presents the disclosures (i.e., how the entity aggregates or disaggregates the sustainability information for purposes of presentation) is determined by the criteria.
39. The identification of “disclosures” is relevant to the planning and performance of the assurance engagement, as ISSA 5000 requires the practitioner to:
- Develop an overall strategy and engagement plan, including determining the nature, timing and extent of planned procedures, which may involve consideration of how management has aggregated or disaggregated the sustainability information and whether to group the entity’s disclosures for purposes of planning and performing the engagement (this is further explained in **Part E – Planning**).
 - Consider materiality for qualitative disclosures (this is further explained in **Part E – Planning**).
 - Determine materiality and performance materiality for quantitative disclosures (this is further explained in **Part E – Planning**).
 - Identify and assess risks of material misstatement, whether due to fraud or error, at the disclosure level (limited assurance) and at the assertion level for the disclosures (reasonable assurance) (this is further explained in **Part F – Risk identification and Assessment**).

- Design and perform further procedures whose nature, timing and extent are responsive to those assessed risks of material misstatement at the disclosure level (limited assurance) and at the assertion level for the disclosures (reasonable assurance) (this is further explained in **Part G – Responding to the Risks of Material Misstatement**).



How are topics and aspects of topics considered for purposes of performing the assurance engagement?

40. Topics and aspects of topics are terms used in ISSA 5000 to describe the different categories of information that may be required to be disclosed within the sustainability information. ISSA 5000 acknowledges that law or regulation or sustainability reporting frameworks may describe sustainability matters, topics or aspects of topics in different ways. Whatever terms are used, thinking about disclosures within the sustainability information by their related topic or aspect of a topic provides the practitioner with a mechanism for developing the overall strategy and engagement plan and thinking about risks of material misstatement. This is further explained in **Part E – Planning** and **Part F – Risk Identification and Assessment**.

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Para. A45

Limited and Reasonable Assurance

41. The objective of a sustainability assurance engagement is to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information. An assurance engagement may comprise either or both:
- Reasonable assurance, in which engagement risk is reduced to an acceptably low level in the circumstances of the engagement as the basis for the assurance conclusion. The assurance conclusion is expressed in the form of an opinion on the outcome of the measurement or evaluation, including presentation and disclosure, of the sustainability matters against the applicable criteria.
 - Limited assurance, in which engagement risk is reduced to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. The assurance conclusion is expressed in a form that conveys whether, based on the procedures performed and evidence obtained, any matter(s) have come to the practitioner's attention to cause the practitioner to believe the sustainability information is materially misstated. This is sometimes referred to as a "negative" form of conclusion.
42. Reasonable assurance is less than absolute assurance due to factors such as the use of selective testing and the fact that much of the evidence available to the practitioner is persuasive rather than conclusive. This means considering the evidence obtained as procedures are performed and, if necessary, revising the assessment of the risks of material misstatement and performing additional procedures until an acceptably low level of engagement risk is achieved.
43. In a limited assurance engagement, evidence obtained is sufficient to obtain a level of confidence that is less than in a reasonable assurance engagement, but still provides a meaningful level of assurance. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly

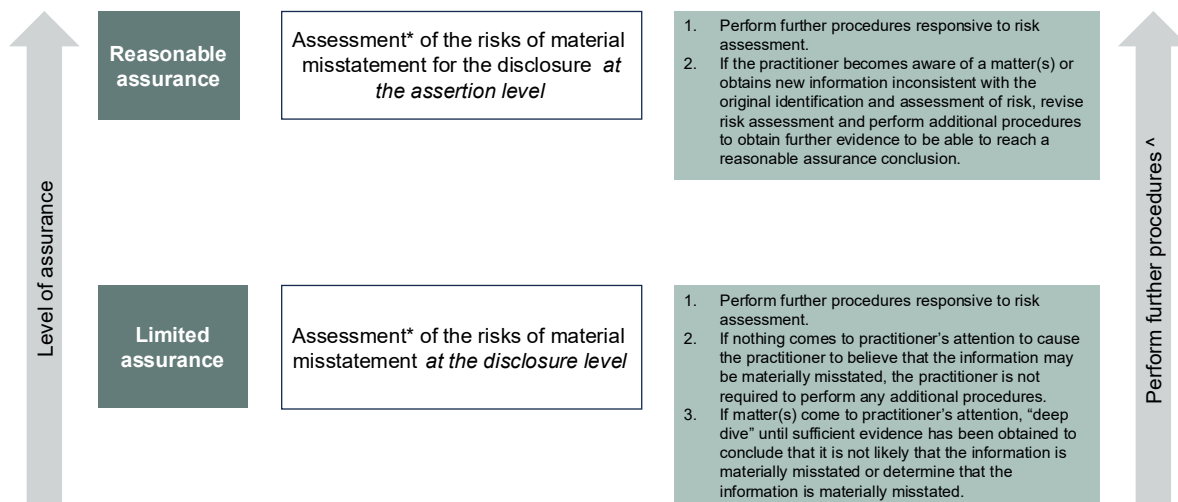
ISSA 5000
Para. A27R

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Para. A211L

more than inconsequential. What is meaningful in a particular engagement is a matter of professional judgment and depends on the engagement circumstances.

44. **Part F –Risk Identification and Assessment** and **Part G – Responding to the Risks of Material Misstatement** provide guidance on distinguishing the practitioner’s work effort between a limited assurance and a reasonable assurance engagement.

Diagram B.3 – Limited versus Reasonable Assurance



* Assessment of the risks of material misstatement is based on the practitioner's understanding of the sustainability matters and the sustainability information and the entity and its environment. The breadth and depth of such understanding is different because the risk assessment procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

^ The procedures in a limited assurance engagement vary in nature and timing, and are lesser in extent, than for a reasonable assurance engagement.



What are the foundational differences between a limited assurance and reasonable assurance engagement?

45. In both limited and reasonable assurance engagements, the practitioner aims to obtain evidence with enough collective persuasiveness to respond to the risks of material misstatement, and the collective persuasiveness of the evidence obtained establishes the level of assurance obtained. The following table summarizes some of the foundational differences between limited and reasonable assurance:

Foundational Differences Between Limited and Reasonable Assurance		
	Limited Assurance	Reasonable Assurance
Level of Assurance	Meaningful but substantially lower than reasonable assurance	Less than absolute assurance
Goal	Reduce engagement risk to a level that is acceptable in the engagement circumstances, but where that risk is greater than for a reasonable assurance engagement, as a basis for	Reduce engagement risk to an acceptably low level in the circumstances of the engagement as the basis for expressing a reasonable assurance conclusion.

Foundational Differences Between Limited and Reasonable Assurance		
	Limited Assurance	Reasonable Assurance
	expressing a limited assurance conclusion.	
Conclusion	Negative conclusion: Based on procedures performed and evidence obtained, nothing has come to the practitioner's attention that causes them to believe the sustainability information is not prepared/fairly presented (in all material respects) in accordance with the criteria.	Positive opinion: In the practitioner's opinion, the sustainability information is prepared/fairly presented (in all material respects) in accordance with the criteria.

46. It may be challenging to understand what is different in practical terms between the two levels of assurance. Further, while the level of assurance obtained in a reasonable assurance engagement might be understood as having similarities to the level of assurance in a financial statement audit, limited assurance can cover a range of assurance from:
- Just above assurance that is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly more than inconsequential (lower end of the range of limited assurance); to
 - Just below reasonable assurance (upper end of the range of limited assurance).
47. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Decisions about what procedures to perform (i.e., their nature) and their timing and extent depend on several factors, including:
- The nature, extent and complexity of the sustainability matters, applicable criteria and sustainability information (see paragraphs 25-40 above);
 - The assessed risk(s) of material misstatement of the sustainability information (see **Part F – Risk Identification and Assessment**);
 - The materiality considered or determined for the disclosures (see **Part E – Planning**); and
 - The persuasiveness of the evidence needed in the circumstances (see the *Evidence* section below).
48. **Part F – Risk Identification and Assessment** and **Part G – Responding to the Risks of Material Misstatement** compare and contrast the nature, timing and extent of procedures performed for a limited assurance and reasonable assurance engagement.

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Para. A210L



What is meant by the nature, timing and extent of procedures being “limited” in a limited assurance engagement compared to a reasonable assurance engagement? Is there a minimum level of procedures that is needed or required?

49. The nature, timing and extent of procedures in a limited assurance engagement is affected by a number of factors, including the nature of the sustainability matters, the scope of the engagement, the nature of the sustainability information and the level of assurance that is considered meaningful in the circumstances. ISSA 5000 specifies the requirements to be followed for a limited assurance engagement, including with respect to risk assessment procedures and further procedures to respond to the assessed risks of material misstatement. The extent of further procedures to be performed and evidence obtained in responding to assessed risks of material is a matter of professional judgment. While there is no “minimum” level of further procedures as such, the practitioner needs to perform work to obtain sufficient appropriate evidence to provide a basis for the practitioner’s limited assurance conclusion. In certain circumstances, this requires that the practitioner performs additional procedures to be able to conclude on a matter(s) that causes the practitioner to believe the sustainability information may be materially misstated. This is further explained in **Part G – Responding to the Risks of Material Misstatement** – paragraphs 474 and 476.



What factors influence whether to perform a limited assurance or a reasonable assurance engagement?

50. Whether a reasonable assurance engagement or a limited assurance engagement is undertaken depends on the terms of the engagement. The terms of engagement may be aligned with generally accepted practice, or the characteristics of the sustainability matters and the applicable criteria. The engagement may be determined by assurance requirements set out in applicable law or regulation. For example, in the European Union, the Corporate Sustainability Reporting Directive (CSRD) requires reporting entities to obtain a limited assurance report in the initial years of reporting.



Can an assurance engagement include both limited and reasonable assurance?

51. Yes. It is possible to perform an assurance engagement where different levels of assurance are expressed for different topics or aspects of topics of the sustainability information. This may again be driven by relevant law or regulation or other factors as discussed above. Whether a request to obtain limited assurance, reasonable assurance, or a combination thereof, is acceptable in the engagement circumstances is considered at the engagement acceptance and continuance phase. This is further explained in **Part C – Acceptance and Continuance of the Engagement, Including Preconditions for Assurance**.
52. When providing limited assurance on specific elements of the sustainability information and reasonable assurance on other elements, it is important that all parties to the engagement, particularly the intended users, understand which sustainability information has been subject to which level of assurance. This is further explained in **Part H – Concluding and Reporting**.

Professional Skepticism and Professional Judgment

53. The practitioner is required to plan and perform the engagement with professional skepticism and exercise professional judgment. Therefore, these concepts are fundamental to conducting an assurance engagement under ISSA 5000.

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Para. 39-40,
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Professional Skepticism



Professional skepticism: *An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.*

54. Professional skepticism may be founded on an attitude that is neither unduly cynical nor accepting of plausible-sounding representations or answers to inquiries at face value unless these representations or answers are consistent with other evidence obtained.
55. In exercising professional skepticism in a sustainability assurance engagement, the practitioner remains alert that circumstances may exist that indicate an increased risk of material misstatement, whether due to fraud or error, arising from, for example:
- Increased complexity in the entity's process to prepare its sustainability information, which may necessitate accessing data from new sources within or outside of the entity and identifying new or additional users with different information needs to the users of the financial statements.
 - Evolving reporting frameworks that allow for or necessitate entity-developed criteria.
 - Rapid changes needed by businesses to adapt to regulatory requirements or user demands for sustainability reporting.
 - Commitments by the entity, voluntary or imposed, to sustainability goals or targets and increased scrutiny regarding the entity's performance.
 - The relative maturity of the entity's system of internal control for capturing, processing and preparing of the sustainability information.
 - The sources of evidence to support the disclosures may be less reliable, such as external sources outside of the entity's control, for which access to evidence is limited.
 - The extent of management's judgments, including in identifying users and their information needs, identifying the sustainability information to be reported to meet those needs, selecting measurement or evaluation methods to be applied and assumptions used for estimates and forward-looking information.



Example: Exercising professional skepticism

Those charged with governance of an entity pay little attention to environmental and social matters, preferring to focus their attention on maximizing short-term financial return for investors, and on the expansion of the business. They delegate management of environmental and social

matters to members of the management team. Management remuneration includes a bonus for reaching predetermined targets in all areas of the entity's financial performance.

Without appropriate governance and oversight, environmental and social matters may not be seen as important, may not be integrated in the system of internal control, and reporting may not be prepared with the rigor that is given to reporting financial performance. As a result, environmental or social matters at the entity may not be well-managed, or errors may occur in the sustainability information reported without being detected and corrected. Bonuses based on financial performance, coupled with the lack of oversight, may increase the risk of material misstatement, which emphasizes the need for the practitioner to exercise professional skepticism. The practitioner will need to remain alert to matters that may result from these circumstances, including, for example, evidence that is inconsistent with that already obtained, a lack of evidence or inadequate explanations.

56. The appropriate exercise of professional skepticism may be demonstrated through the actions and communications of the engagement team. Such actions and communications may include specific steps to mitigate impediments that may impair the appropriate exercise of professional skepticism, such as unconscious bias or resource constraints. ISSA 5000 provides guidance regarding impediments to the exercise of professional skepticism that may arise in a sustainability assurance engagement and possible actions that the engagement team may take to mitigate those impediments.

ISSA 5000
Para. A91-A92



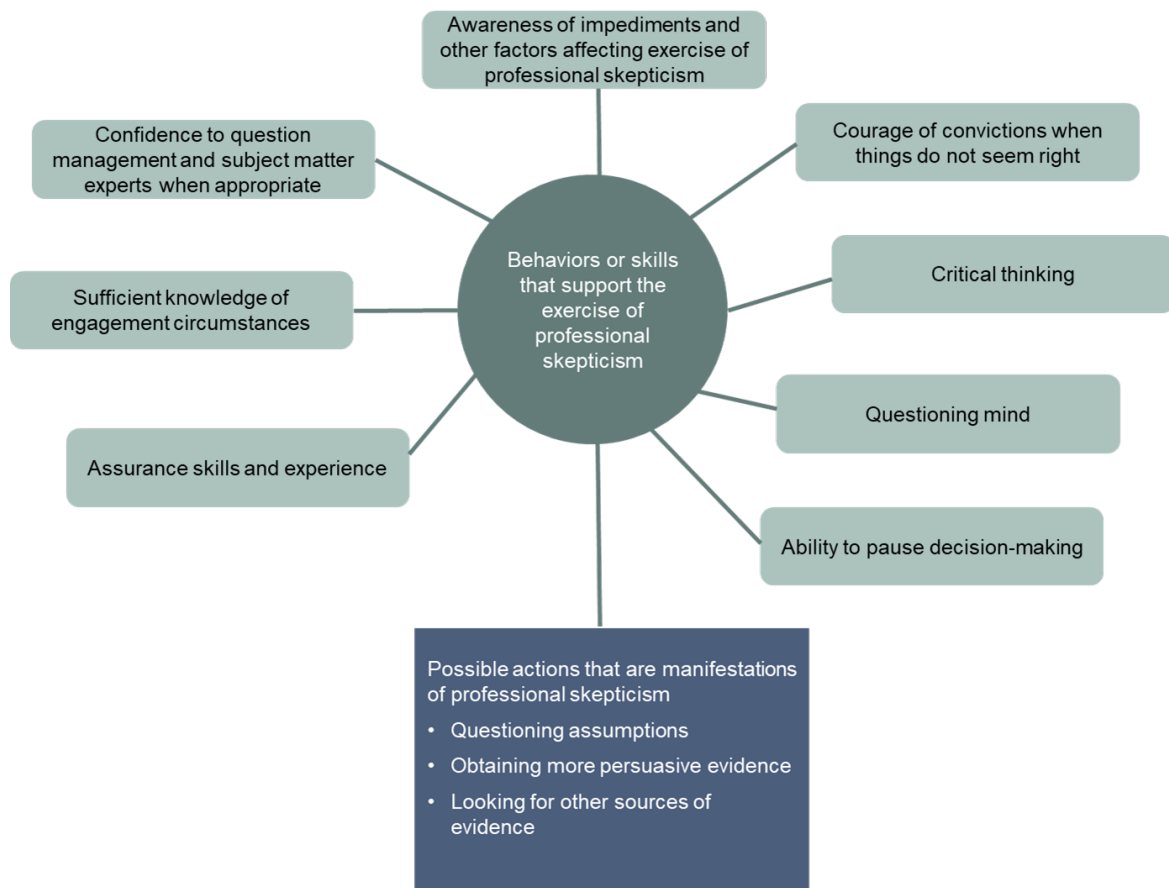
Example: Insufficient industry knowledge impeding professional skepticism

A mining company reports on its alignment with the UN Sustainable Development Goals ("SDGs"). It has elected to leave out of its reporting No Poverty (SDG1), Zero Hunger (SDG2), and Life Below Water (SDG14).

In determining whether the scope of the assurance engagement is appropriate, the practitioner is required to determine whether it is appropriate for the entity to omit information, such as that relating to the three goals noted above. For example, the entity may have chosen to report on SDGs where the entity has taken positive action but is neglecting to report on SDGs where the entity's impact has been negative.

If the practitioner was unaware that the mining company's production processes could be contaminating water sources, the practitioner may fail to question why the entity had not included reporting on SDG14. Similar considerations might apply in the case of other omitted SDGs. The practitioner may mitigate this impediment by including members of the engagement team with a sound knowledge of the industry, business and other engagement circumstances to be able to exercise professional skepticism and appropriately challenge the topics selected to be included in the sustainability information.

57. The diagram below indicates both the behaviors and skills that may support the exercise of professional skepticism, and that might be able to be applied in situations such as those illustrated in the examples above.

Diagram B.4 – Behaviors or Skills That May Support the Exercise of Professional Skepticism

58. The example below illustrates how some of the behaviors and skills set out in the diagram above may support the exercise of professional skepticism.



Example: Applying professional skepticism by questioning assumptions

An engagement team member inquires about the decrease in an entity's GHG emissions and waste generated since the previous year. Management explains that the decrease in those metrics was in large part attributable to a significant decrease in production in the current year resulting from a mandatory lockdown due to a disease outbreak.

While this response may seem plausible in certain sectors, the entity is in the food production business, producing tinned and dry foods. The engagement team member, showing a questioning mind (a behavior expressing an attitude) and awareness of the wider engagement circumstances (knowledge and skills), suggests that, during lockdown, those items might have been expected to be in greater demand than usual. The team member, showing critical thinking (behavior) and awareness of the connection of the GHG emissions to production and financial reporting records (knowledge and skills), suggests that, before speaking to management again, the team might look at the entity's sales records to see if sales have increased or decreased (i.e., the action flowing from the exercise of professional skepticism is that the team will look for other sources of evidence).

As expected, sales have increased, particularly during the first quarter of the year, which is historically a quiet period after the festive season. The engagement team proposes to follow up with management to obtain an explanation about how sales have increased if production decreased, and, if necessary, to ask for inventory records at the end of the previous period to check whether high inventory levels could explain high sales without a corresponding increase in production. Their proposed approach to question management and obtain further evidence (actions) shows the ability to pause their decision-making (behavior) and are willing to ask further questions (action) when things do not seem right or do not make sense in light of what they know.

The engagement team member exercised professional skepticism by not accepting management's explanation at face value, even though in other circumstances it may have sounded plausible. Demonstrating the exercise of professional skepticism, suggesting actions and explaining the reasons for those actions also assists in important coaching and on-the-job training of less experienced engagement team members (action).

Professional Judgment



Professional judgment: *The application of relevant training, knowledge, and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.*

59. Practical experience, coaching and on-the-job training may be important in developing the ability to exercise professional judgment, including through the example set by engagement leaders, and through more experienced engagement team members providing appropriate direction, supervision and review to less experienced engagement team members.



Example: Applying professional judgment in understanding the sustainability information to be reported

An entity has engaged the practitioner to conduct an assurance engagement on its sustainability information, asserting that they have complied with a reporting framework that requires, among other matters, an entity's impacts on the environment and society to be disclosed and, where appropriate, quantified.

During discussions with management to understand the sustainability matters and sustainability information as part of their risk assessment procedures, the practitioner finds that the entity has just started operations under a new license to mine for copper in a fragile ecosystem. The entity has not disclosed any information about the environmental or social impacts of the new mining operation, on the basis that the infrastructure is not fully completed, operations have only just begun, and the mine is immaterial in the context of the entity's global operations, which include much bigger platinum and gold mines with material emissions and toxic waste, operating near larger communities that may be negatively affected.

The practitioner inquires of management about the exclusion of the environmental and social impacts of the new mining operation, including whether the impacts might be significant to the

intended users. The practitioner is of the view that, even if not material quantitatively, there are qualitative factors to be considered, including the effect on the fragile ecosystem, its biodiversity, and on the local indigenous people, whose community is located close to the mine site. Those matters, in turn, could have an impact on the entity in the future. In the practitioner's professional judgment, information about the new mining operation could be important to the information needs of the intended users and therefore material, so requests that management report on the impacts of this mine site.

Firm-level Quality Management

60. ISSA 5000 includes a fundamental premise that the practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1, or 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.

ISSA 5000
Para. 6

61. The rationale for this premise is that appropriate quality management within firms that perform assurance engagements is widely recognized as being in the public interest and an integral part of high-quality assurance engagements. ISSA 5000 has been written in the context of a range of measures taken to support the quality of assurance engagements, including the responsibilities of the firm to design, implement and operate a system of quality management for assurance engagements. Note that a similar premise applies with respect to relevant ethical requirements. This is further explained in the engagement-level quality management guidance below.

ISSA 5000
Para. 7



Who determines whether the quality management requirements applied by the firm are at least as demanding as ISQM 1?

62. If the engagement leader who is performing the engagement is not a member of a firm that is subject to or otherwise applies ISQM 1, ISSA 5000 makes clear that the determination of whether professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management are at least as demanding as ISQM 1 needs to have been made by an appropriate authority in the jurisdiction.



Who is considered to be an appropriate authority?

63. 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.

ISSA 5000
Para. A74

64. An accreditation organization is an authoritative body that performs accreditation. Such authority is usually derived from government or other regulatory bodies. Generally, an accreditation body's function is to assess, against internationally agreed standards, organizations that provide certification, testing, inspection and calibration services (collectively, commonly known as conformity assessment bodies). Accreditation may also demonstrate the competence and performance capability of these organizations.



How does an appropriate authority decide what is “at least as demanding?”

65. This would be a matter for the appropriate authority in a jurisdiction. However, it is anticipated that where a jurisdiction has quality management requirements that have been developed within the jurisdiction, either through applicable law, regulation or standard-setting activities, an appropriate authority would be expected to conduct some form of comparison or other assessment to determine whether the elements of ISQM 1 as set out in ISSA 5000 are adequately reflected in those jurisdictional requirements.



Do professional requirements, or requirements in law or regulation need to have the same objectives and requirements as ISQM 1 to be deemed at least as demanding?

66. Not necessarily. Paragraph A69 of ISSA 5000 describes the matters addressed in ISQM 1, including the responsibilities of the firm for establishing quality objectives, identifying and assessing risks to the achievement of the quality objectives, and designing and implementing responses to address such risks. Paragraph A70 further describes the eight components of a system of quality management as set out in ISQM 1.
67. ISSA 5000 recognizes that professional requirements, or requirements in law or regulation other than ISQM 1 may not mirror exactly the components, objectives and requirements of ISQM 1. However, for such requirements to be determined by an appropriate authority as being at least as demanding as ISQM 1, those requirements need to address all the matters described below and impose obligations on the firm that achieve the aims of the objectives and requirements of ISQM 1:
- Establishing quality objectives and identifying and assessing risks to the achievement of quality objectives relevant to:
 - The firm's risk assessment process;
 - Governance and leadership;
 - Compliance with relevant ethical requirements;
 - Acceptance and continuance of client relationships and specific engagements;
 - Engagement performance;
 - Resources; and
 - Information and communication.
 - Designing and implementing responses to address assessed risks;
 - Inclusion of responses that are consistent with the specified responses set out in ISQM 1;
 - Establishing policies or procedures addressing engagements that are required to be subject to engagement quality reviews;
 - Establishing a monitoring and remediation process designed to:
 - Provide the firm with relevant, reliable and timely information about the design, implementation, and operation of the system of quality management.

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Para. A69-A70

- Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.



If a firm does not apply ISQM 1 and an appropriate authority has not made a determination that other requirements are at least as demanding as ISQM 1, can a firm still assert compliance with ISSA 5000?

68. No. If a jurisdiction does not require the use of ISQM 1 and an appropriate authority has not made a determination that other requirements are at least as demanding, the practitioner would not be in a position to be able to assert compliance with ISSA 5000. In such circumstances, a firm may wish to engage with the appropriate authority(ies) or professional body(ies) in their jurisdiction about any plans for making such a determination as envisaged by ISSA 5000.



Can a firm or engagement leader determine that requirements are at least as demanding as ISQM 1 if an appropriate authority has not made a determination?

69. No. In finalizing ISSA 5000, the IAASB was mindful of the need for robustness in any determination that professional requirements, or requirements in law or regulation other than ISQM 1 are at least as demanding as ISQM 1, and the need to safeguard quality and consistency within a jurisdiction with respect to this significant judgment. Consequently, a firm or engagement team is not permitted to make a determination that professional requirements, or requirements in law or regulation other than ISQM 1 are at least as demanding as ISQM 1. Such a determination needs to be made by an appropriate authority within a jurisdiction.

Engagement-level Quality Management

Overall Responsibility for Managing and Achieving Quality

70. ISSA 5000 requires the engagement leader to take overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement such that the engagement leader has the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement.

ISSA 5000
Para. 31

71. ISSA 5000 includes requirements that are expressly intended to be fulfilled by the engagement leader, which are expressed as “the engagement leader shall...”. The standard also includes requirements for which the engagement leader is permitted to assign the design or performance of procedures, tasks or actions to appropriately skilled or suitably experienced members of the engagement team. Such requirements are expressed as “the engagement leader shall take responsibility for...”.

ISSA 5000
Para. A76

72. When the engagement leader assigns the design or performance of procedures, tasks or actions related to a “shall take responsibility” requirement of the ISSA to other members of the engagement team to assist the engagement leader in complying with those requirements, ISSA 5000 requires the engagement leader to direct and supervise those members of the engagement team in fulfilling those assigned procedures, tasks or action, and to review their work. This is premised

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Para. 32

on the overall principle of taking responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.



Can the engagement leader receive assistance from others, including the firm, in fulfilling requirements that are expressly intended to be the responsibility of, or fulfilled by, the engagement leader?

73. Yes. The engagement leader may obtain information from the firm or other members of the engagement team to assist them in fulfilling these requirements of the standard.



Example: Threats to compliance with relevant ethical requirements

ISSA 5000 requires the engagement leader to take appropriate action if matters come to their attention that indicate that a threat to compliance with relevant ethical requirements exists or when there is evidence of breaches of relevant ethical requirements by members of the engagement team.

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Para. 36-37

The firm's policies and procedures may require all staff to complete independence questionnaires or log all financial interests on centralized firm systems. The firm may therefore, through its system of quality management, provide engagement leaders with information or notifications of any matters that arise that may potentially represent a threat to compliance with relevant ethical requirements to enable them to fulfill these requirements.



What does sufficient and appropriate involvement mean in practice?

74. Sufficient and appropriate involvement means that the engagement leader is actively involved in the significant judgments and conclusions reached that need to be made on the engagement. Being sufficiently and appropriately involved throughout the engagement may be demonstrated by the engagement leader in various ways. The following examples are a non-exhaustive list of some common activities that help demonstrate sufficient and appropriate involvement, when applicable to the engagement circumstances, and when adequately reflected through appropriate documentation in the engagement file:

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Para. A75



Examples: Sufficient and appropriate involvement of the engagement leader

- Leading engagement team planning meetings, including the discussion of risks of material misstatement due to fraud.
- Discussing and agreeing materiality for disclosures.
-  Involvement in engagement scoping decisions, including the identification of components where assurance work is to be performed in a group engagement.
- Timely discussions with the engagement quality reviewer.

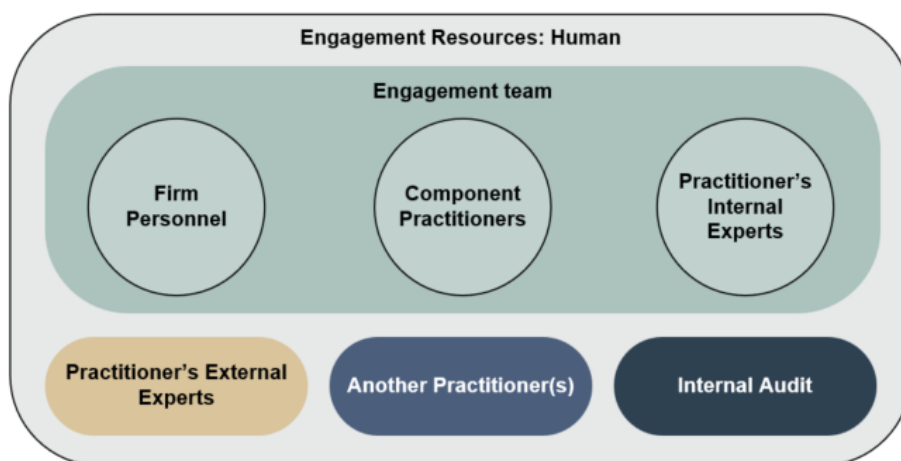
- Reading and providing comments on the sustainability information documents prepared by the entity.

Engagement Resources

75. The engagement leader is also required to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement.
76. Engagement resources include human, technological and intellectual resources. Given the nature of a sustainability assurance engagement, a range of human resources may need to be engaged to perform the engagement, as shown below:

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Diagram B.5 – Engagement Human Resources and the Engagement Team



Engagement team: The engagement leader and other personnel performing the engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner's external expert and internal auditors who provide direct assistance on the engagement.

ISSA 5000
Para. 18

77. The engagement team collectively is required to have the appropriate competence and capabilities in assurance skills and techniques and sustainability competence to perform the sustainability assurance engagement. See further guidance in **Part C – Acceptance and Continuance of the Engagement, Including Preconditions for Assurance**.
78. Members of the engagement team are also subject to direction, supervision and review requirements specified in ISSA 5000, which support overall engagement quality management. ISSA 5000 provides clear requirements and related application guidance on the expected direction and supervision of the engagement team and review of the work performed. Consequently, these matters are not further explained in this Guide.

ISSA 5000
Para. 46-49

79. ISSA 5000 also includes separate requirements related to using the work of internal audit (ISSA 5000 Para. 59) (not addressed in this Guide) and using the work of a practitioner's external expert (ISSA 5000 Paras. 56-58 – see further guidance in **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others**. Members of an entity's internal audit function, when using their work, and practitioner's external experts that have been engaged by the firm, are not members of the engagement team as they are not performing assurance procedures on the engagement under the direction, supervision and review of the engagement leader.

ISSA 5000
Para. 56-59

Component Practitioners and Another Practitioner(s)

80. ISSA 5000 explains that a firm other than the practitioner's firm may be involved in performing the sustainability assurance engagement. When the practitioner intends to obtain evidence from using the work of a firm other than the practitioner's firm, ISSA 5000 requires the engagement leader to determine whether they can be sufficiently and appropriately involved in the work of that other firm. This is consistent with their overall responsibility for managing and achieving quality and for being sufficiently and appropriately involved in the engagement (see paragraph 70 above).
81. When the practitioner is able to be sufficiently and appropriately involved in the work of another firm, that firm is a component practitioner:



Component practitioner: A firm that performs assurance work related to a component for purposes of the sustainability assurance engagement, and the practitioner is able to be sufficiently and appropriately involved in that work. References to a component practitioner include, when applicable, individuals from that firm. The individuals from a component practitioner who perform the work are members of the engagement team.

ISSA 5000
Para. 18

82. When the practitioner is **not** able to be sufficiently and appropriately involved in the work of another firm, that firm is another practitioner:



Another practitioner: A firm, other than the practitioner's firm, that performs work that the practitioner intends to use for purposes of the sustainability assurance engagement and the practitioner is unable to be sufficiently and appropriately involved in that work.

ISSA 5000
Para. 18

For purposes of the ISSAs:

- (a) 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.
- (b) 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 are also not practitioner's experts.

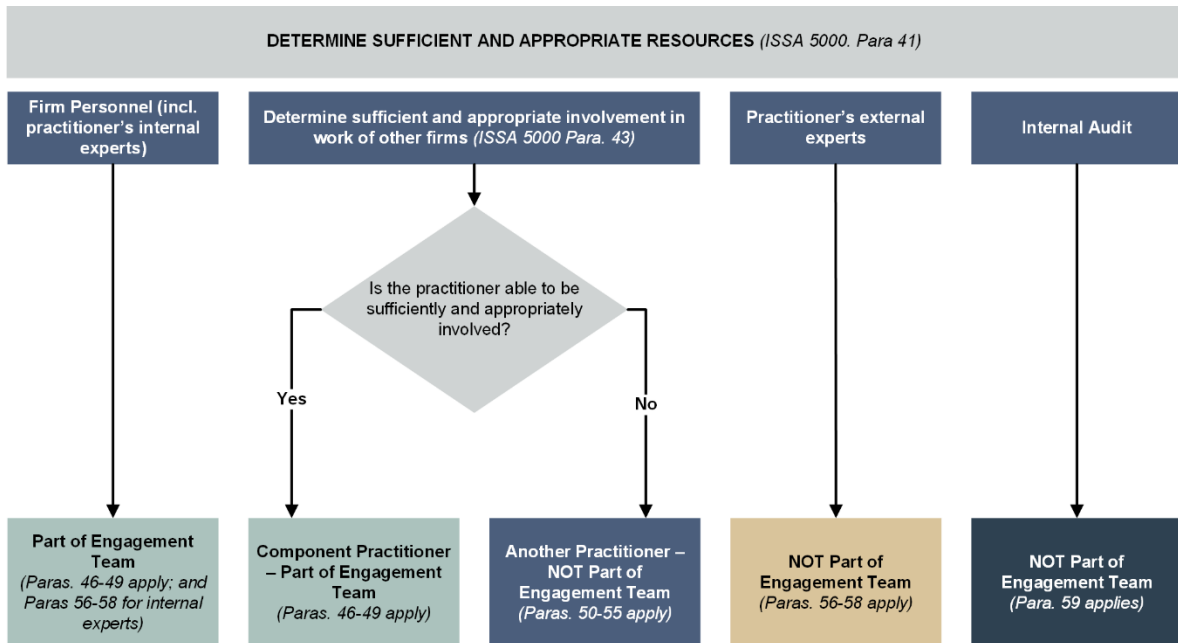
(c) *References to using the work of another practitioner include, when applicable, work performed by individuals from that other firm.*

83. ISSA 5000 provides examples of circumstances in which the practitioner may not be able to be sufficiently and appropriately involved in the work of another firm. For example, an inability to be sufficiently and appropriately involved in the work of a firm other than the practitioner's firm may arise because the work has already been performed, the practitioner's access to the work of that firm is restricted by law or regulation, or the work relates to a value chain component and neither the entity's management nor the practitioner have any rights of access to that other firm's work.

ISSA 5000
Para. A106

84. The following diagram depicts the applicable requirements relating to engagement resources in ISSA 5000:

Diagram B.6 – Engagement Human Resources and Applicable Requirements



85.  **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others** includes specific guidance on group sustainability assurance engagements, including the definitions of “group sustainability information” and “component,” and addresses further questions relating to the use of component practitioners, including expectations with respect to the practitioner being sufficiently and appropriately involved in the work of components that are within the reporting entity's control. **Part D** also includes detailed guidance on the requirements of ISSA 5000 applicable to using the work of another practitioner.



Is the concept of sufficient and appropriate involvement different in the context of a firm other than the practitioner's firm (e.g., component practitioners) as compared to involvement with firm personnel?

86.  No. This concept applies irrespective of who performs the assurance work. Additional factors that may need to be considered for component practitioners may include where those practitioners are geographically located, the ability to get access to review their work, whether information can be sent outside the territory of the component practitioner, or how to address any language differences. The extent of involvement will be influenced by the nature and extent of the work being performed by the component practitioner in the overall context of the group sustainability assurance engagement and the assessed risks of material misstatement of the component sustainability information. See further guidance and examples in **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others**.



If another engagement team from the practitioner's own firm has conducted a separate assurance engagement, can they be another practitioner?

87.  Yes. Although it may be expected that a firm would have knowledge of all assurance engagements it has performed for an entity, ISSA 5000 acknowledges that it may be possible that a separate engagement on sustainability information may have been performed by another office of the practitioner's firm, or by a network firm. This may be more likely, for example, in a larger firm spread over a wide geographical area. **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others** addresses specific guidance on group sustainability assurance engagements and includes an example of a situation in which another office in the practitioner's firm may be deemed (at least initially) to be another practitioner (see **Part D**, paragraph 237).



Are network firms always considered component practitioners?

88.  Not necessarily. As explained above, whether another firm is considered to be a component practitioner is dependent upon whether the group engagement leader is able to be sufficiently and appropriately involved in the work to be performed at a component. When another firm has not yet undertaken any work in relation to a component, if the work is to be undertaken by a network firm, it may be expected that the practitioner would be able to direct, supervise and review that work and be sufficiently and appropriately involved and therefore the network firm would be a component practitioner. However, as explained above, if the practitioner responsible for the group sustainability assurance engagement (referred to in this Guide as the "group practitioner") intends to use evidence from a separate sustainability assurance engagement that has already been completed by a network firm, the group practitioner will not be able to be sufficiently and appropriately involved in that work. In such cases, the other network firm would be another practitioner.



Will another firm performing a separate engagement always be deemed another practitioner?

89. No. While the existence of a separate engagement that has already been completed is likely to be the most common reason why a practitioner cannot be sufficiently and appropriately involved in the work of another firm (for example, in the first year of a sustainability assurance engagement), if

another firm has not yet commenced that other engagement, the practitioner may be able to arrange with that firm to be sufficiently and appropriately involved in their work such that they become a component practitioner.



What other reasons might lead another firm to be considered another practitioner?

90. There may be other factors, as explained above, that could create barriers to the practitioner's ability to be sufficiently and appropriately involved, such as law or regulation prohibiting the transfer of information outside of a jurisdiction, confidentiality or privacy laws, or a general inability to access the work of another firm.



Example: Restrictions on ability to supervise and review the work of others

The other firm is located in a jurisdiction with strict confidentiality and privacy laws that prohibit the other firm from providing access to documents, work papers or evidence to individuals outside the borders of the jurisdiction, restricting the practitioner's ability to supervise and review the work of the firm. Note, however, in such circumstances, it may also not be possible to comply with the requirements applicable to using the work of another practitioner due to such restrictions.

Complying with Relevant Ethical Requirements, including Those Related to Independence

91. ISSA 5000 includes a second fundamental premise 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 IESBA Code related to sustainability assurance engagements, or professional requirements, or requirements in law or regulation, that are at least as demanding as the IESBA Code.

ISSA 5000
Para. 6

92. The rationale for this premise is that compliance with ethical principles, including independence requirements, is widely recognized as being in the public interest and an integral part of high-quality assurance engagements.

ISSA 5000
Para. 7



Who determines whether relevant ethical requirements to which the firm is subject are at least as demanding as the IESBA Code?

93. If the jurisdiction or the firm do not follow the IESBA Code, ISSA 5000 makes clear that the determination of whether professional requirements, or requirements in law or regulation, addressing relevant ethical requirements for assurance engagements are at least as demanding as the IESBA Code needs to have been made by an appropriate authority in the jurisdiction.



Who is considered to be an appropriate authority?

94. ISSA 5000 explains 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.

ISSA 5000
Para. A63



How does an appropriate authority decide what is “at least as demanding?”

95. This would be a matter for the appropriate authority in a jurisdiction. However, it is anticipated that where a jurisdiction has specific relevant ethical requirements, including independence requirements, that have been developed within the jurisdiction, either through applicable law, regulation or standard-setting activities, an appropriate authority would be expected to conduct some form of comparison or other assessment to determine whether the elements of the IESBA Code as set out in ISSA 5000 are adequately reflected in those jurisdictional requirements.



Do professional requirements, or requirements in law or regulation need to have the exact same requirements as the IESBA Code to be deemed at least as demanding?

96. No. ISSA 5000 recognizes that professional requirements, or requirements in law or regulation other than the IESBA Code may not mirror exactly the detailed individual requirements of the IESBA Code. However, for such requirements to be determined by an appropriate authority as being at least as demanding as the IESBA Code, those requirements would need to address all the matters described below and impose obligations on the firm that achieve the aims of the requirements of the IESBA Code:

ISSA 5000 Para.
A58-A59, A62

- Establishing fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
- Requirements addressing how a practitioner complies with such fundamental principles.
- How to identify threats to compliance with fundamental principles, including threats related to:
 - Self-interest;
 - Self-review;
 - Advocacy;
 - Familiarity; and
 - Intimidation
- Requirements addressing potential threats to compliance arising from specific topics, including:
 - Conflicts of interest.
 - Professional appointments.
 - Second opinions.
 - Fees and other types of remuneration.
 - Inducements, including gifts and hospitality.
 - Custody of client assets.
 - Responding to non-compliance with laws and regulations.
- Evaluating whether any threats identified are at an acceptable level and, if not, addressing them by eliminating the circumstances that create the threats, applying safeguards to reduce

threats to an acceptable level, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation

- Requirements addressing independence from the entity subject to the assurance engagement and its related entities, including, where applicable, which entities such requirements apply to.
- Such independence requirements would need to address specific matters that may affect or influence the practitioner's independence, including:
 - Fees.
 - Gifts and hospitality.
 - Actual or threatened litigation.
 - Financial interests.
 - Loans and guarantees.
 - Business relationships.
 - Family and personal relationships.
 - Recent service with an assurance client.
 - Serving as a director or officer of an assurance client.
 - Employment with an assurance client.
 - Long association of personnel with an assurance client.
 - Provision of non-assurance services to an assurance client.



If a firm does not follow the IESBA Code and no determination of equivalence of other requirements to the IESBA Code has been made by an appropriate authority in a jurisdiction, can a firm still assert compliance with ISSA 5000?

97. No. If a jurisdiction does not require the use of the IESBA Code and no determination of equivalence of other requirements to the IESBA Code has been made by an appropriate authority, the practitioner would not be in a position to be able to assert compliance with ISSA 5000. In such circumstances, a firm may wish to engage with the appropriate authority(ies) or professional body(ies) in their jurisdiction about any plans for making such a determination as envisaged by ISSA 5000.



Can a firm or engagement leader determine that requirements are at least as demanding if an appropriate authority has not made a determination?

98. No. In finalizing ISSA 5000, the IAASB was mindful of the need for robustness in any determination that professional requirements, or requirements in law or regulation other than the IESBA Code are at least as demanding as the IESBA Code, and the need to safeguard quality and consistency within a jurisdiction with respect to this significant judgment. Consequently, a firm or engagement team is not permitted to make a determination that professional requirements, or requirements in law or regulation other than the IESBA Code are at least as demanding as the IESBA Code. Such a determination needs to be made by an appropriate authority within a jurisdiction.

Evidence



Evidence: Information, after applying assurance procedures, that the practitioner uses to draw conclusions that form the basis for the practitioner's assurance conclusion and report.

ISSA 5000
Para. 18

- Sufficiency of evidence is the measure of the quantity of evidence.
- Appropriateness of evidence is the measure of the quality of evidence.

Evidence Fundamentals

99. Information intended to be used as evidence may come from sources internal to the entity or sources external to the entity), which may affect the availability, accessibility and understandability of that information. ISSA 5000 provides examples of different possible sources of information. The information may come from the entity's records, management or other sources internal to the entity, or from other entities within the entity's control or entities in the value chain. The information may also come from other sources such as: a management's expert, practitioner's expert, a service organization, independent sources external to the entity (i.e., legal counsel, bank, etc.), or another practitioner.

ISSA 5000
Para. A255

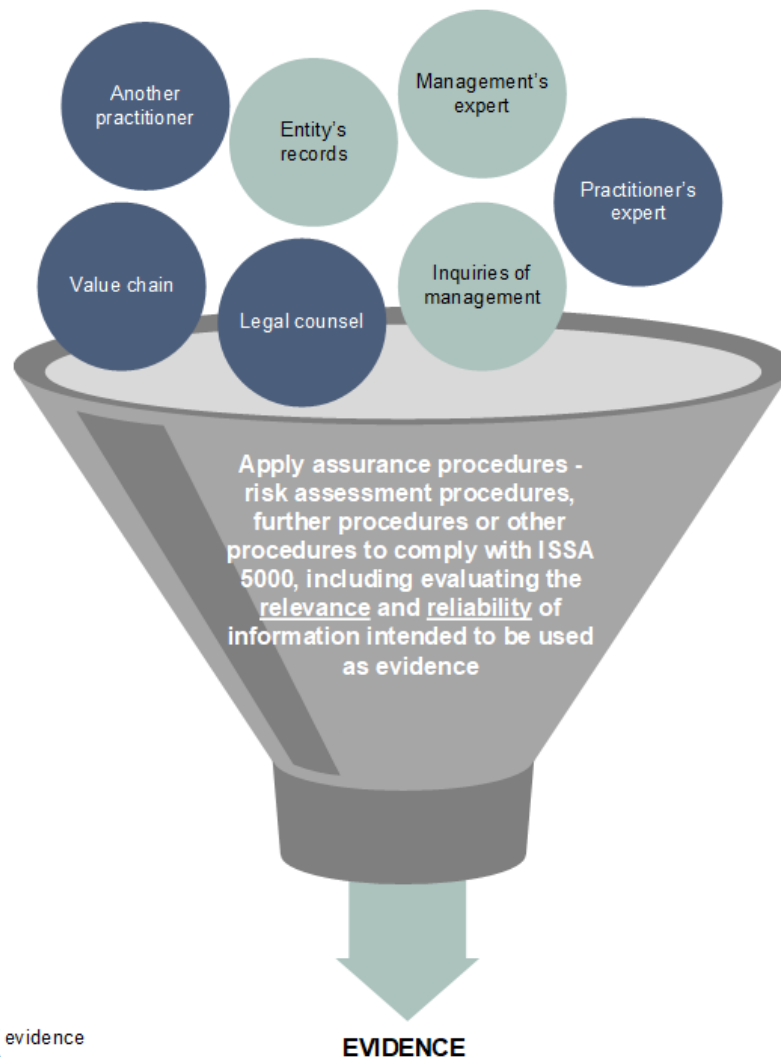
Diagram B.7 – An overview of how information becomes evidence

Information intended to be used as evidence when designing and performing procedures

Information intended to be used as evidence may come from different sources, for example: (see paragraph A255 in ISSA 5000 for examples of sources)

Internal

External



The quality of evidence depends on the relevance and reliability of the information upon which it is based (Para. A258 – A263)

Attributes

- Relevance
- Reliability
 - Accuracy
 - Completeness
 - Authenticity
 - Free from Bias
 - Credibility

Sufficient Appropriate Evidence

Measure of the **quantity and quality** of evidence in providing a basis for the practitioner's assurance conclusion

100. ISSA 5000 requires the practitioner to evaluate the relevance and reliability of information intended to be used as evidence when designing and performing procedures. Paragraph A246 of ISSA 5000 indicates that factors that may influence the nature, timing and extent of procedures to evaluate the relevance and reliability of information intended to be used as evidence, include:

ISSA 5000
Para. 90

- The source of the information; and
- The attributes of relevance and reliability of the information that are considered applicable in the circumstances.

101. Factors that may be important when considering the relevance and reliability of information obtained from an external information source, in addition to those provided in paragraph A261 of ISSA 5000, may include:

- The competence and reputation of the external information source with respect to the information, including whether the information is routinely provided by a source with a track record of providing reliable information.
- Whether there is disclosure of the basis of information used by the external information source, and the methods used in preparing the information; for example, a pricing agency may compile pricing data and report an external market price, but may not control how the information is prepared at its original source.
- Whether the information is suitable for use in the manner in which it is being used, was developed taking into account applicable frameworks or criteria, or uses information that was prepared on a consistent basis by underlying entities; for example, ratings agencies may publish companies' ESG ratings, but may be using information that has not been prepared on a consistent basis among those companies, or may have used models in the absence of actual company information.
- The nature and authority of the external information source; a central bank or government office with a legislative mandate to provide information to the public is likely to be an authority for certain types of information, for example the Intergovernmental Panel on Climate Change is generally regarded as an authoritative source on climate-related scenarios.
- Alternative information that may contradict the information used, for example there may be other, similar sources of the external information available; when similar sources report very different ranges of information, that may raise questions for the practitioner.

102. Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. However, if the practitioner identifies conditions that cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner is required to investigate further and determine the effect on the rest of the evidence obtained. Paragraph A273 of ISSA 5000 provides possible procedures to investigate further. Paragraph A274 of ISSA 5000 provides factors or circumstances more broadly that may give rise to doubts about the reliability of the information intended to be used as evidence.

ISSA 5000
Para. 93



What affects the sufficiency and appropriateness of evidence needed to support the assurance conclusion?

103. The practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness. Sufficiency and appropriateness of evidence are interrelated and together affect the persuasiveness of evidence. Ordinarily, evidence will be persuasive rather than conclusive.
104. Sufficiency is a measure of the quantity of evidence, while appropriateness of evidence refers to its quality. The quality of evidence depends on the relevance and reliability of the information intended to be used as evidence as well as the effectiveness of the design of the assurance procedures and the practitioner's application of those procedures.
105. Information that is more relevant and reliable ordinarily is of a higher quality and, therefore, may provide more persuasive evidence. If the evidence is more persuasive, the practitioner may

determine that the evidence is sufficient in providing support for the practitioner's conclusions. Alternatively, when evidence is less persuasive, the practitioner may determine that additional evidence is needed. However, increasing the quantity of evidence by performing the same type of procedures may not provide more persuasive evidence in all circumstances.

106. In practice, the evidence-gathering process is iterative, and the considerations affecting the judgments as to what constitutes sufficient appropriate evidence may be revisited as new information comes to light during the engagement.
107. The nature of the engagement (limited assurance versus reasonable assurance) will impact the nature and extent of procedures and therefore the evidence obtained. However, regardless of the level of assurance, sufficient appropriate evidence is needed to support the assurance conclusion for the engagement.
108. **Part H – Concluding and Reporting** addresses the practitioner's evaluation of the sufficiency and appropriateness of the evidence obtained as part of forming the assurance conclusion.



What should the practitioner consider when designing and performing procedures to obtain sufficient appropriate evidence?

109. In addition to the guidance in paragraphs A229-A231 of ISSA 5000, the practitioner may also consider the following when designing and performing procedures to obtain sufficient appropriate evidence.

ISSA 5000
Para. A229-
A231



Practitioner's Considerations

Considerations when designing and performing procedures to obtain sufficient appropriate evidence may include the following:

- What will the procedure achieve? For example, will it provide evidence about whether an event affecting the sustainability information has occurred or whether the sustainability information is complete? The purpose of the procedure may affect the "direction" of the procedure, for example whether it is performed from the reported sustainability information to another source (occurred), or from the other source to the reported sustainability information (is complete).
- Is aggregation risk and performance materiality a relevant consideration in designing or performing the procedure?
- How much evidence would need to be obtained and from which of the available sources? For example, when the assessed risk of material misstatement is high, or if each available source provides only some, but not enough, evidence on its own, the practitioner may seek to obtain more evidence than when the assessed risk of material misstatement is low or may seek to obtain evidence from more than one available source.
- What is the nature, timing and extent of the procedures, and how might that affect the resources needed on the engagement team, including any practitioner's experts?



What challenges could practitioners face in designing and performing evidence-gathering procedures?

110. The following factors can create challenges for practitioners in designing and performing evidence-gathering procedures, and in deciding on how much evidence is enough to support the assurance conclusion:

- Sustainability information may include both financial and non-financial information, and information presented may be qualitative or quantitative. It also may be presented in different formats, for example, text, charts, graphs, diagrams, images or embedded videos.
- The sustainability information may include estimates and forward-looking information that may be subject to inherent measurement or evaluation uncertainty.
- The sustainability information may be supported mostly by internally generated information with no opportunity for the practitioner to corroborate the information with an external party. In this case, completeness of the sustainability information can be difficult to test, particularly if a reciprocal population is not available as an alternative source to test (i.e., the double entry accounting system is not always used or needed when reporting sustainability information).
- Sustainability assurance engagements may also include information obtained from sources external to the entity, for example, from other entities within the entity's value chain, from agencies such as carbon offset registries, organizations providing information such as CO2 conversion factors used in calculating or valuing the underlying subject matter, or organizations providing industry benchmarking data. The entity may also outsource some of its activities to third party organizations, for example, to carry out surveys on its behalf, or to analyze the quality of effluent from its operations.
- The entity's process to prepare the sustainability information and other components of the entity's system of internal control over the preparation of the sustainability information relevant to the engagement may often be less than fully developed, particularly when an entity first starts to prepare its sustainability information. In addition, there may not be the same rigor of control over qualitative information as over quantitative information.



What does sufficient appropriate evidence look like in relation to information from a value chain entity and is that different to information from an entity within the reporting entity's control?

111. The fact that sustainability information may include information from the entity's upstream or downstream value chain does not change the practitioner's responsibility for obtaining sufficient appropriate evidence. However, there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control. In these circumstances, the practitioner's evaluation of the relevance and reliability of this information may be affected. 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). Regardless of any limitations on management's ability to obtain information from value chain entities, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management. Paragraph A290

ISSA 5000
Para. A252,
A290

of ISSA 5000 describes procedures that may be considered by the practitioner in these circumstances, including testing management's process for obtaining such information.

112. Due to the limitations that may exist in obtaining information from the entity's upstream or downstream value chain, the practitioner's procedures may in some cases be limited to evaluating whether management has complied with the requirements of the criteria and testing the reasonableness of such information. The practitioner may also seek to obtain evidence from the work of another practitioner if work has been performed on that information. This may include use of a one-to-many report. See also **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others.**

ISSA 5000
Para. 51

Materiality

113. Materiality is a user-driven concept – that is, materiality is affected by perceptions of the information needs of intended users of the sustainability information. Unless the sustainability reporting framework (or other applicable criteria) defines or describes it differently, the concept of materiality ordinarily includes the following principles:
- Judgments about matters that are material to intended users of the sustainability information are based on a consideration of the common information needs of intended users as a group.
 - Misstatements, including omissions, are considered material if they, individually or in the aggregate, could reasonably be expected to influence decisions of intended users taken on the basis of the sustainability information.
114. Both the entity and the assurance practitioner make judgments about materiality in this context.
115. 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. In this context, it is reasonable for the practitioner to assume that intended users:
- Have a reasonable knowledge of the sustainability matters, and a willingness to study the sustainability information with reasonable diligence;
 - Understand that the sustainability information is prepared and assured to appropriate levels of materiality and have an understanding of any materiality concepts included in the applicable criteria;
 - Understand any inherent uncertainties involved in measuring or evaluating the sustainability matters; and
 - Make reasonable decisions on the basis of the sustainability information.
116. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is ordinarily not considered.



What is the difference between the entity's process to identify sustainability information to be reported (sometimes referred to as the entity's "materiality process") and the practitioner's application of materiality in planning and performing the engagement?

117. As explained in paragraph 113-114 above, the concept of materiality is the same for the entity and the practitioner (i.e., it is a user-driven concept, that is, it is affected by perceptions of the information needs of intended users of the sustainability information). Both the entity and the assurance practitioner make judgments about materiality in the context of the information needs of intended users, and requirements of the reporting framework may provide a frame of reference for the entity's and assurance practitioner's judgments about materiality (e.g., financial materiality, impact materiality or both).
118. The entity's process to identify sustainability information to be reported is focused on identifying the sustainability topics or aspects of topics relevant to users, and then applying materiality to determine which information about relevant topics or aspects of topics is material and therefore needs to be reported. In applying materiality, the entity also considers the level of detail in the disclosures to meet the information needs of intended users. The practitioner considers the entity's process at various times throughout the engagement, as illustrated in Appendix 2 of ISSA 5000.
119. The practitioner considers (for qualitative disclosures) or determines (for quantitative disclosures) materiality when identifying and assessing the risks of material misstatement, designing and performing further procedures in response to assessed risks, and in evaluating identified misstatements of the sustainability information. See **Part E –Planning** for further guidance on the practitioner's application of materiality for purposes of planning and performing the engagement.
120. In the context of evaluating identified misstatements, both management and the practitioner share a similar objective, i.e., evaluating whether identified misstatements, individually or in the aggregate, would cause the sustainability information to be materially misstated. Management's perspective on what is deemed to be a material misstatement may differ from the practitioner's view, but ultimately any difference in views about whether the sustainability information is materially misstated would need to be resolved, or it may lead to a modified assurance conclusion. **Part H – Concluding and Reporting** addresses the practitioner's evaluation of uncorrected misstatements and the implications for the assurance report if the practitioner concludes that the sustainability information is materially misstated.



How are intended users and information needs of those intended users identified?

121. When the entity is deciding what sustainability information to report (i.e., the entity's process to identify sustainability information to be reported), management takes into account their understanding of the intended users of the sustainability information and their information needs.
122. ISSA 5000 defines "intended users" as follows:



Intended users: *The individual(s) or organization(s), or group(s) thereof, that the practitioner expects will use the sustainability assurance report. In some cases, there may be intended users other than those to whom the sustainability assurance report is addressed.*

ISSA 5000
Para. 18

123. The practitioner may not be able to identify all those who will read the assurance report, particularly when a large number of people have access to it. In such cases, particularly when possible users are likely to have a broad range of interests in the sustainability matters, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and management or those charged with governance, or by law or regulation.
124. The information needs of the intended users may be specified. For example, in some cases, certain users (for example, lenders) may request that an assurance engagement be performed on sustainability information that has been prepared using criteria that are designed for a specific purpose. In other cases, the entity may have gone through a process to test the topics they have identified with relevant stakeholders such as through a survey or consultation mechanism. The practitioner may consider the process the entity followed to inform them of what may influence the information needs of the intended users.
125. **Part C – Acceptance and Continuance, Including Preconditions for Assurance** provides further guidance on understanding the entity's process to identify sustainability information to be reported when establishing whether the preconditions are present. **Part F – Risk Identification and Assessment** addresses the detailed understanding needed by the practitioner of the entity's process when identifying and assessing the risk of material misstatement.

Fraud and Non-compliance with Laws and Regulations

126. The objectives of the practitioner in conducting a sustainability assurance engagement include “to obtain reasonable assurance or limited assurance, as applicable, about whether the sustainability information is free from material misstatement”. As misstatements can arise from error or fraud (see definition of “misstatement” in ISSA 5000 Para. 18), the practitioner's responsibilities relating to identifying and assessing the risks of material misstatement, designing and performing further procedures responsive to the assessed risks of material misstatement, and accumulating and considering identified misstatements, encapsulate both error and fraud.
127. Regarding non-compliance with laws and regulations (NOCLAR), the practitioner is required to remain alert to the possibility that procedures performed during the engagement may bring instances of non-compliance or suspected NOCLAR to the practitioner's attention.

ISSA 5000
Para. 16

ISSA 5000
Para. 65



What is the difference between fraud and non-compliance with laws and regulations?

128. The fundamental difference between fraud and NOCLAR is that fraud is an intentional act involving the use of deception, whereas NOCLAR are acts contrary to the prevailing laws or regulations that may be intentional or unintentional. The definitions of fraud and NOCLAR below make this difference clear.



Fraud: An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

ISSA 5000
Para. 18



Non-compliance with laws and regulations: Acts of omission or commission, intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations. Non-compliance does not include personal misconduct unrelated to the business activities of the entity.

ISSA 5000
Para. 18



Does ISSA 5000 have requirements that address fraud and non-compliance with laws and regulations?

129. Yes, there are requirements relating to fraud and NOCLAR in ISSA 5000, some common to both topics and others specific to one or the other. These requirements are presented in **Appendix 2** of this Guide for ease of reference.



What is management override of controls?

130. Management override of controls refers to actions taken by management to bypass established controls. This can occur for various reasons, such as achieving desired results or responding to urgent business needs. However, it poses risks, including the potential for management to prepare fraudulent sustainability information. ISSA 5000 includes specific requirements for reasonable assurance engagements related to management override of controls (see ISSA 5000 paragraphs 123R and 150R).



Why are risks of management override of controls only addressed for reasonable assurance engagements?

131. When identifying and assessing the risks of material misstatement in a reasonable assurance engagement, ISSA 5000 requires the practitioner to treat risks of management override of controls as risks of material misstatement due to fraud and thus risks of material misstatement at the upper end of the spectrum of risk. The practitioner is also required to perform certain procedures to respond to such risks. These requirements are applicable only for a reasonable assurance engagement because the practitioner is not required to obtain an understanding of the control activities component of the entity's system of internal control in a limited assurance engagement. Therefore, extending these requirements to a limited assurance engagement would imply a deeper understanding of control activities than is required for limited assurance engagements.

ISSA 5000
Para. 123R

ISSA 5000
Para. 150R



What is the difference between management bias and “greenwashing”?

132. “Greenwashing” is a term used in reference to environmental information, or sometimes other sustainability information, that presents a more favorable picture of the entity’s performance with respect to the matter than is supportable. It may be described as follows: “Greenwashing usually refers to practices aimed to mislead investors or to give them a false impression about how well an investment is aligned with its sustainability goals.” “Greenwashing” and management bias are distinct concepts, although both can impact the integrity of the sustainability information provided by the entity. “Greenwashing” may be a result of management bias, which is inherent in subjective decisions, and may be fraudulent if it is intended to mislead users.

ISSA 5000
Para. A32-A33



Why doesn’t ISSA 5000 refer to “greenwashing”?

133. “Greenwashing” is a colloquial term that is not clearly defined. Other terms such as “rainbow washing,” “greenhushing,” and “social washing” are also sometimes used. As the use of the term “greenwashing” or other terms does not aid clarity or enable the differentiation of misstatements due to fraud or error, it has not been used in ISSA 5000. The concept of “greenwashing” is addressed by references to management bias in ISSA 5000 that has a similar, but broader, meaning to “greenwashing.”

Documentation

134. Preparing sufficient and appropriate engagement documentation on a timely basis helps to enhance the quality of the assurance engagement and facilitates the effective review and evaluation of the evidence obtained and conclusions reached before the practitioner’s report is finalized.
135. Engagement documentation provides a record that the engagement was planned and performed in accordance with ISSA 5000 and applicable legal and regulatory requirements. In addition, engagement documentation provides a record of matters of continuing significance to future sustainability assurance engagements, enables the conduct of engagement quality reviews or other types of engagement reviews and monitoring activities under the firm’s system of quality management, and enables the conduct of external inspections of engagements in accordance with applicable legal, regulatory or other requirements.
136. Because procedures performed in a limited assurance engagement are different in nature and less in extent than those performed in a reasonable assurance engagement, the practitioner would expect the documentation to be less detailed in a limited assurance engagement than in a reasonable assurance engagement.
137. See **Appendix 1** to this Guide for a summary of the documentation requirements in ISSA 5000 (see also the related application material in ISSA 5000, as applicable, that provides guidance for carrying out these requirements).

ISSA 5000
Para. A172

C. ACCEPTANCE AND CONTINUANCE OF THE ENGAGEMENT, INCLUDING PRECONDITIONS FOR ASSURANCE

Matters Addressed in This Part:

- The Basis for Acceptance and Continuance of an Engagement
- Determining Whether Relevant Ethical Requirements Will Be Satisfied
- Appropriate Competence and Capabilities of Those Performing the Engagement
- Preconditions for an Assurance Engagement
- Response When the Preconditions are Not Present

The Basis for Acceptance and Continuance of an Engagement

138. In order to accept or continue an assurance engagement, the practitioner will need to determine whether they will be able to perform the engagement, by:

- Determining whether they expect that relevant ethical requirements, including independence requirements, will be satisfied.
- Determining that the engagement team, and others who will be performing the engagement such as practitioner's experts, collectively have the appropriate competence, capabilities, and sufficient time, to perform the engagement.
- Establishing that the preconditions are present, by obtaining a preliminary knowledge of the engagement circumstances, including the scope of the engagement, and discussion with the appropriate party(ies) (i.e., management or those charged with governance, as appropriate, or the engaging party, if different).
- Agreeing the terms of engagement.

ISSA 5000
Para. 26(a)

ISSA 5000
Para. 26(b)

ISSA 5000
Para. 26(c)(i)
& 75-76

ISSA 5000
Para. 26(c)(ii)
and 85

139. In addition, the engagement leader must be a member of a firm that applies ISQM 1, or professional requirements, or requirements in law or regulation that an appropriate authority has determined to be at least as demanding as ISQM 1. See **Part B – Fundamental Principles and Concepts – Firm-level Quality Management** for further guidance.

ISSA 5000
Para. 30

140. The engagement leader may have been involved in the firm's acceptance and continuance process or may have been assigned to the engagement after the firm accepted the engagement. Either way, the engagement leader is responsible for determining that the firm's policies or procedures for acceptance and continuance have been followed and the conclusions reached are appropriate.

ISSA 5000
Para. 28

141. The understanding that the practitioner obtains as a basis for accepting or continuing an engagement provides a useful starting point for the understanding that must be obtained to identify and assess the risks of material misstatements and to design and perform further procedures. However, the

understanding obtained during acceptance and continuance does not need to be as thorough as obtained later for purposes of risk assessment and response.

Determining Whether Relevant Ethical Requirements Will Be Satisfied

142. The engagement leader and other members of the engagement team are required to comply with the provisions of the IESBA Code related to sustainability assurance engagements, or professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding. See **Part B –Fundamental Principles and Concepts** for further guidance.
143. At the acceptance and continuance stage, it is sufficient for the practitioner to conclude they have no reason to believe that relevant ethical requirements, including independence, will not be satisfied. Once the engagement is accepted then the relevant ethical requirements, including independence, will need to be satisfied.

Appropriate Competence and Capabilities of Those Performing the Engagement

144. It is important that the practitioner does not take on an engagement for which the engagement team and others performing the engagement do not collectively have the appropriate competence and capabilities. The competence needed to perform a sustainability assurance engagement includes both competence and capabilities in assurance skills and techniques (“assurance skills and techniques”) and competence in the sustainability matters and its measurement or evaluation (“sustainability competence”).
145. Sustainability information may be diverse in nature, either qualitative, comprising narrative description, or quantitative. The frameworks and other criteria used to measure or evaluate the sustainability matters may be in the early stages of development. These matters influence decisions about the appropriate assurance competence and sustainability competence required. For example, scientific, engineering or other skills may be needed to understand the suitability of the criteria in accepting and performing the engagement, depending on the particular engagement circumstances.
146. The engagement leader, in particular, must have competence and capabilities in assurance skills and techniques developed through extensive training and practical application, and sustainability competence sufficient to accept responsibility for the conclusions reached on the engagement. See also paragraphs 157-159 below.
147. The sustainability competence that may be needed on a sustainability assurance engagement may go beyond that ordinarily possessed by many engagement leaders, given the breadth of sustainability matters that may be reported. In such a case, it may be necessary to use the work of a practitioner’s expert.
148. A practitioner’s expert has specialized skills and knowledge that enable an informed and knowledgeable view on the sustainability matters, but they may not have the competence and capabilities in assurance skills and techniques that is needed to perform an assurance engagement in accordance with ISSA 5000. While a practitioner’s expert is not required to have competence and capabilities in assurance skills and techniques, they may need sufficient understanding of ISSA 5000 to enable them to relate the work assigned to them to the objectives of the engagement.

ISSA 5000
Para. 33(a)
and (c)

Assignment of the Team with Appropriate Competence and Capabilities in Assurance Skills and Techniques and Sustainability Competence

149. Assurance skills and techniques are required to be applied as part of an iterative, systematic engagement process to obtain sufficient appropriate evidence to support the practitioner's assurance conclusion. Accordingly, assurance skills and techniques are distinct from, and calls for more than the application of, sustainability competence.
150. On broader or more complex assurance engagements, or when the measurement or evaluation of the sustainability matters need specialized skills, the practitioner may judge it necessary for the work to be performed by a multidisciplinary team that includes both appropriate assurance competence and one or more practitioners' experts. Members of the engagement team, other than the engagement leader (who is required to have specific competencies as described in paragraph 146 above), who perform the engagement, may each have a combination of more or less extensive competence and capabilities in assurance skills and techniques and more or less extensive sustainability competence. However, members of the engagement team may need some competence in both, as well as industry and sector knowledge, to be able to consider the information needs of intended users and exercise professional skepticism and professional judgment during planning and performing an assurance engagement. See also **Part B – Fundamental Principles and Concepts**.
151. Both practitioners and practitioners' experts may, additionally, have specialized competence in a particular area. For example, an assurance practitioner may be a specialist in information technology (IT) systems and related controls, in sustainability information, or in assurance sampling techniques and methodologies; a practitioner's expert, such as a biochemist, may have expertise in environmental waste measurement and management, or a lawyer may have expertise in environmental or human rights legislation.
152. What constitutes sufficient sustainability competence depends on the engagement circumstances and differs from engagement to engagement. Whether the engagement leader has sufficient sustainability competence in order to accept responsibility for the assurance conclusion, and the extent to which the work of experts is used, and how it is used, are matters of professional judgment for the engagement leader, and may involve taking into account factors such as:
 - (a) The judgment involved in identifying the reporting topics and aspects of topics for inclusion in the entity's sustainability information;
 - (b) The judgment involved in agreeing the sustainability information that is within the scope of the assurance engagement;
 - (c) The nature and complexity of the sustainability matters and their measurement or evaluation;
 - (d) The extent to which the sustainability matters lend themselves to precise measurement or whether there is a high degree of measurement uncertainty that may need significant knowledge and judgment in relation to those sustainability matters; and
 - (e) The engagement leader's and engagement team's competence and previous experience in relation to the sustainability matters.
153. The following example illustrates some of the considerations relating to the collective competence of those individuals who are to perform the engagement that may apply in a relatively less complex engagement.



Example: Collective competence in less complex engagements

A professional services firm voluntarily reports, and requests assurance, on:

- Its greenhouse gas (GHG) emissions from purchased electricity for a single office;
- Metered water consumption for its office; and
- The number of employees by gender and by grade.

In this example, an engagement leader and one or more practitioners with competence and experience in sustainability assurance engagements are likely to be able to perform the engagement to meet the requirements of ISSA 5000 without the need to engage further sustainability expertise.

By contrast, an energy company reports and requests assurance on the quality of effluent associated with a power plant. An engagement leader may utilize a practitioner's expert (e.g., biologist, chemist or physicist, as appropriate) to assist in designing and performing procedures associated with measuring effluent quality.

154. In a more complex engagement, the practitioner may find it helpful to draw up a skills matrix setting out the assurance and sustainability competencies needed to perform the engagement and those of key engagement team members and other individuals whose work is to be used in performing the engagement. A matrix may also help identify where sustainability competence in a specialized area may be needed by the practitioner and whether that competence is available to the practitioner from within their own firm or network (practitioner's internal expert) or may need to be obtained from outside the firm or network (practitioner's external expert). In situations where there are many engagement team members, for example, in an assurance engagement for a larger or more complex entity, the engagement partner may involve an individual who has specialized skills or knowledge in project management, supported by appropriate technological and intellectual resources of the firm. Conversely, in an engagement for a less complex entity with few engagement team members, project management may be achieved by a member of the engagement team through less formal means.
155. The more complex the engagement, the more necessary it may be to consider how the work of practitioners and the work of practitioners' experts is to be integrated across the engagement. The appropriate application of competence in performing the engagement depends on the practitioners and practitioners' experts who are to perform the engagement:
 - Both having the appropriate competence to perform the roles assigned to them; and
 - Working together effectively as a multidisciplinary team in performing the engagement.
156. There may be multiple aspects to the sustainability information that involve using the work of different practitioners' experts, or when the entity is a large, diverse and complex organization, using, for example, component practitioners to perform some of the work. In this case, it may be important to communicate clearly with those practitioners' experts or component practitioners about the scope and timing of their work and about their findings. See also **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others.**



Example: Collective Competence in a More Complex Engagement

A large company with diverse mining operations in a number of jurisdictions has asked for assurance on its environmental reporting, among other topics. The environmental reporting includes information on the company's tailings management; water consumption; impact on water quality; noise and vibration impacts; biodiversity management and land rehabilitation; greenhouse gas emissions; hazardous materials management; health and safety incidents, and its emergency preparedness.

In this example, it may be necessary to use the work of a number of practitioners' experts such as geotechnical engineers, geochemists, environmental scientists, health and safety experts, and legal experts. In addition, there may be a need to use the work of component practitioners in relation to the entity's mining operations located in other jurisdictions.

In such a case, it may be important for the practitioner to:

- Communicate clearly with the practitioners' experts and component practitioners about the nature, scope and objectives of their work;
- Consider to what extent the practitioner may need to be involved in the work of the practitioners' experts or to direct, supervise and review the work of the component practitioners; and
- Communicate the findings of the work of practitioner's experts or component practitioners to other members of the engagement team.

Competence and Responsibilities of the Engagement Leader

157. In addition to being satisfied that those persons who are to perform the engagement have the appropriate competence and capabilities, the engagement leader is required to have competence and capabilities in assurance skills and techniques developed through extensive training and practical application, an understanding of the relevant ethical requirements applicable to the engagement, as well as sufficient sustainability competence to accept responsibility for the conclusions reached.
158. If the practitioner intends to obtain evidence from using the work of another practitioner, the practitioner is required to have the appropriate competence and capabilities in assurance skills and techniques to be able to evaluate whether another practitioner has the necessary competence and capabilities, and whether the nature, scope and objectives of another practitioner's work are appropriate for the practitioner's purposes.
159. When using the work of a practitioner's expert, the engagement leader needs to have sufficient understanding of the sustainability matters and sufficient sustainability competence to be able to ask appropriate questions, evaluate the answers, evaluate the expert's work and, to the extent needed, integrate it with the work of the engagement team as a whole, and take responsibility for the

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Para. 33

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Para. 50-55

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Para. 56-58

conclusions reached. See also **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others.**

Preconditions for an Assurance Engagement

Engagement Circumstances

160. The practitioner is required to obtain preliminary knowledge of the engagement circumstances, along with discussion with the appropriate party(ies), as a basis for establishing whether the preconditions for an assurance engagement are present. The engagement circumstances include the sustainability information to be reported and the scope of the assurance engagement.



Engagement circumstances: *The broad context defining the particular assurance engagement, which includes: the terms of the engagement; the scope of the engagement and whether it is a reasonable assurance engagement or a limited assurance engagement; the characteristics of the sustainability matters; the applicable criteria; the information needs of the intended users; relevant characteristics of the entity and its reporting boundary; the characteristics of the entity's management and those charged with governance; and other matters that may have a significant effect on the engagement.*

ISSA 5000
Para. 18



What is involved in understanding the scope of the engagement?

161. Understanding the scope of the engagement means understanding what is to be assured and the level of assurance to be obtained in performing the engagement. It covers:
- The disclosures that the practitioner will be concluding on (i.e., that will be covered by the practitioner's assurance conclusion).
 - The reporting boundary, whether it encompasses the entity only, the entities or business units within the reporting entity's group financial statements, or upstream or downstream value chain entities.
 - The period or date covered by the disclosures.
 - The level of assurance to be obtained, whether limited assurance, reasonable assurance, or a combination of both.
162. Understanding the scope of the engagement helps the practitioner to determine whether they have the competence and capabilities, and the resources and time needed to perform the engagement. This understanding also is necessary as a basis for considering whether the preconditions to the engagement are present, particularly whether the engagement exhibits a rational purpose.
163. The scope of the engagement might be:
- Limited or reasonable assurance on
 - The whole sustainability report;
 - Specific sustainability topics within the sustainability report, for example environmental or social matters;

- Specific disclosures within specific sustainability topics, for example, waste generated within the “environmental” topic, or gender pay within the “social” topic; or
- Different levels of assurance for different topics in the sustainability information, for example limited assurance on the “social” topic and reasonable assurance on the “environmental” topic, or aspects thereof.



When would the practitioner perform a limited assurance engagement versus a reasonable assurance engagement?

164. The practitioner’s agreement with the engaging party (e.g., management or those charged with governance) should specify whether the engagement is limited or reasonable assurance (or a combination of both). However, especially if the engaging party requests a limited assurance engagement, the practitioner determines whether the engagement has a rational purpose by, among other matters, determining whether the practitioner expects to be able to obtain a meaningful level of assurance that is likely to enhance intended users’ confidence about the sustainability information to a degree that is clearly more than inconsequential.
165. In the case of mandatory sustainability assurance engagements, the applicable law or regulation will determine whether the assurance engagement required is limited assurance or reasonable assurance (or maybe different levels of assurance applicable to different parts of an entity’s mandatory sustainability reporting). If law or regulation specifies the level of assurance for a particular engagement, the practitioner can presume, in the absence of indications to the contrary, that it meets the needs of intended users and has a rational purpose.



Can a practitioner be engaged to perform an engagement to obtain a combination of both limited and reasonable assurance?

166. Yes. It is possible to do an engagement where the practitioner obtains different levels of assurance for different parts of the sustainability information. For example, the entity may request limited assurance on employee participation in community projects and sponsorship activities, and reasonable assurance on a set of KPIs related to investment in those community projects and sponsorship activities. However, before accepting such an engagement, the practitioner must be satisfied that:
- There is a rational purpose for a combined engagement, including the reasons why different levels of assurance are being requested for different parts of the sustainability information.
 - The sustainability information subject to each level of assurance will be clearly identified and the limited assurance conclusion and reasonable assurance opinion will be separated in the assurance report.

Considering a Proposed Scope for the Sustainability Assurance Engagement That Includes Only Part(s) of a Sustainability Report

167. If a preparer has requested a particularly narrow scope for the sustainability assurance engagement, for example, covering only a few specific measures or indicators in isolation, rather than the entire sustainability report, careful consideration may be needed to determine whether the preconditions are present.

168. Selecting only those parts of the information included in the sustainability report that are easier to assure or that present the entity in a favorable light would generally not be appropriate. The preconditions for acceptance of the proposed sustainability assurance engagement need to be present, including that the engagement has a rational purpose.



What is a rational purpose?

169. The meaning of the term “rational purpose” is not explicitly addressed in ISSA 5000. However, based on the definition of an assurance engagement, the practitioner may consider that the proposed engagement has a rational purpose if it is designed to enhance user confidence in a way that is appropriate in the engagement circumstances, and that it is not misleading to users.
170. Whether the engagement has a rational purpose may be influenced by the extent to which criteria are neutral in the engagement circumstances. This is a matter of professional judgment and is an area where it may be important to exercise professional skepticism. An example of a narrow scope engagement that may have a rational purpose is set out below.



Example: Rational Purpose for a Narrow Scope Engagement

A water utility company reports annually on several KPIs, including customer satisfaction, value for money, time lost through interruptions of water supply, leakages, the quality of its drinking water, and the quality of bathing waters where the company discharges wastewater to the sea.

In the past year, the company has had numerous complaints about the quality of its drinking water. The treatment of its wastewater, and the number of samples it takes to test the wastewater, are also currently subject to investigation by the regulator.

While the company reports, in its sustainability report, on a number of different aspects of the sustainability matters, it has proposed that the scope of the sustainability assurance engagement be limited to the drinking water and wastewater KPIs only (i.e., it has proposed a scope for the sustainability assurance engagement that is individual items within specific areas of information within the sustainability report). The reason given is that, in the shorter term, the entity wants to focus on improving its processes, systems and controls for those aspects of the sustainability report that are subject to regulatory scrutiny, that require assurance, or that are likely to be of greater interest to the intended users. In such a case the narrower scope of the engagement may have a rational purpose.

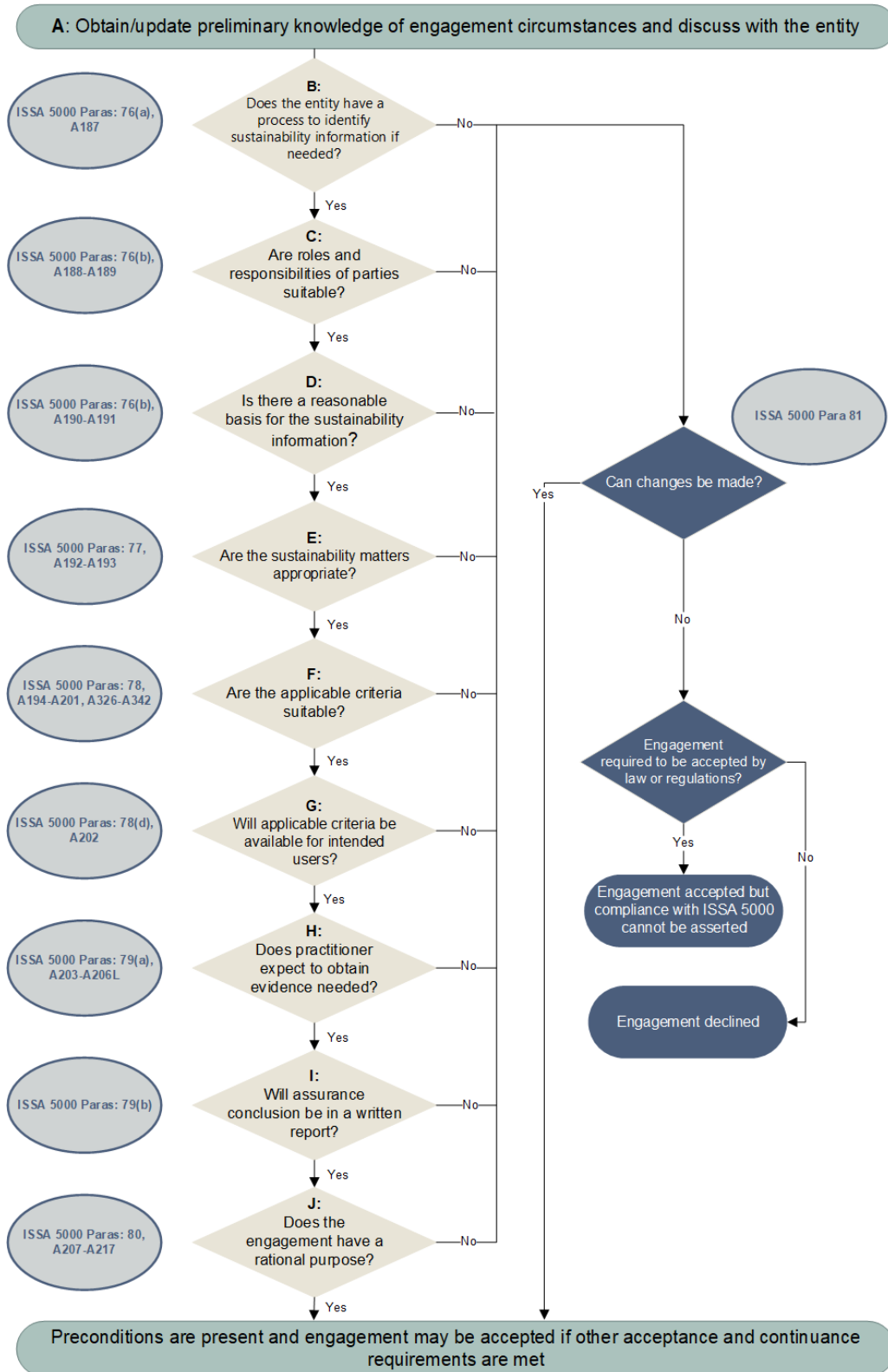
Establishing Whether the Preconditions are Present



What are the preconditions for an assurance engagement?

171. The practitioner may accept or continue an assurance engagement only if, among other matters, the practitioner has determined that the preconditions for an assurance engagement are present. This determination is based on preliminary knowledge of the engagement circumstances and discussions with the appropriate party(ies), for example, management. It can be beneficial to consult with those charged with governance in addition to individuals directly involved in preparing the sustainability information to gain their insights.

172. For recurring engagements, the same preconditions apply as for an initial engagement. However, determining that the preconditions are present for a continuing engagement might be simpler since the practitioner already has a thorough understanding of the entity, having conducted the engagement previously. The practitioner's considerations may primarily involve whether there have been any changes in the engagement circumstances since the previous period.
173. The preconditions for the engagement are that:
- The entity has a process to identify sustainability information to be reported, if required by the criteria or necessary to provide a reasonable basis for the preparation of the sustainability information.
 - The roles and responsibilities of the parties within the entity are suitable in the circumstances, including that there is a three-party relationship between the engaging party (usually the entity), the practitioner and the intended users, and that the entity has a reasonable basis for the sustainability information; and
 - The engagement exhibits all the following characteristics:
 - The sustainability matters are appropriate
 - The criteria that are expected to be applied in the preparation of the sustainability information are suitable for the engagement circumstances
 - The criteria that are expected to be applied in the preparation of the sustainability information will be available to the intended users
 - The practitioner expects to be able to obtain the evidence needed to support the practitioner's assurance conclusion
 - The practitioner's assurance conclusion is to be contained in a written report
 - A rational purpose including, the engagement will be useful and not misleading to intended users, and the scope of the engagement is appropriate, and in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance.

Diagram C.1 – Establishing whether the Preconditions are Present

Initial Assurance Engagements

174. When the proposed assurance engagement is an initial engagement, it is likely that the work effort to determine whether the preconditions are present may be greater than in the case of a continuing engagement, especially when the entity's process to prepare the sustainability information is in the early stages and still evolving, or when the proposed engagement is complex.



What is the entity's process to identify sustainability information to be reported? (B in Diagram C.1 above)

175. The reporting framework may require the entity to apply a process to identify sustainability information to be reported, which includes consideration of the intended users' needs. If the entity does not have a process, this may indicate that the entity does not have a reasonable basis for preparing the sustainability information and the practitioner may consider not accepting the engagement. However, if management plans to put a process in place in time for the preparation of the sustainability information to be assured, the practitioner may accept the engagement on that basis. Alternatively, if the topics and aspects of topics to be reported are clearly identified by the criteria and the reporting framework does not require the entity to have a process, there will be no need for the entity to have a process to identify the sustainability information to be reported.

ISSA 5000 Para.
76(a), A187

176. The practitioner's work effort on understanding the entity's process to identify sustainability information to be reported is part of understanding the information system and communication component of the entity's system of internal control when undertaking risk assessment procedures (see **Part F –Risk Identification and Assessment**, paragraphs 390-415).



How does the practitioner consider whether the roles and responsibilities are appropriate? (C in Diagram C.1 above)

177. The purpose of a sustainability assurance engagement is for an independent practitioner to obtain assurance about sustainability information prepared by the entity and issue an assurance report to the intended users to enhance their confidence about the sustainability information reported. Therefore, as explained in **Part A – Introduction**, there must be three parties to a sustainability assurance engagement. The practitioner that assures the sustainability information cannot also prepare that information. Likewise, the entity preparing the sustainability information (often the engaging party) and the intended users cannot be the same party. In either of these circumstances, the engagement does not meet the elements of an assurance engagement as set out in the International Framework for Assurance Engagements.

ISSA 5000 Para.
A188-A189



How does the practitioner consider whether the entity has a reasonable basis for the sustainability information? (D in Diagram C.1 above)

178. As part of the precondition that the respective roles and responsibilities are suitable in the circumstances, the entity is required to have a reasonable basis for the sustainability information. Entities may be at varying stages of development of their process to prepare their sustainability information. Whether the preconditions related to the roles and responsibilities are present may depend on the extent to which the entity's process to prepare the sustainability

ISSA 5000 Para.
76(b), A190-A191

information is, in the practitioner's professional judgment, able to support these preconditions and enable the preparation of sustainability information that is free from material misstatement, taking into account the nature, extent and complexity of the sustainability matters and criteria. Although, in some cases the system of internal control related to the preparation of the sustainability information may be less developed than for the preparation of the financial statements, the entity still needs to have a reasonable basis for the information reported.



How does the practitioner evaluate whether the sustainability matters are appropriate? (E in Diagram C.1 above)

179. Evaluating whether the sustainability matters are appropriate, requires consideration of the following:

- Are the sustainability matters identifiable?
- Can the matters be consistently measured or evaluated against the applicable criteria?
- Can the resulting sustainability information be subjected to procedures for obtaining sufficient appropriate evidence to support the practitioner's conclusion?

ISSA 5000 Para.
77, A192-A193

180. "Identifiable" sustainability matters refers to the specific information or data that the assurance engagement is focused on. This often must be clearly defined so that all parties involved understand what is being measured and evaluated.



Example: Identifiable Sustainability Matters

The greenhouse gas emissions of an entity are generally identifiable sustainability matters because there are widely accepted definitions of greenhouse gas emissions. Additionally, methods exist to measure or estimate those greenhouse gas emissions that are attributable to the entity's activities. Similarly, both Scope 1 and Scope 2 greenhouse gas emissions might be identifiable sustainability matters because there are clear definitions for each of them, and methods to measure or estimate, separately, Scope 1 and Scope 2 greenhouse gas emissions.

However, the impact of the entity's activities on global temperature change more broadly might not be an identifiable sustainability matter because it is difficult to attribute global temperature changes to greenhouse gas emissions of specific entities, and to separate the impact of greenhouse gas emissions from other factors causing such temperature changes (for example deforestation).

181. Different sustainability matters (or aspects of sustainability matters) have different characteristics, which affect the precision with which the sustainability matters can be measured or evaluated against the criteria. For example, some sustainability matters are subject to measurement uncertainty. This could be because the available technology to measure the sustainability matters is not very precise, or the sustainability information is based on estimates or forward-looking information. This does not necessarily mean that the sustainability matters are inappropriate. The focus is on whether the sustainability matters can be consistently measured or evaluated against the criteria and the resulting sustainability information can be subjected to assurance procedures for obtaining sufficient appropriate evidence to support an assurance conclusion. Certain sustainability matters may not be

able to be measured or evaluated against suitable criteria, in which case they are inappropriate for an assurance engagement and should not be included in the scope of the engagement.



Example: Measuring or evaluating quantitative sustainability matters against criteria

The organization chooses a recognized framework for measuring carbon emissions, such as the Greenhouse Gas (GHG) Protocol. The organization collects data on its energy consumption, fuel usage, and other activities that contribute to carbon emissions. This data might come from utility bills, fuel purchase records, and production logs. Using the GHG Protocol, the organization calculates its carbon emissions. The protocol provides detailed guidelines on how to convert energy usage and other activities into carbon dioxide equivalent (CO₂e) emissions.



Example: Measuring or evaluating qualitative sustainability matters against criteria

The organization chooses a recognized framework or set of criteria for evaluating employee engagement and workplace culture. For example, they might use the Great Place to Work® criteria or the Global Reporting Initiative (GRI) Standards, specifically GRI 401: Employment. The organization gathers qualitative data through various methods, such as:

- **Employee Surveys:** Conducting anonymous surveys to gather employees' opinions and experiences regarding their work environment, management practices, and overall job satisfaction.
- **Focus Groups:** Holding focus group discussions with employees from different departments to gain deeper insights into specific issues or areas of interest.
- **Interviews:** Conducting one-on-one interviews with employees to explore their personal experiences and perspectives in more detail.
- **Observation:** Observing workplace interactions and behaviors to assess the overall culture and employee engagement.

Using the chosen framework, the organization analyzes the qualitative data. For example, if using the Great Place to Work® criteria, they might look for themes related to trust, pride, and camaraderie among employees.

The organization evaluates the findings against the framework criteria. They prepare a sustainability report that includes:

- **Key Themes and Insights:** Summarizing the main themes that emerged from the surveys, focus groups, and interviews.
- **Employee Testimonials:** Including quotes or stories from employees that illustrate the workplace culture.

- Action Plans: Outlining any initiatives or actions the organization plans to take in response to the findings to improve employee engagement and workplace culture.



How does the practitioner evaluate whether the criteria are suitable? (F in Diagram C.1 above)

182. The suitability of criteria is not contingent on the level of assurance. If criteria are not suitable for a reasonable assurance engagement, they would also not be suitable for a limited assurance engagement, if other engagement circumstances are the same. Similarly, if criteria are suitable for a limited assurance engagement, they would also be suitable for a reasonable assurance engagement, if other engagement circumstances are the same.
183. Criteria may be framework criteria, entity-developed criteria or a combination of framework criteria and entity-developed criteria. Criteria can be selected or developed in a variety of ways.
184. If the criteria are framework criteria in law or regulation or established by an authorized or recognized organization that follows a transparent due process, the criteria can be presumed to be suitable in the absence of indications to the contrary.
185. Some framework criteria may not include all the characteristics of suitable criteria. Such frameworks often are less prescriptive about the scope of the sustainability matters to be addressed in a sustainability report, or how to measure or evaluate and disclose the sustainability matters. In such circumstances, the preparer will need to supplement the framework criteria, in order for the applicable criteria as a whole to exhibit all the characteristics of suitable criteria.
186. The evaluation of the suitability of criteria prior to accepting the engagement is based on preliminary knowledge of the engagement circumstances and discussions with the appropriate party(ies), for example, management. The evaluation includes whether there are criteria to measure or evaluate all of the sustainability matters within the scope of the engagement and whether the criteria exhibit the characteristics of relevance, completeness, reliability, neutrality and understandability. If the criteria are entity-developed or from a framework that is not embodied in law or regulation or established by an authorized or recognized organization as indicated in paragraph 184 above, further work is likely to be necessary at the acceptance and continuance stage to evaluate their suitability. For example, the practitioner may inquire of management about the reasons that entity-developed criteria were considered necessary, how the criteria were developed, whether the process to develop the criteria considered the characteristics of suitable criteria and the intended users' needs were identified. The practitioner will obtain a deeper understanding of the criteria after acceptance of the engagement when determining whether the criteria exhibit the characteristics of suitable criteria in performing the required risk assessment procedures in ISSA 5000. (See **Part F –Risk Identification and Assessment**)

ISSA 5000 Para.
78, A194-A201,
A326-A342



How does the practitioner evaluate whether the criteria will be available to the intended users? (G in Diagram C.1 above)

187. The criteria need to be made available to the intended users to enable them to understand how the sustainability matters have been measured or evaluated. There may be instances when the framework criteria may not be suitable on their own and may need to be supplemented by additional framework criteria or entity-developed criteria. The intended users are unlikely to be able to

ISSA 5000 Para.
78(d), A202

base decisions on the reported sustainability information without access to the criteria, including, when applicable, both the framework criteria and the entity-developed criteria.

188. Some ways in which the criteria may be available to intended users:

- Publicly available and referred to in the sustainability information and the assurance report, for example, recognized standards and frameworks such as the Global Reporting Initiative (GRI), IFRS Sustainability Disclosure Standards or European Sustainability Reporting Standards (ESRSs).
- Included in the sustainability information itself.



How does the practitioner determine whether the practitioner expects to be able to obtain the evidence needed to support their assurance conclusion? (H in Diagram C.1 above)

189. While it will not be possible to determine the sufficiency and appropriateness of the evidence available until the engagement is being conducted, the practitioner can consider whether the data and supporting documentation is held at the entity or whether access to other entities, facilities or locations will be needed. When sustainability information from upstream or downstream value chain entities is included in the sustainability information, the entity may have arrangements in place to provide access to evidence from these value chain entities or the practitioner may use a one-to-many report or other relevant assurance report of another practitioner on the value chain entities' sustainability information.

ISSA 5000 Para.
A203-A206L

190. This determination may be based on, for example, the practitioner's preliminary understanding of the entity and its environment and its operations, and the practitioner's industry knowledge, based on previous interactions or feedback from third parties. The practitioner also may consider whether there are legal impediments to performing the engagement, and whether the scope of the engagement is achievable within the given timeframe and engagement resources.



How does the practitioner determine whether the engagement has a rational purpose? (J in Diagram C.1 above)

191. In determining whether the engagement has a rational purpose, the practitioner considers the information obtained through their preliminary knowledge of the engagement circumstances and discussion with the appropriate parties (e.g., management). Based on this information, the practitioner determines whether the practitioner expects to be able to obtain a meaningful level of assurance for a limited assurance engagement, the engagement will be useful and not be misleading to the intended users, and the scope of the engagement is appropriate. The practitioner's understanding of the scope of the engagement and the level of assurance, together with the practitioner's preliminary understanding of the needs of intended users, will be useful in determining whether an engagement has a rational purpose.

ISSA 5000 Para.
A207-A217

192. If the assurance engagement is required by law or regulation, the practitioner may presume, in the absence of indications to the contrary, that the engagement has a rational purpose.

193. In determining whether an engagement has a rational purpose, the practitioner may also consider:

- The client's objectives for engaging the practitioner, including whether there are regulatory requirements or stakeholder needs.
- Whether there are potential limitations or restrictions on the engagement that could affect its purpose or usefulness.
- Whether the entity's expectations regarding the engagement are realistic and achievable.

194. For example, an engagement does not have a rational purpose if:

- The level of assurance that can be obtained will not be meaningful in a limited assurance engagement.
- The engagement will be misleading. For example, if management may be requesting a limited assurance engagement to avoid a qualified reasonable assurance conclusion that may be more likely to arise due to the lack of maturity in the entity's process to prepare the sustainability information.
- The scope of the engagement is inappropriate as it excludes topics or aspects of topics that are most relevant to users.

195. This determination takes on particular importance when the practitioner is asked to:

- Perform a very narrow scope engagement.
- Perform an engagement when the scope of the engagement changes year to year.
- Perform a limited assurance engagement, unless limited assurance is required by law or regulation.
- Perform an engagement that is a combination of reasonable and limited assurance.
- Change from a reasonable assurance engagement to a limited assurance engagement.

196. In the initial stages of an entity's sustainability reporting, as it is still developing, the practitioner may not be able to determine whether the preparer has a reasonable basis for all the information included in the sustainability report. Therefore, the sustainability information to be assured may be only those parts of the sustainability report for which the preparer does have a reasonable basis, provided the other preconditions are present, including that there is rational purpose to the proposed narrower scope engagement. In other circumstances, the preparer may propose a recurring sustainability assurance engagement in which the sustainability information is subject to variation from period to period. For example, the preparer may propose a scope for the sustainability assurance engagement that increases from period to period or one that varies in a "rolling program" of assurance. One consequence of a changing scope may be a loss of comparability from period to period, and it may call into question whether the engagement has a rational purpose.

Work Effort in Establishing Whether the Preconditions are Present

197. At the acceptance and continuance stage, the practitioner's work effort in establishing whether the preconditions for an assurance engagement are present is only required to be based on a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies) (i.e., management or those charged with governance, as appropriate, or the engaging party, if different).

198. The greater the complexity of the sustainability matter(s) or the more susceptible it is to management bias, the greater work effort that may be needed to consider or evaluate whether the preconditions are present.
199. In a complex engagement, or one in which the entity has developed criteria to supplement the framework criteria or has developed its own criteria, the practitioner may wish to consider bringing forward some of the procedures that ordinarily would be performed as part of risk assessment procedures (see **Part F – Risk Identification and Assessment**).
200. On small or less complex engagements, a discussion with the entity may be sufficient to obtain the preliminary knowledge needed. Regardless of the complexity of the engagement, the practitioner's preliminary knowledge needed to arrive at a decision about the preconditions and to exercise the professional skepticism and professional judgment required by ISSA 5000, may include a sufficient understanding of, as applicable:
- (a) The entity's business and its operating environment;
 - (b) Who the intended users of the sustainability report are and what would affect their decision-making;
 - (c) The sustainability matters and, where relevant, their relationship to other sustainability matters the entity reports on;
 - (d) Whether the entity is requesting assurance on a narrow part of the information presented within the sustainability report, and the reasons for that request;
 - (e) The criteria used and how they were selected or developed; and
 - (f) Where the sustainability information is to be presented, for example, included in a regulatory filing or in a standalone report.
201. The table below sets out a summary of examples of practitioners' considerations when establishing whether the preconditions for an assurance engagement are present. These considerations are illustrative; they are not intended to suggest that these are the only considerations to establish whether the preconditions are present. The letters A to J correspond with the letters shown in Diagram C.1 above.



Practitioner's Considerations: When establishing whether the preconditions for assurance are present the practitioner may consider:

- A. Preliminary knowledge of the engagement circumstances:
- Does the practitioner know enough about the entity, the industry in which it operates, and other engagement circumstances to be able to establish whether the preconditions are present?
 - What sustainability information is expected to be reported?
 - Will assurance be restricted to specific topics or aspects of topics in the sustainability information?
 - Has the sustainability information that is within the scope of the sustainability

assurance engagement been determined appropriately, if the sustainability information intended to be subject to assurance is only part of a sustainability report, has it been selected in an unbiased manner?

B. Whether the entity has a process to identify sustainability information to be reported:

- Is a process to identify sustainability information to be reported required by the sustainability reporting framework or entity-developed criteria?
- Does the entity have an established process or is that yet to be implemented?
- Has the entity identified the intended users of the sustainability information and their information needs?

C. Suitability of the roles and responsibilities of the appropriate parties in the circumstances:

- Is the preparer of the sustainability information also the party responsible for the sustainability matters and the engaging party, or are these roles performed by different parties; if different, what are the characteristics of the relationships between them?
- Has the entity acknowledged, or will it acknowledge, its responsibility for the sustainability matters?
- Does the entity's process to prepare the sustainability information provide the preparer with a reasonable basis for that information, and, where appropriate, is the process appropriately supported by other relevant aspects of the entity's system of internal control?
- Does the entity have a process, including controls, for the preparation of the sustainability information?

D. Appropriate sustainability matters:

- Can the sustainability matters be identified?
- Are the sustainability matters capable of consistent measurement or evaluation against the applicable criteria such that the resulting sustainability information can be subjected to procedures to obtain sufficient appropriate evidence?

E. Suitability of the applicable criteria:

- What criteria are to be used – framework criteria or entity-developed or both?
- Are the framework criteria set out in law or regulation or established by an authorized or recognized organization that follows a transparent due process (i.e., which may, in the absence of indications to the contrary, be presumed to be suitable)?
- Are the criteria relevant, complete, reliable, neutral and understandable, on their own, or do they need further supplementing by the entity, for example:
 - Do the criteria specify what is to be reported, how it is to be measured or evaluated, and how it is to be disclosed and presented, including for different aspects of the sustainability matters?

F. Availability of the applicable criteria:

- How will the framework criteria and any additional entity-developed criteria be made available to the intended users?
- G. Evidence to support the practitioner's conclusion
- Are there any limitations on access to sources of information that may be needed to obtain evidence?
 - Does the entity have systems and processes in place to capture the sustainability information?
- H. Form of conclusion:
- Is the assurance conclusion to be contained in a written report?
- I. Rational purpose:
- Is the assurance engagement required by law or regulation (i.e., which may, in the absence of indications to the contrary, be presumed to have a rational purpose)?
 - In the case of a limited assurance engagement, does the practitioner expect to be able to obtain a meaningful level of assurance?
 - Will the assurance report together with the sustainability information be useful to intended users or could it be misleading?
 - Is the scope of the assurance engagement appropriate in the context of intended users' needs?

Response When the Preconditions are Not Present

202. If the practitioner establishes that the preconditions for an assurance engagement are not present, the practitioner may discuss this with the potential engaging party (e.g., management or those charged with governance). If changes cannot be made to meet the preconditions, the practitioner is not permitted to accept the engagement as an assurance engagement unless required to do so by law or regulation.
203. In circumstances when the practitioner has established that the preconditions are not present, but the practitioner cannot decline acceptance of the engagement due to law or regulation, the engagement does not comply with ISSA 5000. Accordingly, the practitioner is not permitted to include any reference within the assurance report to the engagement having been conducted in accordance with ISSA 5000.

ISSA 5000
Para. 81



Example: Preconditions not present

A public sector practitioner may be required by law or regulation to accept an assurance engagement on the sustainability information of a public sector body. Prior to accepting the engagement, the practitioner determines that they are not likely to be able to obtain the evidence needed to support the assurance conclusion, as the public sector body's systems and processes

to capture the data and information related to the sustainability matters and for preparation of the sustainability information is not fully developed. Even though the public sector practitioner determines that the preconditions are not present, they are required to accept and conduct the engagement. In reporting on the engagement, no reference to ISSA 5000 is made.

Performing Readiness Assessments

204. In some circumstances, the practitioner may carry out a separate non-assurance engagement to determine whether the preconditions are present, and, if the preconditions are not present, to identify actions for management to address the impediments to acceptance. Such an engagement is sometimes referred to as “readiness assessment.” The focus is on performing pre-acceptance procedures, on agreed terms, for a proposed sustainability assurance engagement, without any pre-commitment to accept the proposed assurance engagement. Such a non-assurance engagement would not be an assurance engagement performed under ISSA 5000 as the presence of the preconditions for such an engagement will not yet have been determined. However, such an engagement can give rise to potential threats to the practitioner’s independence in later performing the proposed assurance engagement (see paragraphs 206-210 below).
205. Performing a readiness assessment may assist in managing a preparer’s expectations about the potential to perform a proposed sustainability assurance engagement in the circumstances. In addition, it provides the entity’s management or those charged with governance with useful input about the entity’s readiness for an assurance engagement. Such input may encourage management or those charged with governance to take steps to enhance their readiness when impediments to performing an assurance engagement are identified.
206. The IESBA Code sets out specific requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when a practitioner provides non-assurance services to assurance clients.
207. Performing a readiness assessment may give rise to self-review, self-interest or advocacy threats to independence in relation to the proposed sustainability assurance engagement if the assurance engagement were later accepted. Threats may arise, for example, when the practitioner provides suggestions to management or those charged with governance about aspects of the sustainability matters, sustainability information or criteria for the proposed sustainability assurance engagement or about the entity’s sustainability reporting process, or related controls, to prepare the sustainability information.
208. The nature and level of any potential threat would depend on the circumstances. Any potential threat created would need to be evaluated and addressed in accordance with relevant ethical requirements if the practitioner anticipates accepting the proposed assurance engagement.
209. Providing advice and recommendations to assist management of an assurance client in discharging its responsibilities is not assuming a management responsibility if management of the entity makes all related judgments and decisions that are the proper responsibility of management.
210. Similarly, if, based on discussions with the entity, the practitioner assists the entity in documenting criteria that the entity has already developed but has not documented, a self-review threat is not created in the circumstances as the practitioner’s actions are restricted to documenting what they

have been told. However, in an attestation engagement, relevant ethical requirements prohibit the practitioner from assuming management responsibility in relation to the selection or development of the criteria or the preparation of the sustainability information. A self-review threat might be created if the practitioner's firm is involved in the preparation of sustainability information which subsequently becomes the sustainability information of the attestation engagement.

D. GROUP SUSTAINABILITY ASSURANCE ENGAGEMENTS, VALUE CHAIN AND USING THE WORK OF OTHERS

Matters Addressed in This Part:

- Group Sustainability Assurance Engagements and the Reporting Boundary
- Value Chain
- Components, Group Components and Value Chain Components
- Using the Work of Others – Overview
- Using the Work of Another Practitioner
- Using the Work of a Practitioner's Expert



Group Sustainability Assurance Engagements and the Reporting Boundary

211. ISSA 5000 is a principles-based standard that can be applied to sustainability assurance engagements relating to the sustainability information of a single stand-alone entity or for group sustainability information.



Group sustainability information: Sustainability information that includes the sustainability information of more than one entity or business unit in accordance with the criteria.

ISSA 5000
Para. 18

212. The concept of a “group” in ISSA 5000 is broader than how a “group” may be envisaged in auditing standards, such as ISA 600 (Revised), with respect to an audit of financial statements. Based on the definition, and due to the nature of the reporting boundary for sustainability reporting (as explained below), a group can be any of the following:

- A parent entity and subsidiaries;
- A single legal entity organized with branches or divisions;
- A single legal entity that includes information from other entities that are part of the upstream or downstream value chain of the entity.

213. Therefore, when an entity prepares sustainability information that includes the sustainability information of more than one entity or business unit, in accordance with the criteria, irrespective of whether some of that information arises from an entity within or outside of the reporting entity's control, the entity has prepared group sustainability information for purposes of applying ISSA 5000.

Reporting Boundary

214. The reporting boundary defines the sustainability information that an entity is required, in accordance with the applicable criteria, to include in its reported sustainability information:



Reporting boundary: Activities, operations, relationships or resources to be included in the entity's sustainability information.

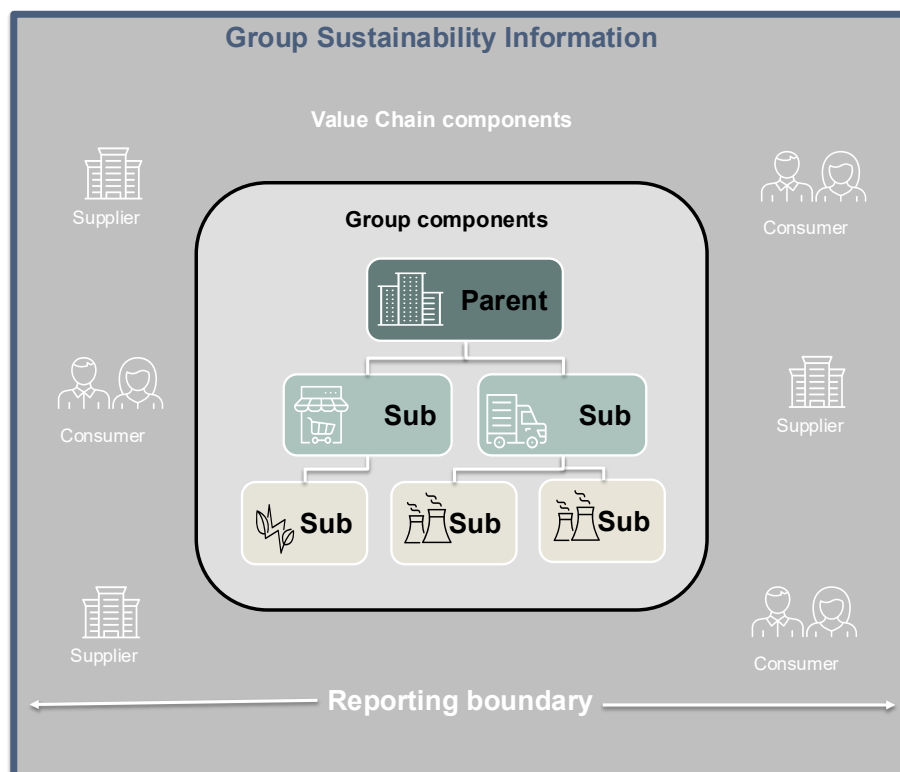
ISSA 5000
Para. 18

For purposes of the ISSAs, the reporting boundary is determined in accordance with the applicable criteria.

215. The applicable criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. For example, if consolidated financial statements are required to be prepared in accordance with the applicable financial reporting framework, then the sustainability information would include information for the same entities or business units included in the consolidated financial statements. The criteria may also require the sustainability information to be extended to include information from other entities (suppliers) and consumers of its goods or services, referred to as “entities in the value chain.” The concept of the value chain is further explained below.
216. The diagram below illustrates the interplay between the concepts of group financial statements, the reporting boundary and the value chain (the diagram should be considered along with the discussion of value chain starting at paragraph 220 below). The diagram depicts the reporting boundary, i.e., the entities the reporting entity is required to consider when preparing its group sustainability information in accordance with the applicable reporting framework (criteria). Collectively, that information represents the group sustainability information. Note: the specific concepts of “components,” “group components” and “value chain components” are explained in paragraphs 226-231 below.

ISSA 5000
Para. A35

Diagram D.1 – Group Sustainability Information and Reporting Boundary





Does the inclusion of information from value chain entities mean that all sustainability information is considered group sustainability information?

217. This depends on the applicable criteria. When the reporting boundary is determined by the entity and based on entity-developed criteria, for example, in the case of a voluntary engagement where the intended users are only management of the entity, the reporting boundary may be confined to the sustainability information related to the operations of that single legal entity alone. However, ISSA 5000 does acknowledge that the reporting boundary may vary for different topics or aspects of topics and, in the case of general-purpose sustainability information prepared in accordance with established framework criteria, such as the IFRS Sustainability Standards or European Sustainability Reporting Standards, will commonly require information to be included relating to entities or business units required to be included in the reporting entity's group financial statements (referred to as group components) and information from other entities that are part of the reporting entity's upstream or downstream value chain (referred to as value chain components). Therefore, many sustainability assurance engagements will deal with group sustainability information.



If there are no component practitioners involved, is the engagement still considered a group sustainability assurance engagement?

218. If the information reported includes the sustainability information of more than one entity or business unit in accordance with the criteria, then the assurance engagement is a group sustainability assurance engagement as defined in paragraph 18 of ISSA 5000. Whether all work is undertaken by the group practitioner themselves or involves component practitioners (see **Part B – Fundamental Principles and Concepts**) is a secondary consideration. In many cases, the group practitioner may decide that involving component practitioners is the most effective approach to obtaining evidence for purposes of the engagement.



Can the reporting entity decide its reporting boundary?

219. The reporting entity can decide its reporting boundary only if the sustainability information is prepared based on entity-developed criteria that are determined to be suitable. This may be the case when an entity is preparing special-purpose sustainability information (i.e., using criteria designed to prepare sustainability information for use by specific intended users), rather than general-purpose sustainability information. In contrast, framework criteria, such as the IFRS Sustainability Standards or the European Sustainability Reporting Standards, ordinarily define the reporting boundary based on the nature of the sustainability matters to be addressed.

Value Chain

220. ISSA 5000 does not define the term value chain. This is a concept described or defined by sustainability reporting frameworks. Nevertheless, the concept is important to the application of ISSA 5000 because the overall strategy and engagement plan will be influenced by the nature and extent to which the sustainability information that is reported includes information from one or more value chain entities.
221. For the purposes of this Guide, the following general description of a value chain has been included as context for explaining certain concepts and requirements in ISSA 5000 directly related to the value chain concept.



The value chain encompasses all the activities and processes involved in creating a product or service, from raw material extraction to end-of-life disposal or recycling. This holistic approach enables sustainability performance to be assessed not just within the confines of an organization but across its supply network. Key stages typically include sourcing, production, distribution, consumption, and post-consumption.

For example:

- Inbound logistics: Receiving and storing raw materials.
- Operations/manufacturing: Transforming raw materials into finished products.
- Outbound logistics: Distributing finished products to customers.
- Marketing and sales: Promoting and selling the products.
- Service: Providing after-sales support and services.

222. A value chain is not simply external parties with which a company or a group has relationships with i.e., its suppliers and consumers. The company, or the group, is at the heart of the value chain.
223. With reference to Diagram D.1 above, the entities (parent and subsidiaries), consumers and suppliers depicted may form part of the reporting entity's overall value chain, depending on the sustainability matter(s) that need to be measured or evaluated and included in the sustainability information. However, as explained above, the applicable criteria will determine the reporting boundary – in other words, how far up and down the value chain the reporting entity needs to consider in preparing its sustainability information.
224. The assurance practitioner is required to obtain an understanding of the sustainability information to be reported (ISSA 5000 Para. 75(a)) and to consider whether the reporting entity has a process to identify the sustainability information to be reported (ISSA 5000 Para. 76(a)). In doing so, the practitioner will gain insight into the reporting entity's value chain and reporting boundary. Guidance on these matters, together with establishing whether the preconditions for an assurance engagement are present, is included in **Part C – Acceptance and Continuance of the Engagement, Including Preconditions for Assurance**. The practitioner obtains a more in-depth understanding of the reporting boundary and activities within the reporting boundary when obtaining an understanding of the entity and its environment (ISSA 5000 Para. 110(b)).
225. The understanding described in paragraph 224 provides a basis for the practitioner to:
- Develop the overall strategy and engagement plan, taking into account whether evidence may need to be obtained with respect to information being reported that has originated from entities in the value chain (ISSA 5000 Para. 96 – See **Part E – Planning**); and
 - Consider whether evidence may be available to the practitioner from work performed by another practitioner (for example, an assurance report of another practitioner that has been designed for use by user entities and their assurance practitioners across a value chain (as further explained below – see *Using the Work of Another Practitioner*).



Components, Group Components and Value Chain Components

226. As explained above, a reporting entity may be required to include sustainability information from multiple entities, both those entities that are within the control of the reporting entity and those that are outside of the control of the reporting entity.
227. Having obtained an understanding of the sustainability information being reported, ISSA 5000 requires the practitioner to determine the sustainability information on which assurance work will be performed and the source of that information (i.e., the entities, business units, functions or business activities for which information is included in the sustainability information subject to the assurance engagement) (ISSA 5000 Para. 96 – See **Part E – Planning**). In doing so, the practitioner will determine an overall approach to obtaining evidence, including where and by whom. This will enable the practitioner to determine the components for the engagement.



Component: *An entity, business unit, function or business activity, or some combination thereof, within the reporting boundary, determined by the practitioner for purposes of planning and performing the sustainability assurance engagement.*

ISSA 5000
Para. 18

228. For purposes of the ISSAs, components determined by the practitioner for purposes of planning and performing the sustainability assurance engagement that include entities or business units required to be included in the reporting entity's group financial statements (e.g., subsidiaries of a parent entity) are referred to as "group components".
229. In addition to group components, the practitioner may determine components that include other entities or business units that are part of the reporting entity's upstream or downstream value chain. Such components are referred to as "value chain components."
230. Diagram D.1 above illustrates the concept of group components and value chain components within the overall reporting boundary.
231. As explained in **Part B – Fundamental Principles and Concepts**, having determined the components for purposes of planning and performing the sustainability assurance engagement, i.e., where assurance work needs to be performed, the practitioner determines who will perform that work, including whether to involve a component practitioner or whether evidence may be available from work performed by another practitioner.

ISSA 5000
Para. A17



What determines whether an entity or business unit is a group component?

232. ISSA 5000 indicates that the framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. Therefore, components that include entities or business units required to be included in the reporting entity's group financial statements (e.g., subsidiaries of a parent entity) are referred to as "group components."

ISSA 5000
Para. A17



Are “group components” always the same as components that might be identified in an audit of an entity’s group financial statements and how are equity accounted investees treated?

233. Ordinarily, there is likely to be a high level of correlation between entities or business units that are determined to be components for purposes of a group audit and those determined to be group components for purposes of the sustainability assurance engagement, when such entities give rise to both material financial information and material sustainability information required to be reported in the group financial statements and group sustainability information. There may be entities over which the reporting entity does not have control but that are nevertheless required to be included in the entity’s group financial statements, such as equity accounted investees. If an equity accounted investee is significant to the audit of the entity’s group financial statements, it may be determined to be a component for purposes of the financial statement audit. For purposes of a sustainability assurance engagement, although such entities may be outside the control of the reporting entity, they may still be determined to be “group components” by virtue of the fact that they are entities or business units that are required to be included in the group financial statements.



What requirements apply if the practitioner intends to obtain evidence from using the assurance work performed by a component practitioner at a group component?

234. When a component practitioner has been identified by a group practitioner and agreed to be involved in a group sustainability assurance engagement, they become part of the engagement team, as explained in **Part B – Fundamental Principles and Concepts**. Therefore, they are subject to the direction, supervision and review requirements in ISSA 5000 (paragraphs 46-49).



Can a practitioner be sufficiently and appropriately involved in the work of another firm performing assurance work at a value chain component such that they are considered a component practitioner?

235. Yes. However, ISSA 5000 explains that this may be relatively rare. There may be situations where there is a specific business or contractual relationship between the reporting entity and an entity in its value chain, and management of the reporting entity has the ability or a right to arrange for a practitioner to obtain access to information at that value chain entity or access to the firm that has performed work on the information of the value chain entity. In those limited circumstances, the practitioner may be able to be sufficiently and appropriately involved in the work of that other firm at a value chain component such that the practitioner can request that firm to act as a component practitioner (ISSA 5000 Para. A19).



What considerations are relevant regarding the ability of a group practitioner to be sufficiently and appropriately involved in the work of a component practitioner?

236. **Part B – Fundamental Principles and Concepts** explains the concept of sufficient and appropriate involvement. This applies irrespective of whether the individuals performing the assurance work are firm personnel or a component practitioner. Additional factors that may need to be considered when involving component practitioners may include where those practitioners are geographically located, how the group practitioner can get access to their work to review, whether information can be sent outside the territory of the component practitioner, or how to address any language differences. The extent of involvement will be influenced by the nature and extent of the work being performed by the component practitioner in the overall context of the group sustainability assurance engagement and the assessed risks of material misstatement of the component sustainability information. An

assurance report alone that is obtained from a component practitioner, without evidence of direction, supervision or review by the group practitioner, would not be considered sufficient and appropriate involvement.



What if the practitioner cannot be sufficiently and appropriately involved in the work of a practitioner in a group component?

237. ISSA 5000 includes a presumption that a group practitioner is able to be sufficiently and appropriately involved in work performed in relation to sustainability information of a group component. However, as explained in **Part B – Fundamental Principles and Concepts** (see paragraph 83), there may be limited circumstances, often driven by timing considerations related to initial engagements, where a group practitioner is not able to be sufficiently and appropriately involved. In such cases, the requirements in ISSA 5000 related to using the work of another practitioner apply. ISSA 5000 further explains that when this is the case, if a similar separate engagement is expected to be performed in subsequent years relating to that group component, the practitioner would be able to consider it in developing the overall strategy and engagement plan for the group engagement, including the involvement of that other firm as a component practitioner (ISSA 5000 Para. A105).

ISSA 5000
Para. A104



Example: Group practitioner not involved in earlier assurance engagement at a subsidiary

The practitioner is engaged to perform a first-year sustainability assurance engagement for a large energy group. In developing the overall strategy and engagement plan, the New York-based engagement team identifies that the firm's office in Los Angeles has earlier that year performed an assurance engagement relating to environmental emissions at one of the group's last remaining coal-fired power plants. The sustainability information within the scope of the assurance engagement for the California entity has been included in the group sustainability information as part of the wider sustainability information prepared by the group. The group practitioner would like to use the work performed by the firm's office in Los Angeles as evidence for the group sustainability assurance engagement. However, as the engagement was conducted several months prior, the group practitioner was not sufficiently and appropriately involved in the work. The group practitioner therefore evaluated the work of the Los Angeles office in its separate sustainability assurance engagement in accordance with the requirements for another practitioner in ISSA 5000 Paras. 50-55. Having now obtained knowledge of the California entity's separate reporting obligations, the group practitioner arranged a planning meeting with the Los Angeles office to discuss scoping of the subsequent year's group sustainability assurance engagement and how the group practitioner could be sufficiently and appropriately involved in the California entity's sustainability assurance engagement in that subsequent year.



If a component practitioner is used in performing the engagement or the work of another practitioner is used, can the assurance report make reference to their involvement and work they have performed?

238. ISSA 5000 does not explicitly address whether reference could be made in the assurance report to the work of a component practitioner or another practitioner. However, any such reference in the

assurance report would need to be carefully worded to avoid implying that the group practitioner's responsibility for the conclusion expressed in the report is reduced because of the involvement of the component practitioner or use of the work of another practitioner. This is consistent with the practitioner's overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement such that they have a basis for determining whether the significant judgments made and the conclusions reached are appropriate.

Using the Work of Others – Overview

239. When a sustainability assurance practitioner plans to use work performed by individuals other than the engagement team, this is referred to in ISSA 5000 as "Using the Work of Others."
240. Diagram B.3 in **Part B – Fundamental Principles and Concepts** describes the human resources that may be engaged in performing a sustainability assurance engagement and explains that another practitioner, a practitioner's external expert and internal auditors are not part of the engagement team. Refer to **Part B** for relevant definitions.
241. The guidance below explains the requirements in ISSA 5000 relating to using the work of another practitioner and using the work of a practitioner's expert (primarily focusing on using the work of a practitioner's external expert).
242. This Guide does not address using the work of the entity's internal audit function. ISSA 5000 includes a requirement addressing considerations in such circumstances, explained by supporting application material (ISSA 5000 Paras. 59, A152-A154).

Using the Work of Another Practitioner

243. The sustainability information may include disclosures that comprise information that has been subject to an assurance engagement by another firm. When the practitioner has identified that another firm has undertaken a separate engagement that may be of relevance to providing evidence for the practitioner's sustainability assurance engagement, and the practitioner cannot be sufficiently and appropriately involved in that work, ISSA 5000 includes requirements that address the steps to be taken, and conclusions that need to be reached, to provide a basis for the practitioner to be able to use the work of another practitioner.
244. This includes:
 - Complying with relevant ethical requirements that apply to using the work of another practitioner (ISSA 5000 Para. 50(a));
 - Evaluating whether that practitioner has the necessary competence and capabilities for the practitioner's purposes (ISSA 5000 Para. 50(b));
 - Evaluating whether the nature, scope and objectives of that practitioner's work are appropriate for the practitioner's purposes (ISSA 5000 Para. 50(c)); and
 - Determining whether the evidence obtained from that practitioner's work is adequate for the practitioner's purposes (ISSA 5000 Para. 50(d)).
245. A practitioner may use the work of another practitioner if they are satisfied with respect to each of the matters described in paragraph 244 above. However, the engagement leader needs to have sufficient understanding of the sustainability matters and sufficient sustainability competence to be able to

evaluate whether the work performed by another practitioner provides appropriate evidence for the practitioner's purposes and take responsibility for the conclusions reached.

246. In some circumstances, the practitioner would not be able to use the work of another practitioner. This includes when the practitioner is unable to:
- Determine or conclude that relevant ethical requirements that apply to using the work of another practitioner have been met, depending on whether the work performed by another practitioner is assurance or non-assurance work (ISSA 5000 Para. A125);
 - Conclude that another practitioner has the necessary competence and capabilities; or
 - Determine the adequacy of evidence obtained from another practitioner's work.
247. In such circumstances, the practitioner may consider whether the practitioner is able to obtain evidence by performing alternative procedures and obtaining evidence from other sources without using the work of that other practitioner.
248. It may be more common for a practitioner to conclude that another practitioner has the necessary competence and capabilities for the practitioner's purposes and that the work performed provides suitable evidence, but that such evidence is not sufficient on its own for the practitioner's purposes. In such circumstances, the practitioner may consider whether it is possible to supplement the work of another practitioner by performing additional procedures to obtain sufficient appropriate evidence for purposes of the sustainability assurance engagement.



Can the practitioner simply rely on the assurance report issued by another practitioner?

249. No. While it is a core principle that an assurance report needs to be supported by sufficient appropriate evidence as a basis for the assurance conclusion expressed, a sustainability assurance practitioner cannot simply assume that the work performed by another practitioner was adequate and resulted in sufficient appropriate evidence, without any knowledge of the underlying engagement performed. Furthermore, it may not always be clear whether the precise nature of the engagement performed by another practitioner, including the procedures performed and evidence obtained, would have resulted in evidence that is directly relevant to the practitioner's sustainability assurance engagement. Consequently, in addition to the other elements described above, ISSA 5000 paragraphs 50(c)-(d) require the practitioner to evaluate another practitioner's work and determine its adequacy for the practitioner's purposes.



What does it mean for the practitioner to comply with relevant ethical requirements that apply to using the work of another practitioner?

250. While ISSA 5000 requires the practitioner to evaluate whether another practitioner has the necessary competence and capabilities for the practitioner's purposes, the standard acknowledges that independence and other ethical requirements are matters addressed in the relevant ethical requirements. Therefore, ISSA 5000 requires the practitioner to comply with relevant ethical requirements that apply to using the work of another practitioner (ISSA 5000 Para. 50(a)). Such ethical requirements may include provisions related to using the work of another practitioner, and may vary depending on whether that work is assurance or non-assurance work.



Example: IESBA Code provisions on using the work of another practitioner

The IESBA Code includes provisions addressing the fulfilment of the practitioner's ethical responsibilities related to using the work of another practitioner and draws a distinction between whether that work is an assurance engagement or non-assurance engagement. With respect to assurance engagements performed by another practitioner, the provisions also distinguish between whether that assurance engagement was performed in relation to a group component or a value chain component. An assurance practitioner that complies with the IESBA Code and intends to use the assurance work of another practitioner is required to, for example:

- In relation to work performed at a group component, obtain confirmation from another practitioner that they have met the independence requirements applicable to them, set out in the IESBA Code relevant to a sustainability assurance engagement.
- In relation to work performed at a value chain component, be satisfied that another practitioner meets the independence requirements applicable to that practitioner, which may be satisfied by reviewing a statement of independence issued by the other practitioner in relation to the assurance work performed at the value chain component (i.e., in the assurance report of another practitioner), or by requesting confirmation from that other practitioner.

Note: The IESBA Code also includes other provisions, in addition to the matters described above, applicable to a sustainability assurance practitioner that intends to use the work of another practitioner.



What is required in terms of evaluating the competence and capabilities of another practitioner?

251. This is a matter of professional judgment. The practitioner may have worked with the other firm in the past, including with the engagement leader from that other firm, and therefore may have personal experience that another practitioner has the necessary competence and capabilities. In other cases, another practitioner may be unknown to the practitioner and information from other sources will need to be obtained as a basis for the practitioner's evaluation. For example, there may be publicly available documents that a practitioner may be able to use to obtain an understanding of the requirements and other technical and ethical standards followed by another practitioner, as well as any inspection findings that may be relevant to evaluating competence and capabilities. The most direct source of information would be to discuss these matters directly with another practitioner. When another practitioner is another firm within the same network as the practitioner's firm and is subject to common network requirements or uses common network services, the practitioner may be able to depend on such network requirements (ISSA 5000 Para. A127).



What might typically be expected in determining whether the work of another practitioner is adequate for the practitioner's purposes?

252. The nature, timing and extent of procedures to evaluate the work of another practitioner and determine its adequacy for the practitioner's purposes will vary depending on the circumstances. This will be influenced by the nature of the disclosures for which evidence is being sought, the assessed risks of material misstatement associated with those disclosures and the overall significance of

another practitioner's work in providing the practitioner with a basis for concluding that they have sufficient appropriate evidence.

253. Similar to the practitioner's evaluation of the competence and capabilities of another practitioner, the most direct source of information to evaluate the adequacy of the work will be to discuss directly with another practitioner the work they have performed and any related findings. In that regard, ISSA 5000 includes a specific requirement (ISSA 5000 Para. 53) for the practitioner to communicate with another practitioner, to the extent necessary in the circumstances, about the findings from another practitioner's work. The "extent necessary" is a matter of professional judgment, taking into account other factors, as described. The practitioner is also required to determine whether, and the extent to which, it is necessary to review additional documentation of the work performed by another practitioner (ISSA 5000 Para. 54). This again is a matter of professional judgment but will be informed by the practitioner's evaluation of the competence and capabilities of another practitioner, the significance of another practitioner's work to the overall evidence to be obtained and the outcome of any communications between the practitioner and another practitioner.



Example: Another practitioner has performed an assurance engagement on greenhouse gas emissions associated with an upstream value chain component

The practitioner has identified that the entity's GHG Scope 3 emissions disclosures include a significant element originating from a value chain component that deals with upstream transportation and distribution. The practitioner is furthermore aware that the value chain entity had obtained an independent assurance report on their reported GHG emissions. The practitioner has assessed the risk of material misstatement of the GHG emissions information as higher on the spectrum of risk. In evaluating the adequacy of the GHG emissions assurance engagement undertaken by another practitioner, the practitioner:

- Had previous experience of working with the firm that is another practitioner in this instance and was able to draw on existing information to conclude that the other practitioner had the necessary competence and capabilities.
- Held an online meeting with the engagement leader and other senior engagement team members from the other practitioner to discuss the specific nature, scope and objectives of that practitioner's work and their overall approach to the engagement they had performed.
- Obtained a summary report from the other practitioner of the procedures performed and main findings, including details of misstatements identified (both corrected and uncorrected).
- Based on a review of the information received, held a follow up call to discuss certain significant assumptions made by management of the value chain entity and related key judgments made by the other practitioner in forming their findings.
- Documented all of the above on the engagement file.
- Based on the past experience of working with the other practitioner and information obtained from the communications and report obtained, determined it was not necessary to review additional documentation of the other practitioner.



What is meant by a “one-to-many” report and what are its distinguishing characteristics?

254. ISSA 5000 includes a concept of a “one-to-many” assurance report. This concept is envisaged as being similar in nature to a report issued by a service auditor in relation to a service organization,⁹ where the assurance practitioner of an entity (a “value chain entity”) issues a report on an assurance engagement over information reported by that value chain entity that is made available to multiple “user entities” in the upstream or downstream value chain of that entity, where those upstream or downstream entities are required to include the sustainability information of that entity in their own sustainability reporting. Such a report might be expected to include a description of the value chain entity’s sustainability information and may include information on relevant processes and controls at the value chain entity, together with a description of the procedures performed by the value chain entity’s assurance practitioner, and that practitioner’s assurance conclusion on such information (and, when applicable to the engagement, related controls).
255. In developing ISSA 5000, the IAASB was of the view that this form of reporting may likely evolve to address the information and assurance needs of various reporting entities across a value chain. Consequently, when evaluating whether the nature, scope and objectives of another practitioner’s work are appropriate for the practitioner’s purposes and determining the adequacy of such work for the practitioner’s purposes, if a one-to-many report is available and the practitioner intends to use such a report, ISSA 5000 (Para. 51) requires the practitioner to determine whether that assurance report provides sufficient appropriate evidence for the practitioner’s purposes. This includes evaluating:
- Whether the description of the procedures performed and the results thereof are appropriate for the practitioner’s purposes; and
 - The adequacy of the standard(s) under which the assurance report was issued.

Whether a one-to-many report provides sufficient appropriate evidence for the practitioner’s purposes will be a matter of professional judgment, taking into account, the level of detail provided about the assurance procedures performed and the results of those procedures, including exceptions, and other related information that could affect the practitioner’s conclusions.



Does a “one-to-many” report need to be specifically addressed to the reporting entity (or the related assurance practitioner) for which the practitioner’s sustainability assurance engagement is being performed?

256. No. As this is likely an emerging area of practice, different approaches may evolve, including reports designed for specific entities in a specific value chain, where such entities are explicitly identified as addressees of the assurance report. However, consistent with the concept of a service auditor’s report, it may be more likely that the value chain entity’s assurance practitioner’s report will be addressed to the value chain entity responsible for the information that it provides to its upstream and downstream value chain entities, with the report including a general description of the intended users of the report, i.e., other reporting entities in the value chain of the entity that is the subject of the one-to-many report.

⁹ See ISAE 3402, *Assurance Reports on Controls at a Service Organization*



If a one-to-many report describes various “user entity” controls expected to be in place at the user entity, and the user entity’s system of internal control does not include those controls, what are the implications?

257. A one-to-many assurance report of another practitioner may include information on complementary user entity controls, i.e., controls expected to be in place at entities seeking to rely on the sustainability information reported by (or controls in place at) a value chain entity. If the user entity has not designed and implemented such controls, then it is unlikely to have an appropriate basis for using the information obtained in preparing its own sustainability information without performing alternative procedures to validate its relevance and reliability. In such circumstances, the practitioner would also likely be unable to use the one-to-many assurance report and would need to consider alternative procedures to obtain sufficient appropriate evidence with respect to the sustainability information from that value chain component.



Is it always necessary to communicate with another practitioner, including when they have issued a “one-to-many” report?

258. Not necessarily. As described above, the extent to which a practitioner communicates with another practitioner about the other practitioner’s work is a matter of professional judgment. However, in practice, communication with another practitioner is likely to be useful to clarify aspects of the other practitioner’s work, in particular when there are likely to be one or more matters of interest to the practitioner (see examples of matters the practitioner may request another practitioner to communicate in ISSA 5000 Para. A132).



Can non-assurance work performed by another practitioner be used by the sustainability assurance practitioner, for example, when another practitioner has performed an agreed-upon procedures engagement for a group component?

259. Yes. The relevance of the work, whether assurance or non-assurance, of another practitioner to the practitioner’s engagement is a matter of professional judgment. The relevance of non-assurance work to the assurance evidence the practitioner needs to obtain for their engagement may be less obvious compared to an assurance engagement performed by another practitioner. However, there may be non-assurance engagements that address matters that indirectly are relevant to the disclosures for which the practitioner is seeking evidence.



Example: Another practitioner’s agreed-upon-procedures engagement

Another practitioner performed an agreed-upon procedures (AUP) engagement that involved performing specific procedures to assess the accuracy and functionality of a water meter. The practitioner would like to use the AUP report as evidence related to testing the output from the water meter to record usage data included in the sustainability information.

The procedures included:

- Calibration check: inspected the calibration of the water meter against manufacturer guidelines for accurate water usage measurement.

- Installation inspection: Inspected the installation of the water meter to confirm it is installed correctly in accordance with manufacturer guidelines.
- Data accuracy: Checked the accuracy of the data recorded by the water meter over a specified period.
- Flow rate testing: Measured the flow rate through the water meter to check against the specifications.
- Leak detection: Checked for any leaks or irregularities in the water meter and associated piping.
- Usage comparison: Compared the water usage recorded by the meter with historical data or alternative measurement methods.

The practitioner would then apply the requirements in paragraphs 50 and 53-55 of ISSA 5000 to be able to use the AUP report as evidence for the water usage disclosure.



What are the implications if the practitioner cannot get access to another practitioner, or another practitioner will not communicate with the practitioner?

260. If another practitioner is unwilling to communicate with the practitioner, or other restrictions prevent sharing of information, it is unlikely that the practitioner will be able to obtain sufficient information to have a basis for evaluating the work of another practitioner and determining its adequacy for the practitioner's purposes. Paragraph 247 above describes further actions that may be taken when the practitioner is unable to determine the adequacy of evidence obtained from work performed by another practitioner.

Using the Work of a Practitioner's Expert

261. Similar to using the work of another practitioner, when the practitioner has determined it necessary to use the work of a practitioner's expert, ISSA 5000 includes requirements that address the steps to be taken, and conclusions that need to be reached, to provide a basis for the practitioner to be able to use that work.

262. This includes:

- Evaluating whether the expert has the necessary competence, capabilities and objectivity for the practitioner's purposes;
- Obtaining a sufficient understanding of the field of expertise of the expert to determine the nature, scope and objectives of that expert's work for the practitioner's purposes;
- Agreeing with the expert, in writing when appropriate, on the nature, scope and objectives of that expert's work and the respective roles and responsibilities of the practitioner and that expert, including the nature, timing and extent of communication between the practitioner and expert; and
- Evaluating the adequacy of the practitioner's expert's work for the practitioner's purposes.

ISSA 5000
Para. 56-57

263. A practitioner may use the work of a practitioner's expert if they are satisfied with respect to each of the matters described in paragraph 262 above. However, the engagement leader has sole responsibility for the assurance conclusion expressed and that responsibility is not reduced by using the work of a practitioner's expert. The engagement leader therefore needs to have sufficient understanding of the sustainability matters and sufficient sustainability competence to be able to:
- (a) When needed, ask appropriate questions of the expert and evaluate whether the answers make sense in the engagement circumstances;
 - (b) Evaluate the expert's work and, to the extent needed, integrate it with the work of the engagement team as a whole; and
 - (c) Take responsibility for the conclusions reached.
264. If a practitioner is unable to conclude that a practitioner's expert has the necessary competence, capabilities and objectivity for the practitioner's purposes, the practitioner would not be able to use the work of that expert (see paragraphs 266-268 below). In such circumstances, the practitioner may consider whether a different expert can be engaged or whether the practitioner is able to obtain evidence from other sources without the need to engage an expert.
265. If the practitioner determines that the practitioner's expert has the necessary competence, capabilities and objectivity but the work of that expert is not adequate for the practitioner's purposes, the practitioner either agrees to have that expert perform further work to enable the practitioner to conclude the work is adequate for their purposes, or the practitioner performs additional procedures appropriate to the circumstances.
-  *What is required in terms of evaluating the competence, capabilities and objectivity of a practitioner's expert?*
266. ISSA 5000 does not set out specific procedures that a practitioner is expected to undertake to evaluate the competence, capabilities and objectivity of a practitioner's expert, but provides several examples of sources of information that the practitioner may draw upon, including, among others, past experience of working with that expert, communicating with the expert, and knowledge of the framework (professional standards or requirements) under which that expert conducts their work. Relevant ethical requirements may also set out relevant considerations in this regard.
267. With respect to objectivity, the practitioner may be subject to relevant ethical requirements that require the practitioner to obtain certain information from a practitioner's external expert, in order to be able to conclude on that expert's objectivity.

ISSA 5000
Para. 58

ISSA 5000
Para. A141



Example: IESBA Code provisions on objectivity of a practitioner's external expert

The IESBA Code includes provisions addressing the fulfilment of the practitioner's ethical responsibilities related to evaluating the objectivity of a practitioner's external expert. For example, the IESBA Code requires a practitioner to request an external expert to provide in writing certain information about financial interests, conflicts of interest and other engagements the expert (or the expert's organization) may have performed for the entity whose sustainability information is

subject to the sustainability assurance engagement. More extensive information requests exist when such entity is also a public interest entity.

268. The practitioner uses professional judgment in determining whether they ultimately have a sufficient basis for concluding on an expert's competence, capabilities and objectivity. Relevant ethical requirements, such as the IESBA Code, may also prohibit the practitioner from using the work of a practitioner's external expert if the practitioner is unable to determine whether the external expert has the necessary competence or capabilities, or is objective, or has determined that the external expert does not have the necessary competence or capabilities, or has determined that it is not possible to eliminate circumstances that create threats to the expert's objectivity, or apply safeguards to reduce such threats to an acceptable level (ISSA 5000 Para. A145).



What is meant by "adequacy" of the work for the practitioner's purposes and how much is the practitioner expected to do to make this evaluation?

269. Evaluating the adequacy of the work of a practitioner's expert essentially means considering the evidence obtained from such work in relation to the disclosure(s) for which the practitioner has used that expert's work, and whether additional procedures may need to be performed by the expert or the practitioner.
270. To have a basis for concluding, the practitioner is required to evaluate (ISSA 5000 Para. 57):
- The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other evidence obtained by the practitioner;
 - The relevance and reasonableness, in the circumstances, of any significant assumptions and methods used by the expert; and
 - The relevance, completeness, and accuracy of any source data that is significant to that expert's work.
271. The procedures the practitioner may perform to evaluate the matters described in paragraph 270 will vary depending on the significance of the practitioner's expert's work in the context of the engagement, the nature of the work being performed and the nature of the disclosure(s) to which the work relates, the assessed risks of material misstatement of those disclosures, and the practitioner's knowledge of and experience with previous work performed by that expert.



Example: The external expert's work relates to a disclosure that is material but determined by the practitioner to have a lower assessed risk of material misstatement

Based on the materiality of the disclosure for which the practitioner engaged an external expert and the assessed risk of material misstatement, the practitioner:

- Agreed with the expert in writing on the nature, scope and objectives of the expert's work;
- Obtained a report from the external expert setting out their approach and findings;
- Held a video conference with the external expert to discuss the findings, asking questions about certain assumptions;

- Confirmed with the expert that the source data used was the industry standard and that no other relevant source data was appropriate.
- Determined that none of the expert's findings required further work by the expert or the practitioner, or needed communication with management.



Example: The external expert's work relates to a disclosure that is material and considered to be of particular importance to intended users, and for which the risk of material misstatement is assessed as higher.

Based on the materiality of the disclosure for which the practitioner engaged an external expert and the assessed risk of material misstatement, the practitioner:

- Agreed with the expert in writing on the nature, scope and objectives of the expert's work. The work to be performed by the external expert was of a different nature and more extensive due to the significance of the disclosure and the higher assessed risk of material misstatement;
- Obtained a report from the external expert setting out their approach and findings;
- Held a face-to-face meeting with the external expert to discuss the findings, asking questions about certain assumptions and asking the expert to provide supporting evidence for those assumptions;
- Considered whether the expert's assumptions and findings were consistent with other evidence obtained by the practitioner, including responses to inquiries of management
- Discussed with the expert the source data used to confirm that the outcome of their work would not have been materially different had alternative available source data been used; and
- Determined that none of the expert's findings required further work by the expert or the practitioner, or needed communication with management.



Are the requirements the same for using the work of a practitioner's internal expert versus an external expert?

272. Broadly yes. Other than paragraph 56(b), addressing the objectivity of a practitioner's external expert, the requirements in ISSA 5000 apply to using the work of all practitioner's experts, whether internal to the firm ("practitioner's internal experts") or external to the firm ("practitioner's external experts"). However, as explained in **Part B – Fundamental Principles and Concepts**, a practitioner's internal expert is a member of the engagement team and therefore is subject to the firm's (or network) policies and procedures and the direction, supervision and review requirements applicable to the engagement team. Consequently, the practitioner may be able to depend on the firm's related policies or procedures regarding the evaluation of the adequacy of an internal expert's work (ISSA 5000 Para. A142-A143). Therefore, while the work of a practitioner's internal expert is subject to the requirements set out in ISSA 5000 relating to evaluating such work (ISSA 5000 Paras. 56-58), the nature and extent of the procedures undertaken by the practitioner may be more straightforward.



Example: Engagement team includes internal experts

In complying with paragraph 56(a), the practitioner confirmed through the firm's training system that the internal expert had completed their required annual training relating to the subject matter for which they have expertise. The practitioner was also able to rely on the firm's independence systems to confirm that the internal expert was independent with respect to the entity. The practitioner documented this information as evidence of their evaluation of the competence, capabilities and objectivity of the internal expert. With respect to the remainder of paragraphs 56-57, the overall engagement documentation included documentation related to the direction, supervision and review of the work of the internal expert, including the evaluation of the scope and adequacy of the expert's work.



If the practitioner uses the work of a practitioner's expert, can (or should) that fact be described in the assurance report?

273. ISSA 5000 does not require or preclude disclosure of the involvement of a practitioner's expert within the assurance report. When a practitioner's internal expert is used on the assurance engagement, such experts are members of the engagement team, therefore it would be unexpected to explicitly refer to individual members of the engagement team in the assurance report. When the practitioner engages an external expert, depending on the nature and extent of the role of that expert, the practitioner may determine it appropriate to describe the involvement of that expert. In such cases, ISSA 5000 requires that any reference to the work of a practitioner's expert in the assurance report not identify the expert, unless required by law or regulation, or otherwise imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert.

ISSA 5000
Para. 192



Example: Expert used to measure radiation leakage

An energy company is required as part of its overall sustainability information to report the number, and degree, of radiation leak incidents arising from its nuclear power plants. The practitioner engaged an engineer (i.e., a practitioner's external expert) to assist in evaluating the information reported relating to the classification and technical accuracy of the reported radiation metrics. As the information was considered significant to the overall reporting prepared by the entity, the practitioner included in the assurance report a brief description of the activities undertaken by the expert without naming the expert.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners, engineers and environmental scientists. We used the work of engineers, in particular, to assist with determining the reasonableness of reported radiation metrics. We remain solely responsible for our assurance conclusion.

E. PLANNING

Matters Addressed in This Part:

- Overall Strategy and Plan
- Overall Strategy and Plan – Group Engagements
- Materiality

Overall Strategy and Plan

274. ISSA 5000 provides guidance on what is involved in developing the overall strategy and engagement plan, which is an iterative process throughout the engagement. The overall strategy and engagement plan include thinking about the scope, timing and direction of the engagement, and a detailed approach to the nature, timing and extent of procedures to be performed and why they were chosen. ISSA 5000 Para. 95, A277-A287
275. The practitioner uses professional judgment in identifying the appropriate approach to planning and performing assurance procedures to obtain sufficient appropriate evidence. Understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting may assist the practitioner in planning the engagement. ISSA 5000 expands on matters that may be relevant in identifying the appropriate approach to planning and performing procedures, such as the information needs of intended users, whether the disclosures relate to similar or interconnected topics, aspects of the topics, or characteristics, and how the entity's industry peers present the sustainability information. See also **Part F – Risk Identification and Assessment**. ISSA 5000 Para. A284



Overall Strategy and Plan – Group Engagements

276. **Part B – Fundamental Principles and Concepts** describes key definitions and fundamental concepts relevant to group sustainability assurance engagements. In developing the overall strategy and plan for a group sustainability assurance engagement, the practitioner is required to determine: ISSA 5000 Para. 96
- The sustainability information on which assurance work will be performed and the source of that information;
 - The resources needed to perform the engagement, including component practitioner(s); and
 - Whether to obtain evidence from the work performed by another practitioner(s).
277. These determinations will be primarily informed by the practitioner's understanding of the group structure, the entity's process to identify sustainability information to be reported, and other engagements on sustainability information that may have been performed across entities or business units in the group, including who performed those engagements. In addition, ISSA 5000 addresses how the entity disaggregates or aggregates the sustainability information for purposes of reporting and ISSA 5000 Para. A284-A287

how the practitioner may group sustainability information for purposes of planning and performing the engagement.

Sustainability Information on Which Assurance Work will be Performed

278. Determining the entities or business units at which assurance work is to be performed involves professional judgment, taking into account, among other factors, the geographical locations involved (including their accessibility), the importance of information to intended users arising from such entities or business units, and the assessed risk(s) of material misstatement relating to that information. ISSA 5000 describes matters that may influence the practitioner's determination of the information on which assurance work will be performed.

ISSA 5000
Para. A288

279. Given there may be challenges in the ability to obtain sufficient appropriate evidence in relation to sustainability information arising from the entity's upstream or downstream value chain, a practitioner may first consider whether it is possible to obtain sufficient appropriate evidence from entities or business units within the reporting entity's control. However, that may not be possible when the source of the information for a particular disclosure relates primarily to a value chain component (a value chain entity that is not included in the reporting entity's group financial statements and so is not a group component) or when a specific risk of material misstatement is identified related to sustainability information arising from a value chain component.

ISSA 5000
Para. A17



How much does the practitioner need to cover across the group (i.e., extent of coverage)?

280. ISSA 5000 does not prescribe specific coverage levels to be achieved when performing a group sustainability assurance engagement. Determining which and how many components to include in the planned assurance work and the "coverage" of information relevant to a particular disclosure is a factor of:
- The assessed risk(s) of material misstatement relating to that disclosure; and
 - The nature and extent of evidence that the practitioner considers is needed to be sufficient and appropriate to respond to those assessed risks.

281. **Part B – Fundamental Principles and Concepts** provides guidance related to the sufficiency and appropriateness of evidence.



Are site visits to component locations necessary?

282. Considerations relevant to whether or not to conduct site visits are similar to the considerations relating to which entities or business units might be determined to be components for purposes of the group sustainability information. For example, relevant considerations may include:
- The extent of work to be performed at a location and the risk(s) of material misstatement associated with the information that will be subject to assurance work, including, for reasonable assurance, the related assertion(s). For example, it can often be difficult to obtain evidence about completeness without visiting a specific location;



Example: Site visits to consider the completeness of the sustainability information

The entity reports health and safety incidents all based on internally generated information. The practitioner may decide that visiting a site is an important procedure to evaluate the relevance and reliability, including considering the completeness of the information about health and safety incidents as it provides a first-hand indication of an entity's approach to health and safety and whether that aligns with the information being reported.

- Who is planned to perform that work and, when component practitioners are to be involved, the practitioner's prior experience regarding the competence and capabilities of those component practitioners (see resources guidance below); and
 - The practitioner's overall plan for direction, supervision and review of the engagement.
283. The higher the risk of material misstatement associated with the sustainability information at a location or a need for an increased level of direction and supervision of engagement resources, the more a practitioner may consider performing a site visit to a component location.

Resources Needed to Perform the Engagement

284. **Part B – Fundamental Principles and Concepts** describes the resources that may be involved in planning and performing a sustainability assurance engagement. This includes component practitioners. ISSA 5000 explains that the consideration of whether there is a need to involve component practitioners with knowledge and experience of the laws, regulations, language or culture in certain jurisdictions is relevant to a group sustainability assurance engagement. 5000 also describes other matters that may influence the practitioner's determination of the resources needed to perform a group sustainability assurance engagement.

ISSA 5000 Para.
A108, A289



Example: Data Privacy Laws Prevent Information Being Sent Across Borders

The entity has a component in an EU country whose laws prevent documents and records from being sent outside of the territory. While it may be possible for a group practitioner to travel to the EU country and perform assurance procedures in territory, it may be more practicable to engage a component practitioner from that EU country to perform the work.

Whether to Obtain Evidence from the Work Performed by Another Practitioner(s)

285. As explained in **Part B** of this Guide, when a practitioner determines that work that has been performed by another firm is relevant to the practitioner's sustainability assurance engagement, but the practitioner is unable to be sufficiently and appropriately involved in the work of that firm, the other firm is another practitioner.
286. When determining the overall group sustainability assurance engagement strategy and engagement plan, when the practitioner identifies value chain components at which assurance work needs to be performed, there may be a greater likelihood that assurance work may already have been performed

by another firm at that value chain component. In such cases, the practitioner may seek to use the work of another practitioner to obtain evidence. **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others** explains the requirements of ISSA 5000 and relevant considerations applicable to such circumstances.

Materiality

287. Materiality is a fundamental concept that is applied by the entity in preparing and presenting sustainability information and by assurance practitioners in planning and performing a sustainability assurance engagement. See **Part B – Fundamental Principles and Concepts** for a discussion of overarching concepts relevant to materiality.



Why is there a differentiation between materiality for qualitative and quantitative disclosures?

288. The practitioner is required to consider materiality for qualitative disclosures and determine materiality for quantitative disclosures. This “bifurcated” approach exists because it is impracticable for practitioners to determine materiality for qualitative disclosures given the nature of those disclosures. It is also impracticable to determine a single materiality for the sustainability information as a whole due to a mix of qualitative and quantitative disclosures about a number of different topics and aspects of topics.

ISSA 5000
Para. 98

289. As a practical matter, a sustainability assurance engagement ordinarily involves multiple materialities. Not all disclosures have the same materiality considerations. For different disclosures, the same intended users may have different information needs, a different tolerance for misstatement, or the disclosures may be expressed using different units of measure.



Examples: Multiple materialities needed for different disclosures

Multiple materialities may be needed if:

- Intended users place more importance on information about food or drug safety than they do on information about the recycling of non-hazardous waste because the consequences of poor safety standards in food or drug production are likely to be more serious to human health than those for not recycling non-hazardous waste. They may, therefore, have a lower tolerance for misstatement of information about food or drug safety than about recycling of non-hazardous waste.
- An entity's sustainability report includes information on greenhouse gas emissions, water consumption, hazardous and non-hazardous waste, employee work-related accident and illness, and community investment, each of these sustainability matters is likely to influence user decisions in different ways and at different thresholds.



How might the practitioner identify intended users and their information needs?

290. Understanding who the intended users are, and their information needs, informs the practitioner's decisions about materiality. The practitioner can:
- Discuss the intended users with the preparers of the information.

- Consider previous knowledge obtained about the intended users from similar assurance engagements, or assurance engagements within the same industry.
- Consider information included in the applicable criteria, if any, about who the intended users of the sustainability information may be.

291. Once the practitioner has identified the intended users, the practitioner can obtain an understanding of their information needs and the types of decisions they are likely to make. See also **Part B – Fundamental Principles and Concepts** (paragraphs 121-125) and **Part F – Risk Identification and Assessment**.

The Difference Between “Consider” and “Determine” for Materiality

292. The nature of the disclosures necessitates different approaches with respect to materiality, either:

- **Considering materiality for qualitative disclosures** – when the practitioner actively reflects upon factors that may lead to potential material misstatements. See also paragraph 297 below.
- **Determining materiality for quantitative disclosures** – results in quantifiable thresholds that relate to the magnitude of misstatements relative to the disclosures, if any, that are:
 - Expressed as a number, an amount in the relevant units of measure, or as a percentage; or
 - Otherwise related to numerical values (e.g., the number of observed deviations from a control may be a relevant quantitative factor when the sustainability information is a statement that the control is effective).

Grouping disclosures for purposes of considering or determining materiality

293. The practitioner may decide to group the sustainability information consistent with how management has presented the sustainability information, or they may decide there are other logical ways of grouping the sustainability information for purposes of planning and performing the engagement. Grouping disclosures will affect the level at which the practitioner considers or determines materiality and designs and performs risk assessment procedures.

294. Disclosures with common attributes can be grouped for purposes of planning and performing the engagement, including as a basis for considering or determining materiality or setting performance materiality. How the entity presents the disclosures (i.e., how the entity aggregates or disaggregates the sustainability information for purposes of presentation) is determined by the criteria. Whether and how the practitioner may further group the disclosures for purposes of planning and performing the engagement is a matter of professional judgment.

295. Given the diverse nature of sustainability information, some topics and aspects of topics are more capable of being grouped than others. In addition, care is needed when grouping disclosures so that risks of material misstatement are identified and responded to appropriately.

296. ISSA 5000 provides examples of possible ways for the practitioner to group the disclosures.

ISSA 5000
Para. A287



Example: Grouping disclosures for purposes of planning and performing the engagement

The topics and aspects of topics which management has included in the entity's sustainability report are summarized below.

Figure 1 – Management's grouping of disclosures for purposes of sustainability reporting

	Biodiversity impacts	Ecosystem services	Habitats protected or restored
Governance	Group A		
Risk and opportunity assessments	Group B	Group C	Group D
Various performance metrics	Group E	Group F	Group G
- Biodiversity impacts – the impact on biodiversity on land which the organization owns or controls. - Ecosystem services – how the organization's business model is dependent on an identified ecosystem service such as the pollination of crops by bees. - Habitats protected or restored – the organization is working with a range of stakeholders to protect biodiversity on community land which has been identified as ecologically significant.			

How the practitioner initially groups the disclosures:

- The practitioner considers how and why management has aggregated or disaggregated sustainability information. Management aggregates or disaggregates the sustainability information based on multiple factors. For example, management will consider the requirements of the applicable sustainability reporting standards, how information is communicated internally, and the information needs of the intended users. The practitioner concludes that how management grouped the topics and aspects of topics as shown in Figure 1 provides a good basis for guiding their work but recognizes that some modifications to the groupings may be required when planning and performing the engagement.

Groupings for biodiversity impacts – Group B and Group E

- The practitioner determines that risks and opportunities in relation to biodiversity impacts can be considered together with the related performance metrics as the same management team is responsible for risk and opportunity assessments and performance metric reporting.

The practitioner concludes that it will be more effective to perform procedures on an aggregated basis.

- Accordingly, the practitioner combines groups B and E into one group (BB) as shown below in Figure 2.

Groupings for ecosystem services – Group C

- Although management combined the risks and opportunities for ecosystem services into one group (C), the practitioner concludes it is more effective to perform procedures on the risks and opportunities separately.
- Accordingly, the practitioner develops further groups (C – Risks and CC – Opportunities) as shown below in Figure 2.

Groupings for performance metrics – Group F and Group G

- Management identifies three groups of disclosures (Group E, Group F and Group G in Figure 1) dealing with performance metrics for each topic. For ecosystem services and habitats under protection, consistent with how management has grouped the disclosures, the nature of the data is such that the practitioner needs to perform assurance work on metrics for each topic separately.
 - These groups include a mix of qualitative and quantitative disclosures.
 - The practitioner has developed specific methods for testing quantified measures which rely on modelling predictable relationships and testing for variances above a tolerable threshold.
 - Qualitative information may be tested using a natural language processing algorithm which detects attributes such as similarity, consistency, tone and sentiment. These text-related attributes are independent of the mathematical modelling used to test quantitative metrics.
 - As a result, the practitioner addresses qualitative and quantitative metrics separately (see Figure 2).

Groupings for governance and habitats protected or restored performance metrics – Group A and Group D

- The practitioner concludes they will group the information the same way as management for purposes of planning and performing their procedures.

Figure 2 – Practitioner’s grouping of disclosures for purposes of planning and performing the engagement

	Biodiversity impacts	Ecosystem services	Habitats under protection
Governance	Group A		

Risk and opportunity assessments	Group BB (includes entity's group B and group E)	Group C – Risks	Group CC – Opportunities	Group D	
Various performance metrics		Group F – quantitative	Group F – qualitative	Group G – quantitative	Group G – qualitative

Based on the practitioner's grouping of disclosures, the practitioner will consider materiality for qualitative disclosures and determine materiality for quantitative disclosures (see further discussion in this Part), and design perform risks assessment procedures (see **Part F – Risk Identification and Assessment**). The practitioner will design and perform further procedures that are responsive to the assessed risks of material misstatement at the disclosure level (in a limited assurance engagement) or at the assertion level for the disclosures (in a reasonable assurance engagement) (see **Part G – Responding to the Risks of Material Misstatement**).



Note: This example could also be extended to a group sustainability assurance engagement. The practitioner, consistent with management's aggregation of information, decides to group all the disclosures for governance across all topics together in one group when planning and performing the engagement. This is because the governance processes and controls are all set and performed at the group level.

The practitioner determines that risks and opportunities in relation to biodiversity impacts, ecosystem services and habits under protection relate to two core parts of the entity's business model, and the applicable processes and controls are performed in two geographical areas. In this case, the practitioner may conclude that it will be more effective to perform procedures at each location, and therefore the procedures for group B, C and D would be split across location 1 and 2.

See also Overall Strategy and Plan – Group Engagements above.

Considering Materiality for Qualitative Disclosures

297. ISSA 5000 provides examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative disclosures.

ISSA 5000
Para. A300



Example: Considering materiality for a qualitative measure

The practitioner determines that the primary focus of intended users is on the entity's progress towards a stated goal. When a KPI is based on achieving a goal, materiality is considered in terms of meeting the identified goal as well as determining the impact on the trend to achieving that goal that may influence intended users' decisions. The practitioner uses professional judgment to consider how progress is considered by stakeholders and what magnitude of misstatement would change stakeholder decisions. This is because progress, or a lack of progress, toward the target may impact the entity's ability to achieve their target.

For example, if the entity's goal is using packaging that is made from at least 50% recycled materials, and the entity indicates that it has achieved that goal with a metric of 51%, a change of just over 1% would be meaningful to the user. In this case, materiality may not be quantitative, but rather qualitative (i.e., "achieve or not"). However, the practitioner may base their procedures on an amount of the numerator or denominator that would cause the metric to go down by more than 1%.



Example: Materiality of Metrics Related to Mine Fatalities

If a key metric related to health and safety of a mine is the number of fatalities in a year, it may not be appropriate to apply a percentage materiality benchmark to the quantitative number disclosed. Even a single fatality in a year would likely be considered material to users.

Determining Materiality for Quantitative Disclosures

298. ISSA 5000 includes factors that may affect the identification of an appropriate benchmark and percentage for a quantitative disclosure (i.e., when the practitioner decides to determine materiality by applying a percentage to a reported metric, or to a chosen benchmark related to a disclosure). Other possible considerations when determining materiality for quantitative disclosures (i.e., to arrive at a quantifiable threshold about the magnitude of misstatements regarded as material) include:

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Para. A304

- Sensitivity of information to stakeholders (including number of stakeholders).
- The relative importance of the disclosure in the context of the entity's industry.
- The difference between the actual amount and the previously set target.
- The gap to license or regulatory levels (e.g., water consumption within water use license, dust emissions below a certain level, pollution below a certain level, etc.).
- The variation compared to compliance with laws and regulation.
- The attention placed on the indicator in the reporting (e.g. included in the foreword of the CEO, key results).
- The variation compared to the prior reporting period (significant change, changing trend).
- Whether the indicator is part of the entity's sustainability strategy.
- Impact of the indicator on the reputation of the organization (including performance when relating to peers).
- Financial impact of a change of X in an indicator.

299. Qualitative factors may also be relevant when determining materiality for quantitative disclosures.



Does the requirement in paragraph 98(b) of ISSA 5000 mean the practitioner has to determine a materiality for each quantitative disclosure?

300. No. As explained in ISSA 5000, the practitioner may decide to group the entity's disclosures for purposes of planning and performing the engagement in a manner different to how management has aggregated or disaggregated the sustainability information. The example above "Grouping disclosures for purposes of planning and performing the engagement" provides an illustration of this.
301. There are some reporting criteria that require many individual disclosures. The practitioner uses the knowledge of the entity and the industry and professional judgment to consider which topics and disclosures are important to the information needs of intended users and determine how to group the information for purposes of planning and performing the engagement. For example, the practitioner may start by grouping the information into carbon, health and safety and human resources matters and then group data points with similar attributes or measurement basis within those topics into separate disclosures and consider or determine materiality for each of those disclosures.
302. After the practitioner performs the risk assessment procedures, they may determine that the risk of material misstatement relating to human resources is at an acceptably low level for reasonable assurance, or at an acceptable level for limited assurance, and therefore further procedures are not necessary for this group of disclosures. However, for a reasonable assurance engagement, ISSA 5000 requires the practitioner to consider the need to design and perform substantive procedures for disclosures that, in the practitioner's judgment, are material (i.e., that are likely to be of particular importance to intended users). The need to perform substantive procedures, and the extent of such procedures, is a matter of professional judgment in the circumstances. In addition, the practitioner is not expected to design and perform substantive procedures for all disclosures. Rather, the substantive procedures may focus on the disclosures, or the information within those disclosures, that is expected to be of particular importance to intended users. See also Part G - *Responding to the Risks of Material Misstatement*, paragraphs 460-461.

ISSA 5000 Para.
A285-A287

ISSA 5000
Para. 140R



How does the practitioner deal with ratios when considering or determining materiality?

303. If the entity is describing the approach to the ratio but does not disclose a quantification of the outcome, then the practitioner can treat it as qualitative information and consider materiality for the described approach. If the entity discloses an outcome of the ratio (i.e., a metric), then the practitioner treats it as quantitative information and consider the inputs to the ratio and what percentage change in the inputs may impact the decisions of intended users.
304. Some ratios may be calculated using a "fixed" denominator (e.g., system downtime ratio, calculated as total number of downtime hours divided by the total hours in the year). In such situations, the practitioner would not need to determine a materiality for the denominator, but rather would determine a materiality threshold for the numerator and recalculate the total number of hours for the reporting year.



Example: Determining materiality for a ratio of percentage of new hires by gender

The entity's strategy is to increase the number of female workers, as the entity is in a traditionally male dominated industry.

- First, the practitioner will need to understand the details underlying the calculation, including the entities' related reporting policies (see **Part F – Risk Identification and Assessment** for a discussion related to the risk assessment procedures to obtain an understanding of the entity's reporting policies):
 - For example, is it only full-time equivalent employees? Headcount? Are contractors included?
- The practitioner may consider whether using headcount is an appropriate measure if a high percentage of the employees have flexible/part-time working arrangements.

The entity discloses the percentage of new hires as at year end by gender as follows:

- Numerator (new hires by gender (male and female))
- Denominator (total new hires)
- Outcome (percentage of new hires that are male or female)

Based on professional judgment, the practitioner determined that users' decisions will be influenced by a +/-3% change in the percentage of new hires that are female and a +/-6% change in the percentage of new hires that are male. Based on the practitioner's understanding of intended users and the information that may be of particular importance to them, the practitioner determined a lower percentage change for female new hires due to the sensitivity regarding the change in numbers of female workers.



How does the practitioner determine materiality if the quantitative disclosure is very small or near zero?

305. If the quantitative disclosure is very small or near zero, an understatement of the disclosure may be material, so the practitioner will need to apply professional judgment as to what is considered material.



Examples: Disclosures that are small or near zero that may require materiality to be determined

- **Waste generation:** Total amount of waste produced by an entity. If an entity has implemented effective waste reduction strategies, such as recycling programs or waste-to-energy initiatives, the waste generation metric could be very low or near zero.
- **Water discharge:** Total amount of water discharged by an entity after use in its operations. Entities with effective water recycling and treatment processes might have very low or near-zero water discharge.

- **Hazardous material use:** Total amount of hazardous materials used in an entity's operations. Entities that have transitioned to safer alternatives or have minimized the use of hazardous materials might report near-zero usage.
- **Biodiversity impact:** Impact of an entity's operations on local biodiversity. Entities that have implemented strong conservation practices and habitat restoration projects might report near-zero biodiversity impact.
- **Incidents of discrimination:** An entity may report near-zero incidents of discrimination if they have taken successful steps to promote equal opportunity in the workplace by eliminating unfair discrimination in any employment policy or practice.

306. In any of these cases the practitioner thinks about what would make the disclosure materially misstated. The practitioner may consider qualitative factors relative to the disclosure to help them determine quantitative materiality. For example, there could be instances of an identified misstatement in the volume of water discharge that is a high percentage, but the practitioner could still conclude there is not a material misstatement in the disclosure because the disclosure is such a small amount quantitatively that even a high percentage misstatement would not impact users' decisions.



Materiality in Group Engagements



How does the practitioner approach materiality in group engagements?

307. ISSA 5000 requires the practitioner to determine performance materiality for quantitative disclosures (see paragraph 318 below). When quantitative disclosures are disaggregated across components, and the practitioner is designing and performing assurance procedures separately on the disaggregated quantitative information at the component level, the practitioner determines a component performance materiality.
308. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the practitioner's understanding of the entity that is updated during the performance of the risk assessment procedures.
309. Factors the practitioner may take into account in setting performance materiality include the following:
- The extent of disaggregation of the disclosures. For example, in a group engagement, as the extent of disaggregation across components increases, a lower performance materiality ordinarily would be appropriate to address aggregation risk (see paragraphs 315-317 below). The relative significance of the component to the reporting entity may affect the extent of disaggregation (e.g., if a single component represents a large portion of the reporting entity, there likely may be less disaggregation across components).
 - Expectations about the nature, frequency and magnitude of misstatements of the disaggregated disclosures, including those identified in previous engagements.

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Double materiality

310. The reporting framework may require the entity to apply the concept of “double materiality,” which recognizes that stakeholders may be focused on both financial materiality and impact materiality. Financial materiality relates to the financial impact of sustainability matters on the entity and impact materiality relates to the positive or negative impacts of the entity on the environment, society, or economy. The application of double materiality means that the entity’s process to identify sustainability information to be reported (or the entity’s “materiality process” as referred to by some reporting frameworks) needs to consider both financial materiality and impact materiality when identifying the sustainability matters to be disclosed and may therefore require engagement with stakeholders.

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Para. A337

311. If the reporting framework or entity-developed criteria require the entity to apply double materiality, the practitioner is required to take into account both financial materiality and impact materiality perspectives when considering or determining materiality for purposes of planning and performing procedures and determining whether identified misstatements are material.

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What does it mean to “take into account both perspectives” of double materiality when considering or determining materiality?

312. The practitioner applies a double materiality “lens” (i.e., “looks both ways” at financial materiality and impact materiality) but, in taking into account both perspectives, uses the more conservative materiality consideration or determination for purposes of planning and performing assurance procedures and evaluating whether identified misstatements are material.

313. If both financial and impact materiality apply, ISSA 5000 explains that:

- For quantitative disclosures, ordinarily the lower level of materiality for financial or impact materiality would be used. That lower level of materiality would allow the practitioner to design and perform appropriate procedures to detect a material misstatement. If the higher level was used, the procedure may not detect a misstatement that would be material to intended users whose decisions would change based on the lower amount.
- For qualitative disclosures, when applying the factors in paragraph A300 and other misstatement considerations in paragraphs A491-A493 of ISSA 5000, ordinarily the greater level of detail needed in the materiality for financial or impact materiality would be used. A key consideration is whether the disclosures are accurate and complete (i.e., do not omit information that may affect the users’ decisions), and do not include information that obscures the presentation of the disclosures.

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Para. A306

ISSA 5000 Para.
A300, A491-A493

314. Taking into account both aspects may include discussing both impact and financial materiality with the engagement team during planning, such as:

- Who are the users of the sustainability information and what is their primary focus?
- How were stakeholders selected as part of the double materiality process? Has the entity only selected stakeholders that are interested in indicators that show the entity having a positive

impact on the environment, society, or economy or is there a balance of both positive and negative impacts on the environment, society and economy? Has the entity only selected stakeholders that are interested in indicators that have a material impact on the entity's strategy, business model and performance (i.e., financial materiality), or is there a balance of stakeholders including those who are interested in the material impacts of the entity's activities, products and services on the environment, society or economy (i.e., impact materiality)?

- Is the entity's double materiality assessment complete? For example, if the entity identified five material sustainability matters to be disclosed in their report, consider what topics were considered by the entity but determined not to be disclosed and what was the entity's rationale and materiality threshold used to exclude them from the report?



Example: How the practitioner takes into account double materiality

An entity has three separate and distinct groups of intended users of their sustainability information: investors, lenders and the community that borders its operation / facility. The community is the primary source of workers in the operation / facility and is most concerned with health and safety.

Considering the disclosure of health and safety incidents, investors, lenders and the community are all interested in individual worker health and safety. However, investors and lenders will also be interested in the financial impacts on the entity, such as a closure of the operation as a result of a health and safety incident. The community would be impacted by an operation closure due to the impact of unemployment in their community, but would also be concerned about the health and safety of workers in their community. The local regulations indicate that an investigation or closure of the operation would only be triggered after 10 health and safety incidents are reported. Users from the community indicated that two reported health and safety incidents would have an effect on their decisions, including whether to take up or continue employment at the entity or initiate industrial action.

Therefore, following the guidance in paragraph A306 of ISA 5000, the practitioner takes into account both the financial and impact perspectives and determines that materiality for health and safety incidents is two (the lower level) that would impact decisions of users in the community.

Aggregation Risk

315. Aggregation risk may be a relevant consideration for quantitative disclosures. It refers to the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. As explained in ISSA 5000, for quantitative disclosures, planning and performing procedures solely to detect individually material misstatements overlooks aggregation risk.
316. Aggregation risk arises when the practitioner designs and performs assurance procedures separately on disaggregated information, either because the sustainability information has been disaggregated by the preparer, for the purposes of applying the criteria, or by the practitioner, for the purpose of designing and performing assurance procedures.

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Para. A308



In what circumstances may there be no aggregation risk?

317. There may be no aggregation risk when the practitioner is performing assurance procedures over the entire population. This may be when:

- Testing all items in the population;
- Performing an analytical review procedure over the disclosure as a whole; or
- Performing sampling, when the population being tested is the entire population related to the disclosure.

Performance Materiality

318. ISSA 5000 requires the practitioner to determine performance materiality for quantitative disclosures to reduce aggregation risk to appropriately low level. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the practitioner's understanding of the entity that is updated during the performance of the risk assessment procedures. Factors the practitioner may take into account in setting performance materiality include the following:

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- The extent of disaggregation of the disclosures.
- Expectations about the nature, frequency and magnitude of misstatements of the disaggregated disclosures, including those identified in previous engagements.



Example: Determining performance materiality

No aggregation risk:

- The practitioner has determined materiality separately for Scope 2 greenhouse gas emissions and plans to perform sampling over Scope 2 greenhouse gas emissions.
- The population being tested is the whole population of invoices that the entity has used as the basis for reporting Scope 2 emissions.
- The practitioner determines that there is no aggregation risk, and performance materiality is the same as materiality.

Aggregation risk:

- If Scope 2 greenhouse gas emissions can only be tested at each location and there are multiple locations, with a history of misstatements.
- Under these circumstances the practitioner may, for example, determine a performance materiality of 65% of materiality to reduce aggregation risk to an appropriately low level.
- If a similar entity had only a few locations and no history of misstatements, the practitioner may, for example, determine a performance materiality of 85% of materiality.



Group performance materiality may be set at the component level:

- An entity reports waste management for its four production sites. Management of the sustainability matters, and of the process to report the waste management information is delegated to site production managers, who report using the group reporting manual as criteria. Materiality for the entity's group information has been set at 5,000 units.
- The information for Sites A and D is expected to involve a greater risk of misstatement, therefore performance materiality at the component/site level is set at 60% of materiality (i.e., 3,000 units for each).
- The information for Sites B and C is expected to involve a lower risk of misstatement, therefore performance materiality at the component/site level is set at 80% of materiality (i.e., 4,000 units for each).

319. In some cases, risk assessment procedures or further procedures may be performed by the practitioner on a quantitative disclosure as a single population (i.e., not disaggregated). In such cases, performance materiality used for purposes of performing these procedures is the same as materiality.
320. Using performance materiality in designing and performing procedures increases the likelihood that the procedures will result in the identification of misstatements that are not individually material in quantitative terms. However, the practitioner evaluates the misstatements in combination with other misstatements to determine whether the sustainability information is materially misstated. See **Part H: – Concluding and Reporting.**



Example: Aggregating misstatements

Note: this example continues from the example on *Determining performance materiality* in paragraph 318 above.

Based on the further procedures performed at Sites A to D for waste management information, misstatements are identified as follows:

- Site A - 2,550 units,
- Site B - no misstatements,
- Site C - 1,977 units,
- Site D - 1,052 units.

The practitioner concludes that waste management information is materially misstated, since the aggregate of the misstatements is 5,579 units, which exceeds materiality for the group information of 5,000 units.

F. RISK IDENTIFICATION AND ASSESSMENT

Matters Addressed in This Part

- The Purpose of Risk Assessment Procedures
- Understanding the Sustainability Matters and Sustainability Information
- Determining the Suitability of the Applicable Criteria
- Understanding the Entity's Reporting Policies
- Understanding the Entity and its Environment and the Legal and Regulatory Framework
- Understanding the Components of the Entity's System of Internal Control
- Identifying and Assessing the Risks of Material Misstatement

The Purpose of Risk Assessment Procedures

321. Risk assessment procedures help the practitioner identify and assess potential risks of material misstatement in the sustainability information, as the basis for tailoring the practitioner's further procedures to address specific areas of concern. Proper risk identification and assessment helps the practitioner allocate their time and resources more effectively, determine where the assurance efforts should be focused, and leads to a more efficient and effective assurance process.

322. The practitioner's identification and assessment of the risks of material misstatement in the sustainability information is informed by:

- Obtaining an understanding of:
 - The sustainability matters and the sustainability information.
 - The entity's reporting policies.
 - The entity and its environment.
 - The legal and regulatory framework.
 - Components of the entity's system of internal control.
- Determining the suitability of the applicable criteria.
- Inquiries and discussion with the appropriate parties (e.g., management or those charged with governance) and, when appropriate, others within the entity about any fraud or suspected fraud, or identified or suspected non-compliance with laws and regulations, and with the internal audit function, if any.



What is the difference between risk identification and assessment in a limited assurance engagement and a reasonable assurance engagement?

323. The key differences between risk identification and assessment in a limited assurance engagement versus a reasonable assurance engagement are:

- The breadth and depth of the understanding of the components of internal control - A reasonable assurance engagement requires a broader and more in-depth understanding of the entity and its environment, and particularly the components of the entity's system of internal

control relevant to the sustainability matters and the preparation of the sustainability information. For example, in a limited assurance engagement, the practitioner is required to obtain an understanding of the results of the entity's risk assessment process relevant to the sustainability matters and the preparation of the sustainability information. In a reasonable assurance engagement, in addition to understanding the results, the practitioner is also required to understand the entity's risk assessment process and evaluate whether it is appropriate to the entity's circumstances.

- Nature and extent of procedures to obtain an understanding - The procedures the practitioner performs in obtaining an understanding in a limited assurance engagement are different in nature and less in extent than those performed in a reasonable assurance engagement. For example, in a limited assurance engagement, the practitioner is required to make inquiries to obtain an understanding of the entity and its environment and its system of internal control. In a reasonable assurance engagement, in addition to inquiry, the practitioner is required to perform other risk assessment procedures, which may include observation and inspection, among others. However, the procedures performed in a limited assurance engagement to obtain an understanding of the entity and its environment and its system of internal control may also include other risk procedures that the practitioner considers necessary, particularly when the responses to inquiries indicate that further information may be needed.



How does the practitioner obtain the necessary understanding to identify and assess risks of material misstatement?

324. The practitioner's understanding may be drawn from:

- The understanding obtained on previous engagements: Some of the understanding needed may come from what the practitioner already knows from previous assurance engagements. For example, if they have performed assurance engagements in a similar jurisdiction or industry, the practitioner may understand some aspects of the entity's environment, the relevant criteria, and the sustainability matters. If they have performed other assurance engagements for the same entity, the practitioner may understand some aspects of the entity and its environment, including its system of internal control.
- Client acceptance and continuance procedures: Client acceptance and continuance procedures can help the practitioner gain more insight into the sustainability matters included in the sustainability information, the relevant sustainability reporting framework or other criteria applied, and the entity and its environment. For example, the practitioner will have obtained an understanding of the nature of the entity's business and the entity's structure, including whether it operates in multiple locations. In determining whether the preconditions for an assurance engagement are present, the practitioner will have obtained a preliminary knowledge of the underlying sustainability matters and the criteria. While the understanding gained prior to accepting the engagement is not expected to be sufficient on its own to inform the practitioner's risk assessment, it does provide a basis upon which to build the understanding to support that risk assessment.
- Engagement team discussion(s): When the practitioner holds discussions ("team brainstorming sessions") with key members of the engagement team, they will benefit from the different knowledge and experience of each member of the team, which will help further their understanding of the sustainability matters and what might be of importance to intended users,

ways in which those matters may be susceptible to material misstatement, the applicable criteria, and the entity and the environment in which it operates.

- Risk assessment procedures: Although the practitioner may have some understanding of the sustainability matters, the applicable criteria, the entity and its environment and its system of internal control from the procedures above, they will obtain most of the requisite understanding by performing risk assessment procedures. In all engagements, the practitioner is required to perform inquiries as part of the risk assessment procedures. The practitioner may perform procedures in addition to inquiries, for example, the practitioner may perform observations or inspections if the practitioner believes that they will help to identify and assess the risks of material misstatement at the disclosure level. In a reasonable assurance engagement, the practitioner is required to perform procedures in addition to inquiries to help to identify and assess the risks of material misstatement at the assertion level.



What risk assessment procedures does the practitioner perform?

325. The nature of risk assessment procedures that the practitioner performs may include:

- Inquiries: Inquiries of management and those responsible for oversight of the sustainability reporting process, and of other appropriate individuals within the entity with different levels of authority may provide the practitioner with varying perspectives when identifying and assessing the risks of material misstatement.



Examples: Inquiries of management and others

- Inquiries of management about the process used to prepare the sustainability information may help the practitioner understand how information is collected, processed, and reported and therefore may help to identify any areas where misstatements may occur. Inquiries may also help the practitioner identify whether controls are in place at points in the process where expected to prevent or detect and correct misstatements.
- Inquiries of management about stakeholder engagement may help the practitioner understand how management identifies the intended users of their sustainability information, and the information needs of those users. This may help the practitioner to understand whether the entity's process to identify sustainability information to be reported is appropriate and whether the engagement has a rational purpose.
- Inquiries of individuals responsible for initiating, processing or recording complex data (e.g., emissions data) may help the practitioner evaluate the appropriateness of the application of the applicable criteria and the entity's reporting policies.
- Inquiries directed towards those charged with governance may help the practitioner understand the extent of oversight by those charged with governance over the preparation of the sustainability information.
- Inquiries directed towards in-house legal counsel may provide information about matters such as litigation, compliance with laws and regulations, knowledge of fraud or suspected fraud affecting the entity, and the meaning of contractual terms.

- Inquiries directed towards marketing or sales personnel may provide information about changes in the entity's strategies related to sustainability targets.

- Analytical procedures: Analytical procedures performed as risk assessment procedures help identify inconsistent, unusual or unexpected relationships, ratios and trends that indicate potential risks of misstatement that may be relevant to the engagement. Such relationships that are identified may assist the practitioner in identifying risks of material misstatement, including risks of material misstatement due to fraud.



Examples: Analytical procedures

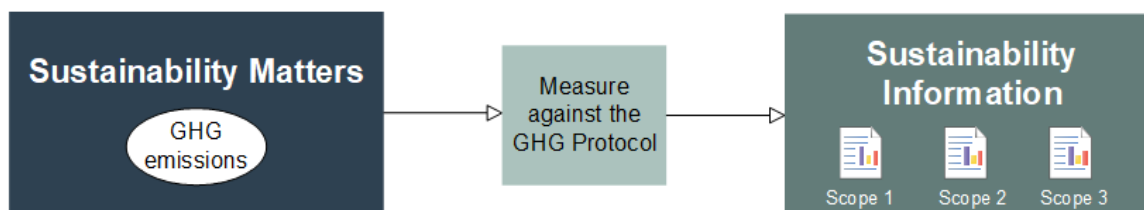
- Trend analysis by comparing current year data with historical data to identify significant variances in emission levels or waste management metrics.
- Ratio analysis by evaluating ratios such as waste recycled to waste generated to understand efficiency trends.
- Benchmarking to compare the company's diversity, equity and inclusion performance statistics against industry standards or competitors.

- Observation and inspection

Understanding the Sustainability Matters and Sustainability Information

326. The sustainability information reported is the result of the entity measuring or evaluating the sustainability matters against the applicable criteria. For example, a sustainability matter may be the entity's greenhouse gas (GHG) emissions. The entity may measure the GHG emissions against the GHG Protocol, resulting in quantification of the entity's scope 1, 2 and 3 GHG emissions that may be disclosed as part of or be all of the entity's sustainability information reported (i.e. the quantified emissions data). **Part B – Fundamental Principles and Concepts** and Appendix 1 in ISSA 5000 further explain the relationship between sustainability matters, criteria and sustainability information.

Example of Sustainability Matters and Sustainability Information When Reporting GHG Emissions



327. The characteristics of events or conditions that could give rise to a material misstatement of the disclosures may include complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud, thus resulting in susceptibility of the disclosures to material misstatement, whether due to fraud or error. These characteristics may relate to the entity or its industry or its

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Para. A322

environment. They often relate to the sustainability matters or the criteria, or the way the criteria is applied in measuring or evaluating the sustainability matters to result in the sustainability information.



Example: The effect of complexity, subjectivity and change

A multinational corporation is preparing its annual sustainability report. The entity operates in various sectors, including manufacturing, energy, and retail, and has a presence in multiple countries with different regulatory environments and cultural contexts. The entity has diverse stakeholder groups with conflicting interests. The entity's determination of which sustainability issues are material to the business and stakeholders as required by the criteria requires a thorough and often subjective assessment process. Furthermore, collecting accurate and comprehensive data across different regions and business units, and ensuring consistency in data reporting across various sustainability metrics is complex, and may be subject to estimation uncertainty. Additionally, keeping up with changing and evolving sustainability standards and regulations requires continuous monitoring and adaptation.

In this example, the complexity of the entity and the environment in which it operates, the judgment required to apply the criteria, and the estimation uncertainty contribute to the susceptibility to risks of material misstatement in the sustainability information in the following ways:

- Complexity related to nature of the sustainability matters or in the way that the required sustainability information is prepared, i.e., collection of data across different regions, industries and business units.
- Subjectivity arising from any estimation uncertainty in measuring or evaluating certain sustainability matters.
- Change resulting from the evolving sustainability standards or in the entity and its business model, including the environment in which the entity operates.

Determining the Suitability of the Applicable Criteria

328. Criteria may be:

- Framework criteria. If the criteria are embodied in law or regulation or have been established by an authorized or recognized organization (e.g. a global or national standard-setter) that has followed a transparent due process, the practitioner may presume that the criteria are suitable unless something comes to their attention to indicate otherwise. This is true even if the criteria offer implicit or explicit options to comply with them, and even if those options may result in a different measurement or evaluation of the sustainability matter against the criteria. For example, the framework criteria may explicitly offer voluntary disclosure requirements, phase-in reliefs, or different ways to measure or evaluate the sustainability matters.
- Entity-developed criteria. These are criteria developed by the entity when there are no framework criteria available. This may be due to the entity operating in an environment or specialized industry that presents unique circumstances or due to the fact that certain reporting frameworks may be less established and still evolving.

- Framework criteria supplemented by entity-developed criteria. When framework criteria may not be considered suitable on their own, an entity may supplement or replace the framework criteria by:
 - Selecting criteria from one or more other available framework(s), or
 - Using entity-developed criteria.
329. In some cases, the process to develop the framework criteria may not be fully developed or may result in a framework that does not embody 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 (see Understanding the Entity's Reporting Policies below for guidance relating to an entity's reporting policies). Although the framework does not necessarily have to specify how to measure or evaluate all sustainability matters, if it does not provide sufficient principles for the entity to select and apply reporting policies, that framework criteria, on their own, may not be suitable. As a result, there may also be a need for the entity to have additional entity-developed criteria or to select criteria from one or more other available framework(s).
330. If the entity develops its own criteria or selects criteria from one or more available framework(s), considering the suitability of the criteria is important because the entity may intentionally or unintentionally develop criteria that is incomplete, or otherwise results in a biased presentation that is misleading to the intended users. For example, the entity may only choose or develop criteria that results in sustainability information that paints the entity in an attractive light.
331. When a preparer is using framework criteria embodied in law or regulation or issued by an authorized or recognized organization and chooses to modify or adjust those criteria with the result that they are different from those commonly used in the entity's sector, this may be an indicator of potential management bias and of a risk that the resulting sustainability information could be misleading to the intended users. In such circumstances, the practitioner exercises professional skepticism and professional judgment in determining the suitability of the criteria, and in considering whether there is a reasonable basis for the change and whether the change is sufficiently disclosed and explained in the sustainability report.
332. If a subset of criteria that comprise the set of criteria are not suitable, it does not mean that the entire set of criteria are not suitable. The entity may develop criteria to supplement only some of the criteria.



How does the practitioner determine the suitability of the applicable criteria?

333. In determining the suitability of the applicable criteria, the practitioner may build on:
- The consideration of the suitability of the criteria during acceptance or continuance of the engagement in determining whether the preconditions were present.
 - Previous experience with the criteria, which may be obtained from previous engagements or professional education.
334. Suitable criteria are required for reasonably consistent measurement or evaluation of the sustainability matter. Suitability is determined in the context of the circumstances of the entity and its environment. Without suitable criteria, the sustainability information, may not be useful to, may be misunderstood by, or may be misleading to the intended users.



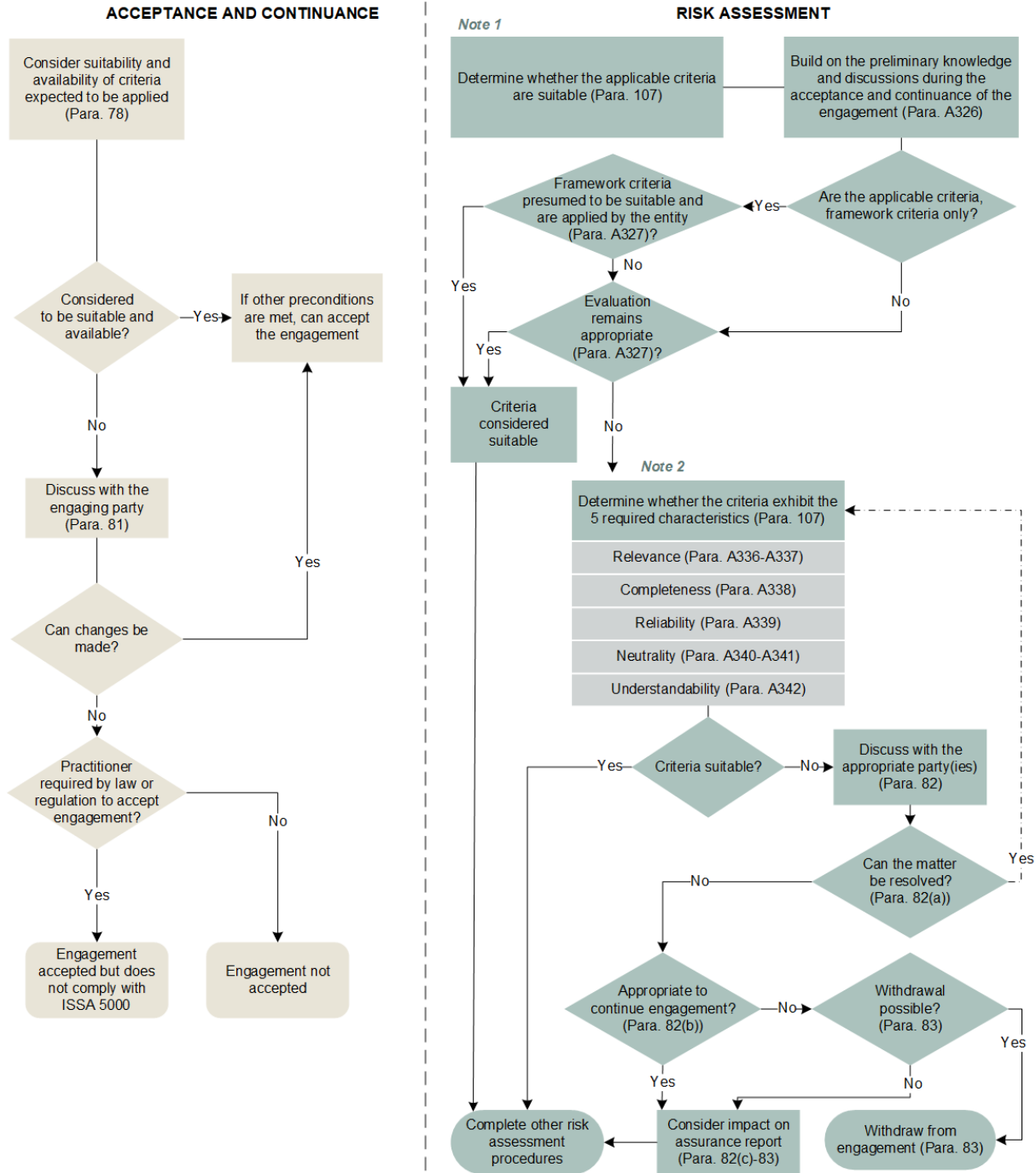
Practitioner's Considerations: When making the determination as to whether the framework criteria are suitable on their own

- The sufficiency of the principles and concepts within the framework criteria.
 - Do the principles and concepts embody the characteristics of suitable criteria, in that they are expected to result in relevant, complete, reliable, neutral, and understandable sustainability information?
 - Are the principles and concepts sufficiently reliable to enable development of reporting policies that are consistent with the framework criteria?
 - Are the principles and concepts sufficiently reliable to enable objectives that reporting policies can achieve? If the criteria are not sufficiently specific, then the entity may need to develop supplemental criteria so that the criteria, as a whole, are suitable (see discussion about sources of criteria above)
- Intended user's ability to understand the sustainability information based on the framework criteria. Would intended users be able to understand the sustainability information based on the framework criteria on their own?
- Are the framework criteria sufficiently relevant and reliable that they require disclosure of significant measurement or evaluation information so that the sustainability information is understandable for intended users?

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335. The following diagram shows possible considerations in determining the suitability of the criteria.

Diagram F.2 – Determining the suitability of the applicable criteria



Note 1

If the applicable criteria comprise framework criteria that are presumed to be suitable, as described in paragraph A197 of ISSA 5000, it may be sufficient for the practitioner to determine that the entity has applied such criteria in preparing the sustainability information (Para. A327). In some cases, framework criteria may not be considered suitable on their own (e.g., may be incomplete or subject to interpretation in application). Therefore, the entity may need to supplement the framework criteria so that the applicable criteria are suitable (Para. A329).

Note 2

Application material of ISSA 5000 include details on specific considerations for determining the suitability of criteria for:

- Qualitative information (Para. A332)
- Processes, systems and controls (Para. A333)
- Performance (Para. A334)
- Forward-looking sustainability information (Para. A335)

336. Suitable criteria may be rules-based or principles-based, as long as the principles are specific enough so that the criteria exhibit the following characteristics:

- Relevance
- Completeness
- Reliability
- Neutrality
- Understandability

Relevance

337. As relevance relates to users' decision-making, the practitioner may reflect on the intended users and their information needs by, for example:

- Considering whether, and if so the extent to which, the entity has considered:
 - The general types of decisions that intended users are expected to make based on the purpose of the sustainability information; and
 - Whether the applicable criteria for identifying, and for measuring or evaluating and providing disclosures about, the sustainability matter(s) would result in sustainability information that assists intended users' decision-making in the context of the purpose of the sustainability information.
- If the preparer has considered the intended users' general types of decisions, evaluating the conclusions of the entity on those matters; or
- If the entity has not considered the intended users' general types of decisions, asking the entity to do so, and if necessary, considering whether the practitioner will be able to obtain an understanding of those types of decisions directly.



Example: Relevance of Criteria

Historically, an entity reporting on human resources matters to its shareholders may have been confined to reporting on those matters required by law or regulation, such as gender pay gap reporting.

When the intended users include trade unions or the entity's employees, the entity may choose to make additional disclosures beyond statutory requirements, using criteria for reporting about matters such as gender diversity, training, and health and safety incidents, and how to measure or evaluate those matters, which, in addition to gender pay gap reporting, are likely to be of importance to trade unions and employees.

338. When entities develop their own criteria, and those entity-developed criteria are the result of a rigorous internal process involving input directly from both the intended users and those charged with governance, they are more likely to be relevant than if the entity has developed them without such a process or such input.

339. Relevance of criteria (and hence whether the resulting sustainability information assists intended users' decision-making) may be affected by the inherent level of measurement or evaluation uncertainty in applying the criteria in the circumstances of the engagement. When sustainability information is subject to high inherent measurement or evaluation uncertainty, the related criteria may be relevant only if they require additional supporting information about the nature and extent of the uncertainty. In circumstances when the sustainability matters are subject to high measurement uncertainty, the criteria for presentation and disclosure may become relatively more important so that the nature and extent of the uncertainty is clear in what is presented.



Example: Relevant Criteria

Information about a retailer's reputation among its diverse customer base may assist investors' decision-making in managing their investments. The company may develop criteria to measure customer perceptions of their reputation, for example by using a customer survey. The resulting measure is likely to reflect some degree of inherent uncertainty, as only a sample of customers is surveyed. If information about the nature and level of measurement uncertainty is not disclosed, investors may not find the survey results sufficiently useful to assist them in their decision-making. In such circumstances, the criteria may not be relevant. If the criteria required providing investors with more contextual information about the survey process (for example, the sample selection procedures, including the sample size as a percentage of the total customers), this may help make the criteria relevant.

340. The practitioner may also consider the requirements of the criteria regarding the disaggregation or aggregation of information as that may affect both whether the criteria are relevant and the context for materiality considerations for misstatements. Sustainability reporting frameworks do not always specify in detail the required level of aggregation or disaggregation. They may, however, include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.
341. The practitioner may also consider any criteria that permit non-disclosure of information about the sustainability information, on the basis that it is confidential or would potentially damage the entity's reputation. Such criteria may not be sufficiently relevant or complete, although they might be considered sufficiently relevant and complete in certain circumstances. For example, an established framework criterion may permit non-disclosure in extremely rare circumstances when the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of such communication. A further example may be when law or regulation precludes public disclosure of information, such as information that might prejudice an investigation into an actual, or suspected, illegal act. Such criteria may be presumed to be suitable if there are no indications to the contrary.
342. If non-disclosure of confidential information is not permitted by the applicable criteria, such non-disclosure would ordinarily be treated as a misstatement, and the materiality of such a misstatement would be considered, together with the implications for the assurance report.

Completeness

343. Criteria are required to be complete so that the intended users are able to make informed decisions by having access to sustainability information that does not omit relevant disclosures that are material in the context of the circumstances of the entity and the purpose of the sustainability information.



Example: Completeness of the Applicable Criteria

In Year 1, an entity reports and asks for assurance on the proportion of “green” energy consumed in manufacturing its own products. In Year 2, the entity expands its reporting to include the proportion of green energy used by its major suppliers in raw materials purchased by the entity and used in the entity’s manufacturing of its own products. It requests assurance on the increased scope.

In Year 1, the criteria may be complete if they include, among other matters, which of the entity’s own production facilities and products are to be included in the metric, the definition of “green energy” and “total energy,” how the green energy consumed is to be measured, how total energy consumed is to be measured, and what unit of measure the metric is to be expressed in, together with criteria for presentation and disclosure.

In Year 2, the Year 1 criteria would no longer be complete as they would not address matters such as the definitions of “major suppliers,” “raw materials purchased,” or which facilities were to be included by those suppliers. In Year 2, the completeness of criteria would be determined in the context of the broader scope of the assurance engagement before accepting the engagement.

344. The application of complete criteria is expected to result in sustainability information that includes all relevant factors, including information that represents negative aspects of what is being reported on (also see “Neutrality” below).
345. There may be a need for a balance to be struck between the disclosures in the sustainability information being comprehensive (completeness) and the sustainability information still being concise enough to remain understandable (understandability).

Reliability

346. Reliable criteria allow reasonably consistent measurement or evaluation of the sustainability matters. Measurement or evaluation is reasonably consistent when it can be undertaken with the necessary degree of precision to be relevant in the engagement circumstances (i.e., it allows for a reasonably consistent outcome when used in similar circumstances by different practitioners).



Example: Criteria that are not reliable

An entity chooses to report its market share in a particular business sector and how this market share allows the company to drive substantial sustainability initiatives. Management uses a methodology they have developed to calculate the information using their own sales data and external data about their industry sector, including the financial statements of their main competitors. The calculation is unlikely to ever be completely precise as it involves estimating and making assumptions. However, if the methodology results in information that is as precise as needed to be relevant and therefore gives a fair indication of the company’s market share, the practitioner may be able to conclude that the criteria are reliable. As the methodology would form part of the criteria, it would need to be disclosed as part of making the criteria available to the intended users. These disclosures may include the estimation methodology, details of the

assumptions made, details of the data used, the sources of this data and explanations of adjustments made to the data for the purposes of calculating the market share.

347. Reliable criteria may need to be based on definitions with little or no ambiguity so that they allow for reasonably consistent measurement or evaluation of the sustainability matters, resulting in reasonably consistent sustainability information.
348. Reliable criteria would typically be expected to result in sustainability information that is capable of being subjected to an assurance engagement because sufficient appropriate evidence can be obtained to support the content of that the sustainability information.

Neutrality

349. Neutral criteria would normally be designed to cover both favorable and unfavorable aspects of the sustainability matters being reported on, in an unbiased manner. Criteria would not be neutral if they could mislead the intended user in the interpretation of the sustainability information.



Example: Neutral criteria for evaluating the results of an employee survey

In relation to the results from an employee survey, neutral criteria may need to require reporting both the results from questions with favorable responses as well as those with less favorable ones, rather than selectively reporting only the “best” results. In addition, the criteria may need to specify the way in which the survey questions are framed and what questions are asked as these aspects may also have an impact on whether the survey results present the sustainability matters in a neutral manner.

350. Criteria would not be neutral if they were changed or modified arbitrarily from one reporting period to the next to remove negative aspects of performance. Doing so also may not be consistent with the principle of comparability (an aspect of relevance).
351. When criteria are incomplete, for example, because they do not address presentation and disclosure, there may be opportunity for bias in how such information is presented or disclosed.



Example: Neutral criteria for representing data in a graph

The choice of gradations on the axes of a graph may “flatten” the curve, with increases or decreases appearing less pronounced than they actually are.

While the criteria may not specify whether graphs are to be used, or what gradations to use, they may need to specify the principles of presentation sufficiently so that the resulting sustainability information is not misleading.

352. The practitioner may need to be particularly careful to determine the neutrality of entity-developed criteria, and exercise professional skepticism due to the inherent risk of management bias.

Understandability

353. Understandable criteria typically result in sustainability information that will enable the intended users to identify readily the main points being made and to infer appropriately whether they are sufficiently

significant to affect their decision-making. This is likely to be assisted by a clear layout and presentation of the sustainability information in a way that effectively summarizes and draws attention to these points.

- 354. Understandable criteria ideally result in the sustainability information being coherent, easy to follow, clear and logical.
- 355. There may be a need for a balance between criteria that are sufficiently relevant and understandable. For example, criteria may require sustainability information to be at a sufficient level of detail to assist decision-making by the intended users (relevance) while also being sufficiently concise to be understood by them (understandability).



How does the practitioner determine the suitability of the applicable criteria when they change over time?

- 356. The presumption that framework criteria that are embodied in law or regulation, or that have been established by an authorized or recognized organization that has followed a transparent due process, are suitable, applies as those criteria are developed and refined over time.
- 357. Similarly, an entity might develop and progressively refine entity-developed criteria over time. The criteria remain suitable as long as the criteria are suitable for the engagement circumstances, and there is a justifiable reason for any changes and the changes are clearly disclosed in the report. The entity should provide more substantial justification and explanation for changes to more mature criteria, including an acknowledgement from the intended users that the entity-developed criteria are suitable for their purposes.
- 358. The practitioner uses professional judgment to determine whether the entity-developed criteria are suitable for each assurance engagement.
- 359. Criteria may be relevant if they are consistent from one reporting period to the next to aid comparability. When criteria change, disclosure of the change with an explanation of the reasons for the change may be expected in the year of the change. Information about the impact of the change, for example, restating comparative information (when possible), may also be expected in the year of the change. However, in other circumstances, a temporary reduction in comparability may be appropriate to improve relevance in the longer term.

Understanding the Entity's Reporting Policies

- 360. The practitioner is required to determine whether the applicable criteria are suitable and obtain an understanding of the entity's reporting policies and the reason for any changes thereto. 
- 361. Reporting policies are the bases, conventions, rules and practices applied by an entity in preparing and presenting the sustainability information, such as the methods selected and applied for measuring or evaluating the sustainability matters. The entity's reporting policies are distinct from the criteria in that the entity selects and applies reporting policies on the basis that those policies are consistent with the underlying concepts in, and meet the objectives of, the requirements of the framework criteria. If the entity has developed the criteria (i.e., the entity applies entity-developed criteria) then those criteria would specify the measurement or evaluation methods, so there would be 

no need for optionality of methods, and likewise, no need for policies to select or apply the entity-developed criteria.

362. Entity reporting policies are ordinarily needed if:

- The framework criteria do not specify how to measure or evaluate all sustainability matters, but include principles and concepts that are sufficient to provide 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.
- The framework provides optionality in the methods to measure or evaluate some or all of the sustainability matters from which the entity can select and apply reporting policies.

363. The practitioner can expect the entity to apply one of the following combinations of criteria and entity reporting policies:

- Either framework criteria or entity-developed criteria.
- Framework criteria supplemented by entity-developed criteria, when the framework on its own does not provide sufficient principles and concepts to provide a basis for the entity to select and apply reporting policies (i.e., the methods to be used).
- Framework criteria and entity reporting policies.

364. The practitioner is required to evaluate whether the reporting policies are appropriate and consistent with the applicable criteria and the criteria used in the relevant industry, which may include consideration of the justification for any changes to reporting policies between periods. The more mature the reporting framework or the entity's process to prepare the sustainability information, the less likely it is that changes made by an entity to measurement or evaluation methods selected and related disclosures from commonly accepted practice adopted by other similar entities will be appropriate. However, in some cases a change to the entity's measurement or evaluation methods may be justified if there has been a change in the entity's circumstances or the new methods result in improved measurement or evaluation of the sustainability matter.

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What is the difference between entity-developed criteria to supplement framework criteria and the entity's reporting policies to comply with framework criteria?

365. Whether the entity develops criteria to supplement the framework criteria or develops reporting policies to apply the criteria primarily depends on whether the framework criteria are determined to be suitable on their own, which is subject to judgment. If the criteria have been determined to be suitable, then it is likely that the entity will not supplement the criteria; however, it may need to develop reporting policies to apply such suitable criteria. The entity uses the principles and concepts of the criteria to select and apply its reporting policies. Different entities can select and apply different reporting policies depending on the circumstances, or the entity's reporting policies may change over time.



Example: Reporting policies used in applying the criteria

The criteria require an entity to report on the proportion of the community reached by its community training programs on hygiene. The criteria are evaluated to be suitable because, among other aspects of suitable criteria, they allow reasonably consistent measurement or evaluation based on the estimated number of people reached and the total number of people in the community. In the initial year of reporting, the entity estimated the proportion of the community reached, based on: (i) number of attendees enrolling on its training programs (recorded on enrolment forms) multiplied by (ii) the average sized family according to the latest census data, divided by the total number of people in the community. It disclosed its reporting policy for estimating the proportion of the community reached and the uncertainties involved in the estimate.

In the following year, the entity further developed its processes to record the information, it added questions to its enrollment forms to ask attendees to indicate (i) whether they or a family member living with them had previously attended the training program or a similar one, and (ii) how many people lived with them and with how many of those they had actively discussed what they had learnt on the training program. The entity also implemented a register system to record attendance and completion of the program.

The additional information obtained by the entity as it further developed its processes improved the measurement method used by the entity but still complied with the criteria. In such a case, this change in reporting policies to apply the criteria would be disclosed so that users were able to understand that the improved measurement may account for some differences in the information reported.

366. The difference between entity-developed criteria and the entity's reporting policies is evident in the relative timing of the practitioner's related work effort and the information made available to intended users. This drives differences in the practitioner's work effort related to:

- Timing of the work.
 - Prior to accepting the engagement, the practitioner is required to determine that the preconditions for an assurance engagement are present based on the practitioner's preliminary knowledge. This includes a requirement to determine the suitability of the criteria expected to be applied. The engagement acceptance evaluation does not include the entity's reporting policies. ISSA 5000
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 - After engagement acceptance, as part of designing and performing risk assessment procedures, the practitioner determines whether the applicable criteria are suitable. At this time, the practitioner also evaluates the appropriateness and consistency of the entity's reporting policies with the applicable criteria and criteria used in the relevant industry.
- Nature of the work.
 - In determining the suitability of the criteria, the practitioner determines that the criteria exhibit each of the characteristics of relevance, completeness, reliability, neutrality, and ISSA 5000
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understandability, or can presume that framework criteria are suitable, if those framework criteria are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process.

- In evaluating the appropriateness of the reporting policies, once the practitioner has determined that the criteria are suitable, they evaluate the policies against those criteria and criteria used in the relevant industry, but this evaluation does not extend to the characteristics of suitable criteria.

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Understanding the Entity and its Environment and the Legal and Regulatory Framework

367. In obtaining an understanding of the entity and its environment and the legal and regulatory framework, the practitioner builds on their preliminary knowledge of the engagement circumstances and acceptance or continuance procedures (see **Part C – Acceptance and Continuance of the Engagement, Including Preconditions for Assurance**). However, the understanding of the entity and its environment and the legal and regulatory framework that the practitioner is required to obtain as part of the risk assessment procedures specifically includes an understanding of:

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- The nature of the entity's operations, legal and organizational structure, ownership and governance, and business model.
- The reporting boundary and activities within the reporting boundary.
- Goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance or determine management compensation.
- The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, in the context of the entity's sustainability information, and how the entity is complying with that framework.

368. The matters relevant to this understanding are subject to professional judgment and will vary widely between engagements. ISSA 5000 provides application material on the matters this may encompass.

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Para. A345-A351

Understanding the Components of the Entity's System of Internal Control

369. The practitioner obtains an understanding of the components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information to assist the practitioner in identifying the types of misstatements that may occur and factors that affect risks of material misstatement in the disclosures.

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370. In a limited assurance engagement, it often will not be necessary for the practitioner to obtain a detailed understanding of the components of the entity's system of internal control. The procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement.

371. An entity's system of internal control consists of five inter-related components:

- *The control environment*, which includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's system of internal control, and its importance in the entity. The control environment influences the control consciousness of the entity's people and provides the overall foundation for the operation of the other components of the entity's system of internal control. It does not directly prevent or detect and correct misstatements, but may influence the effectiveness of controls in other components.
- *The entity's risk assessment process*, which is an iterative process for identifying and analyzing risks to achieving the entity's objectives and forms the basis for how management or those charged with governance determine the risks to be managed. The entity's risk assessment process relevant to the sustainability matters and the preparation of the sustainability information includes how management identifies sustainability matters and risks relevant to the preparation of its sustainability information in accordance with the applicable criteria, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to manage them and the results thereof.
- *The entity's process for monitoring the system of internal control*, which is a continual process including ongoing and separate evaluations for monitoring the effectiveness of controls (i.e., whether the other components and their controls are present and functioning), and the identification and remediation of control deficiencies identified on a timely basis.
- *The information system and communication*, which comprises:
 - The entity's information processing activities;
 - The data and information;
 - The resources to be used in such activities; and
 - The policies or procedures that define, for the sustainability information, how data and information, including qualitative information, are captured, recorded, processed, reviewed, corrected, and presented; supporting records and other relevant information about the sustainability matters relating to the flow of information in the information system; and the processes used to prepare the sustainability information.
- *Control activities*, which are the policies or procedures designed to ensure the proper application of controls in all the other components of the entity's system of internal control. With respect to the preparation of the entity's sustainability information, this includes information processing controls, which are controls applied during the processing of information in the entity's information system that directly address risks to the integrity of information (i.e., the completeness, accuracy, and validity of information).

372. The following table includes references to the relevant requirements in ISSA 5000 for obtaining an understanding of the components of the entity's system of internal control for limited and reasonable assurance engagements, and to the paragraphs below in this Guide that provide further guidance on the practitioner's required understanding for each of the components:

Required Understanding of the Components of Internal Control Relevant to the Sustainability Matters and the Preparation of the Sustainability Information		
	Limited Assurance	Reasonable Assurance
Nature of Procedures to Obtain the Understanding	Inquiry 	Inquiry and other procedures 
Control Environment (see paragraphs 377-381 below)		
Entity's Risk Assessment Process (see paragraphs 382-385 below)		
Entity's Process to Monitor the System of Internal Control (see paragraphs 386-388 below)		
Information System and Communication (see paragraphs 389-415 below)		
Control Activities (see paragraphs 416-421 below)		

Required Understanding of the Components of Internal Control Relevant to the Sustainability Matters and the Preparation of the Sustainability Information		
Limited Assurance		Reasonable Assurance
See paragraphs 417, 419-421 below	IF the practitioner plans to obtain evidence by testing the operating effectiveness of controls 	



Why does the practitioner need to understand the components of the entity's system of internal control?

373. As noted in paragraph 369 above, understanding the components of the entity's system of internal control helps the practitioner to identify the types of misstatements that may occur. This is helpful in identifying and assessing the risks of material misstatement of the sustainability information.
374. The control environment provides an overall foundation for the operation of the other components of the system of internal control. The entity's risk assessment process and its process for monitoring the system of internal control are designed to operate in a manner that also supports the entire system of internal control.
375. The controls in the information system and communication and control activities components are primarily direct controls (i.e., controls that are sufficiently precise to prevent, detect or correct misstatements). Understanding the controls in these components supports the practitioner's identification and assessment of risks of material misstatement, and also provides a basis for the design and performance of further procedures responsive to assessed risks.
376. The paragraphs that follow elaborate on the individual components of the entity's system of internal control, including distinguishing the practitioner's work effort between limited assurance and reasonable assurance engagements.

Understanding the Control Environment

377. The level of formality of the control environment may vary by size and complexity of the entity, and the nature and complexity of the sustainability matters and the applicable criteria. Nevertheless, understanding the control environment is required for:
- Entities of all sizes and complexity; and
 - Both limited and reasonable assurance engagements, regardless of the nature and complexity of the sustainability matters and the applicable criteria.
378. Less complex entities may have less formal control environments, with fewer documented communications, policies and procedures. Obtaining an understanding of the control environment in a less complex entity may rely less on inspecting documentation and more on inquiries and observations.

379. In a limited assurance engagement, the practitioner may obtain, through inquiries, an understanding of how management or employees demonstrate expected standards of behavior.



Example: Inquiries to gain insights into the entity's control environment

The practitioner may gain insights into the entity's control environment by making inquiries of those charged with governance, management, and others, about:

- Whether those charged with governance or senior management, as appropriate, set an appropriate "tone at the top" to encourage high quality and ethical practices in the management and reporting of sustainability information.
- The oversight by those charged with governance and the involvement of senior management at appropriate stages throughout the process to prepare the sustainability information, including their approval of the sustainability information, as appropriate.
- Whether the entity has established a subgroup of those charged with governance, such as an audit committee, charged with oversight responsibilities over the preparation of the sustainability information (for larger entities).
- Whether key decisions made by those charged with governance or senior management, as appropriate, are recorded in written documentation, for example in minutes of board meetings.
- The assignment of authority and responsibility for the process to prepare the sustainability information, and enforcement of accountability for meeting such responsibility.

380. In a reasonable assurance engagement, the understanding of the control environment includes evaluating whether:

- Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior;
- The control environment provides an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; and
- Control deficiencies identified in the control environment undermine the other components of the system of internal control.

381. In a reasonable assurance engagement, in addition to inquiries, the practitioner is required to perform other risk assessment procedures such as direct observation or inspection.



Examples: Documents or communications that the practitioner may observe or inspect in a reasonable assurance engagement

- Code of conduct.
- Personnel policies.
- Board of directors and audit committee charters and meeting minutes.
- Evidence of training of personnel.

- Other, informal communications from senior management about Control Environment matters such as ethics or management philosophy.



Example: Evidence of an effective control environment

An effective control environment encompasses technical competence and ethical commitment. This is demonstrated when:

- Competent people understand their responsibilities, the limits of their authority, and are knowledgeable, mindful and committed to doing what is right and doing it in the right way.
- Employees are committed to following an organization's policies and procedures, and its ethical and behavioral standards.

The practitioner may look for evidence that:

- The organization demonstrates a commitment to integrity and ethical values.
- Those charged with governance demonstrate independence from management and exercises oversight of the development and performance of internal control over sustainability matters and sustainability reporting.
- Management establishes, with the oversight of those charged with governance, structure, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives related to sustainability matters and sustainability reporting.
- The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives related to sustainability matters and sustainability reporting.
- The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives related to sustainability matters and sustainability reporting.

Understanding the Entity's Risk Assessment Process

382. The entity's risk assessment process forms the basis for determining how risks will be managed. In the context of an assurance engagement on sustainability information, the risks that the entity manages under its risk assessment process includes the risks that controls are not operating effectively, resulting in a risk of material misstatement in the sustainability information.
383. In a limited assurance engagement, the practitioner is required to understand the results of the entity's risk assessment process, that is, what risks the entity identified, and how those risks would be managed. The practitioner may obtain this understanding through inquiry. Understanding the risks that the entity identified and assessed, and how the entity responds to the risks, will inform the practitioner's risk assessment. However, it is important to remember that, if the entity did not identify any risks, it does not mean there are no risks. It may be indicative of a deficient risk assessment process.
384. In a reasonable assurance engagement, in addition to understanding the results of the entity's risk assessment process, the practitioner is required to understand the process itself, including how the

entity identifies, assesses, and addresses risks, and whether the process is appropriate to the entity's circumstances. To do so, the practitioner may hold discussions with management and others to understand the entity's risk assessment process, inspect documentation of that process, or minutes of relevant meetings (e.g., of a risk committee, if one exists) and documentation of follow-up actions taken by the entity to mitigate identified risks.

385. Larger or more complex entities are likely to have more formal mechanisms such as written reports, periodic formal meetings, or an internal audit function to help identify and assess risks. Smaller or less complex entities may have a much less formal risk assessment process. Evaluating whether the entity's risk assessment process is appropriate to its circumstances involves considering the size and complexity of the entity and whether the process considers the entity's objectives, resources, and tolerances for risks. If the practitioner identifies risks that the practitioner expects the entity should have identified but did not, then it is likely that the entity's risk assessment process is not appropriate to its circumstances.



Example: Risk Assessment Process

An effective risk assessment process is dynamic and iterative. It includes the establishment of objectives that are:

- Suitable for the entity;
- Linked at different levels of and across the entity; and
- Sufficiently clear to be able to identify and analyze risks to the achievement of those objectives.

An effective risk assessment process also requires management to consider the effect of possible changes in the external environment and within the entity that may cause internal controls to be ineffective.

In a reasonable assurance engagement, the practitioner would understand and evaluate the process by which objectives are established, and the process to consider the effect of changes on internal controls. In a limited assurance engagement, the practitioner would understand the possible changes that management has identified (i.e., the results of the process) that may cause internal controls to be ineffective.

In a reasonable assurance engagement, the practitioner may look for evidence that:

- The organization specifies objectives related to sustainability matters and sustainability reporting with sufficient clarity to enable the identification and assessment of risks related to those objectives.
- The organization identifies risks to the achievement of its objectives related to sustainability matters and sustainability reporting across the entity and analyzes risks as a basis for determining how the risks should be managed.
- The organization considers the potential for fraud in assessing risks to the achievement of objectives related to sustainability matters and sustainability reporting.

- The organization identifies and assesses changes that could significantly impact the system of internal control.

Understanding the Entity's Process for Monitoring the System of Internal Control

386. In a limited assurance engagement, the practitioner is required to understand the results of the entity's process for monitoring the system of internal control, that is, whether the entity has determined that any of the components of the system of internal control is not present and functioning. The practitioner may obtain this understanding through inquiry. Understanding the results of the entity's process will inform the practitioner's risk assessment. However, it is important to remember that, if the entity did not identify anything as a result of its process, it does not mean that each of the five components is present and functioning. It may be indicative of a deficient process for monitoring the system of internal control.
387. In a reasonable assurance engagement, in addition to understanding the results of the entity's process, the practitioner is required to understand the process itself, and evaluate whether it is appropriate to the entity's circumstances. To do so, the practitioner may hold discussions with management and others to understand how the organization selects, develops and performs evaluations to ascertain whether the other components are present and functioning, and evaluates the results, communicates deficiencies and monitors corrective action.
388. Larger or more complex entities are likely to have more formal mechanisms such as written reports, periodic formal meetings, or an internal audit function to help monitor their system of internal control. Smaller or less complex entities may have a much less formal system. Evaluating whether the entity's process for monitoring the system of internal control is appropriate to its circumstances involves considering the size and complexity of the entity and whether the process considers the entity's objectives, resources, and tolerances for risks. If the practitioner identifies that any of the components of the system of internal control are not present or functioning, then it is likely that the entity's process for monitoring the system of internal control is not appropriate to its circumstances.



Example: Monitoring the system of internal control

An effective process for monitoring the system of internal control may include:

- Some combination of
 - Ongoing evaluations, built into business processes at different levels of the entity, that provide timely information; or
 - Separate evaluations, conducted periodically, that vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations;
 to ascertain whether each of the other components of the system of internal control are present and functioning;
- Evaluation of findings against criteria established by regulators, recognized standard-setting bodies or management and the board of directors; and

- Communication of deficiencies to management and the board of directors and remediated, as appropriate.

Understanding the Information System and Communication

389. For both limited and reasonable assurance engagements, the practitioner is required to understand the entity's information and communication component, which relates to how the organization obtains or generates and uses relevant, quality information to support the preparation of the sustainability information. Understanding the information and communication component includes evaluating whether the entity's information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria based on the practitioner's understanding of:

- The entity's process to identify sustainability information to be reported.
- How information from external sources, such as service organizations or other organizations in the entity's value chain, is recorded, processed, corrected as necessary, and incorporated into the sustainability information.
- For estimates and forward-looking information, 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.



Example: Understanding the information system and communication for external information sources

Service Organization

Company A is a provider of tourism services, with operations in multiple jurisdictions. It uses a third-party service provider (Service Provider B) to calculate its greenhouse gas emissions. Service Provider B provides a carbon data management platform as an "add on" to Company A's financial reporting system. This add on interfaces with Company A's general ledger, extracting information on the amount and categorization of expenditures and assigning an emissions factor against these amounts to estimate the greenhouse gas emissions associated with the expenditures. Company A uses these estimated amounts as the basis for preparing its reporting on greenhouse gas emissions.

When using the information generated by Service Provider B, Company A may:

- Reconcile the underlying data used by Service Provider B to Company A's financial reporting system to evaluate whether the interface has operated effectively. Alternatively, Company A may obtain a report from Service Provider B, or undertake its own procedures, to confirm that the automated process and associated control is operating effectively.
- Obtain an understanding of the sources for the emissions factors used by Service Provider B, and determine that these are appropriate for Company A. Alternatively, Company A may obtain a report from Service Provider B, or undertake its own procedures, to determine that the database of emissions factors used by Service Provider B is appropriate for Company

A's needs and that Service Provider B's algorithm appropriately allocates emissions factors to relevant spend.

- Incorporate a manual process and associated control whereby the extraction of data from the Service Provider B's platform is performed and approved by separate personnel.
- Institute a manual process and associated control whereby how the data from Service Provider B's platform is summarized and reported is performed and approved by separate personnel.

Value Chain Entity

Company C is a retail company with operations in one jurisdiction. Company C includes in its contracts with suppliers that they are required to provide Company C with information on their Scope 1 and Scope 2 emissions associated with their supplying to Company C. Company C uses these amounts as the basis for preparing its reporting on Scope 3 greenhouse gas emissions.

When using the information generated by a value chain entity, Company C may:

- Reconcile the underlying data provided by the value chain entity to Company C's financial reporting system to determine that the value chain entity has appropriately reflected its trade with Company C in its emissions calculation.
- Obtain an understanding of the sources for the emissions factors used by the value chain entity, and determine that these are appropriate for Company C.
- Obtain an assurance report by the value chain entity's assurance practitioner regarding the value chain entity's processes and controls.
- Institute a manual process and associated control whereby how the data provided by the value chain entity is summarized and reported is performed and approved by separate personnel.



Examples: Understanding the information system and communication for estimates and forward-looking information

As part of obtaining an understanding of how management makes the estimate, the practitioner may consider:

- The nature and extent of oversight and governance that the entity has in place over management's process relevant to estimates.
- How the entity's risk assessment process identifies and addresses risks relating to estimates.
- The entity's information system as it relates to estimates, and the relevant methods, assumptions, and sources of data, including third party data, for such estimate.
- Management's use of experts in making the estimate.

- How management understands and addresses estimation uncertainty.
- Controls relevant to making the estimate.
- How management considers the outcome(s) of previous estimates.
- Whether there has been or ought to have been a change from the prior period in the methods for making estimates and, if so, why.
- Whether and, if so, how the entity has assessed the effect of estimation uncertainty on the estimate, including:
 - Whether and, if so, how the entity has considered alternative assumptions or outcomes by, for example, performing a sensitivity analysis to determine the effect of changes in the assumptions on an estimate.
 - How the entity determines the estimate when analysis indicates a number of outcome scenarios.

Understanding the Entity's Process to Identify Sustainability Information to be Reported

390. The practitioner's understanding of the entity's information system and communication includes obtaining an understanding of the entity's process to identify sustainability information to be reported.
391. The framework may set out the process that the entity is required to undertake to identify sustainability information to be reported; alternatively, the entity may need to develop its own criteria to undertake a process to identify the sustainability information that is relevant to the information needs of intended users. Some frameworks call this a "materiality assessment" or "materiality process." There may be considerable opportunity for management bias in identifying the sustainability information to be reported when the framework does not specify what topics or aspects of topics are to be included.



Example: When the entity needs a process to identify sustainability information to be reported

An entity is reporting under a framework that requires the entity to include information about its sustainability-related risks and opportunities, but does not specify the risks or opportunities, or how to evaluate them. In most cases, frameworks cannot provide this specificity as it will vary from entity to entity. The entity establishes a process to identify its sustainability-related risks and opportunities (aspects of reporting topics). The output of that process would be expected to result in the sustainability-related risks and opportunities to be reported that is complete, relevant, reliable, neutral and understandable (i.e., the criteria applied are suitable).



Example: When the entity does not need a process to identify sustainability information to be reported

A reporting framework may require disclosure of specific indicators, such as the time spent by its employees on training during the period, measured in hours. Detailed instructions on (i) how to

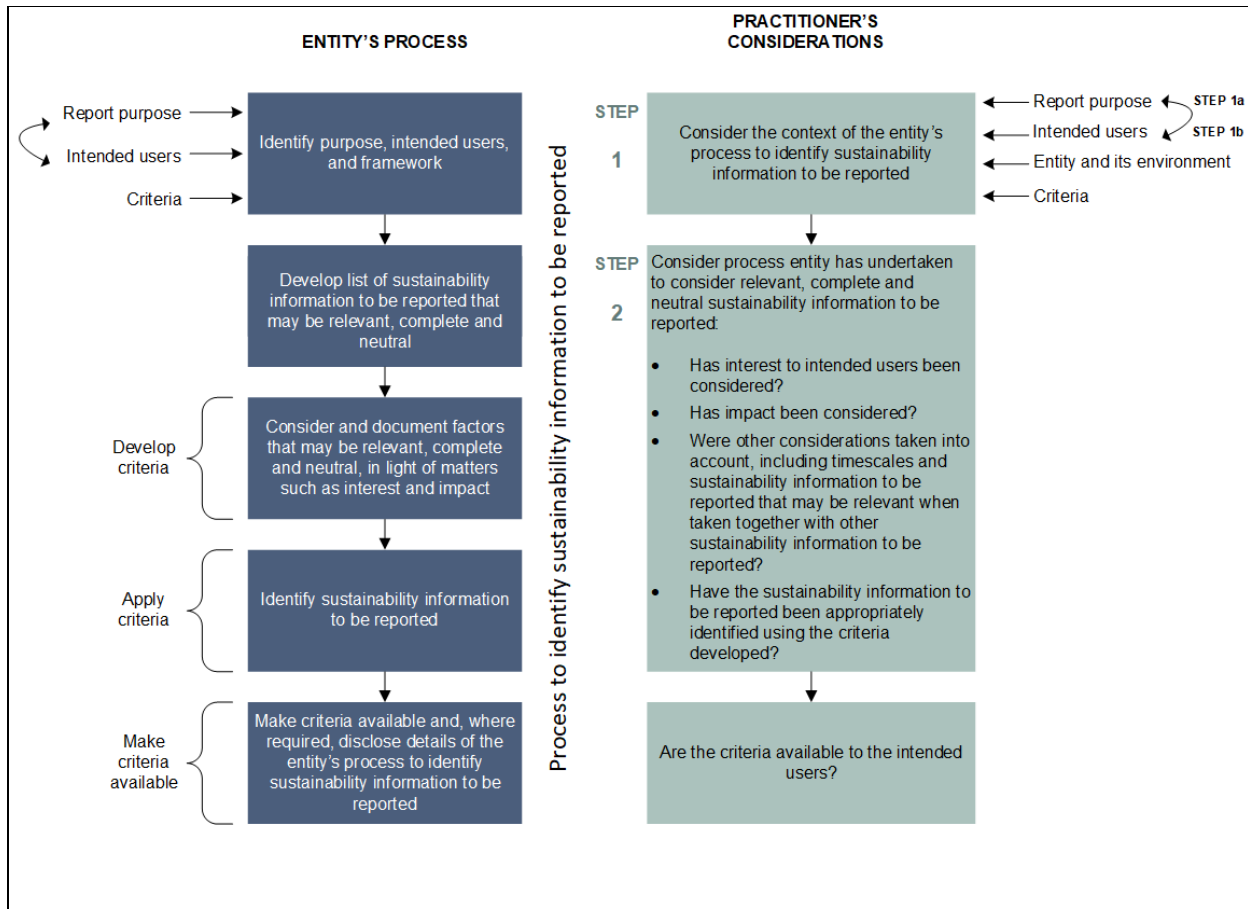
define “employees,” (ii) what constitutes “training” and (iii) how to calculate the indicator are set out in the framework. In this case, the entity may not need to undertake a process to identify sustainability information to be reported because the framework requires the disclosure (i.e., presumably a judgment has already been made by those issuing the framework that the indicator is of importance to intended users).

392. The practitioner may begin by considering the context of the entity’s process to identify sustainability information to be reported, including the engagement circumstances, as laid out in the diagram below. The engagement circumstances may include matters such as the:

- Purpose of the sustainability information (see Step 1a);
- Intended users (See Step 1b);
- Entity and its environment; and
- Choice of criteria (framework or entity-developed).

Diagram F.3 – Understanding the entity’s process to identify sustainability information to be reported

The diagram below should be read together with the application material in ISSA 5000, paragraphs A382-A384.



393. When an entity has documented its process to identify sustainability information to be reported and the decisions they have made, such documentation may provide a useful starting point for the practitioner's understanding. In the absence of such documentation, the practitioner may be able to understand the entity's process through inquiry of management or those charged with governance in a limited assurance engagement, supplemented with other procedures in a reasonable assurance engagement. If the entity has not undertaken an appropriate process to determine the content of its sustainability information, the practitioner may need to consider whether this suggests that the preconditions for an assurance engagement are not present. (See **Part C – Acceptance and Continuance of the Engagement, including Preconditions for Assurance**)
394. Some frameworks may establish the sustainability reporting purpose and identify who the intended users are. Others may not specify this, leaving the entity to make these determinations.
395. The practitioner may consider whether the framework criteria provide direction, if any, on the considerations to identify sustainability information to be reported.



Example: Frameworks that provide the reporting purpose

When reporting on human rights in accordance with the United Nations Guiding Principles on Business and Human Rights, the aspects of topics to be included are focused on risks to people impacted by the activities of an entity, not solely on the risks to the entity. Some frameworks (e.g., the SASB conceptual framework) interpret what is relevant as those matters that may create a financial risk to the entity (financial materiality). Other frameworks focus considerations of what is relevant on the effect an organization has on the environment, society or economy (impact materiality). For example, the Global Reporting Initiative (GRI) determines that “material” topics are those that reflect the organization’s significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders.

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Para. A337

396. The following paragraphs provide further guidance for how the practitioner may consider the purpose of the sustainability information (step 1a) and the intended users (step 1b).

Step 1a: Consider how the entity has identified the purpose of the sustainability information

397. The entity may voluntarily report or be required to report sustainability information by law or regulation. Regardless, the purpose of the sustainability information will be to report certain information about sustainability matters to a group(s) of intended users. Some examples of the purpose of sustainability information might include to report:
- The entity’s impact on the natural environment.
 - The entity’s activities over a period and how they contribute to the entity’s sustainability-related objectives.
 - How the entity creates “value” from sustainability-related risks and opportunities.
 - What the entity plans to do in the future, or how it expects to perform with respect to sustainability goals and targets.

398. The practitioner may consider the purpose of reporting the sustainability information as context when considering the judgments made by the entity.

Step 1b: Consider how the entity has identified the intended users of the sustainability information

399. Intended users are those individuals or organizations, or groups thereof, that the practitioner expects will use the sustainability assurance report. To consider whether sustainability matters may be relevant, one approach is to consider directly whether it is of importance to the intended users because it may affect the decisions of the users on the basis of the sustainability information reported.

400. Examples of circumstances that might be of importance to intended users include matters that:

- Are likely to cause investors to buy or sell equity in the entity.
- Are likely to change the entity's share price or enterprise value.
- Have been the subject of media coverage, or might result in media interest (local, national or global) if disclosed.
- Have been associated with a large number of complaints (for example, from customers, suppliers or other stakeholders).
- Have been mentioned unprompted by several stakeholders.
- Are subject to a high level of wider societal importance, or high levels of public sensitivity.



Examples: Matters of importance to the intended users

In some circumstances matters of importance to the intended users might include:

- Human rights issues, reported incidences of the entity's involvement in corruption, amounts of tax paid in jurisdictions of operation, and executive remuneration.
- Matters that may be widely reported by peers and competitors in the entity's sector or industry.
- Non-compliance with laws, regulations, international agreements, or voluntary agreements with strategic significance to the entity and its stakeholders.

401. The practitioner may consider whether the entity has obtained and documented an understanding of the general nature of decisions the intended users are likely to take based on, or influenced by, the sustainability information.
402. There may be circumstances when the stakeholders in the entity and intended users are not the same. What is important to a stakeholder who is not an intended user may be taken into account by other parties who are intended users. It should not be assumed that, just because a class of stakeholders that would have a legitimate interest in the sustainability information is not expected to use the sustainability report, information about sustainability matters that would meet their information needs would not be relevant to the other classes of intended users, when the categories of intended users are diverse.


Example: Stakeholders that are represented by users of the sustainability information

A victim of child slavery involved in a company's manufacturing supply chain (a stakeholder) would presumably not be in a position to read the company's sustainability report and the assurance report thereon. However, their interests may be represented by a charity, non-governmental organization), politicians, or lobbyists (agents) campaigning against child labor and using their position to influence the company's customers.

403. Users of sustainability information may be a single group or may comprise multiple groups of intended users, with potentially different information needs. Sustainability information cannot focus on the needs of each individual intended user; however, the practitioner may need to consider whether individuals within a group of intended users have common information needs.
404. Different intended user groups may have different information needs; something that is relevant to one group of intended users may not be so to another.

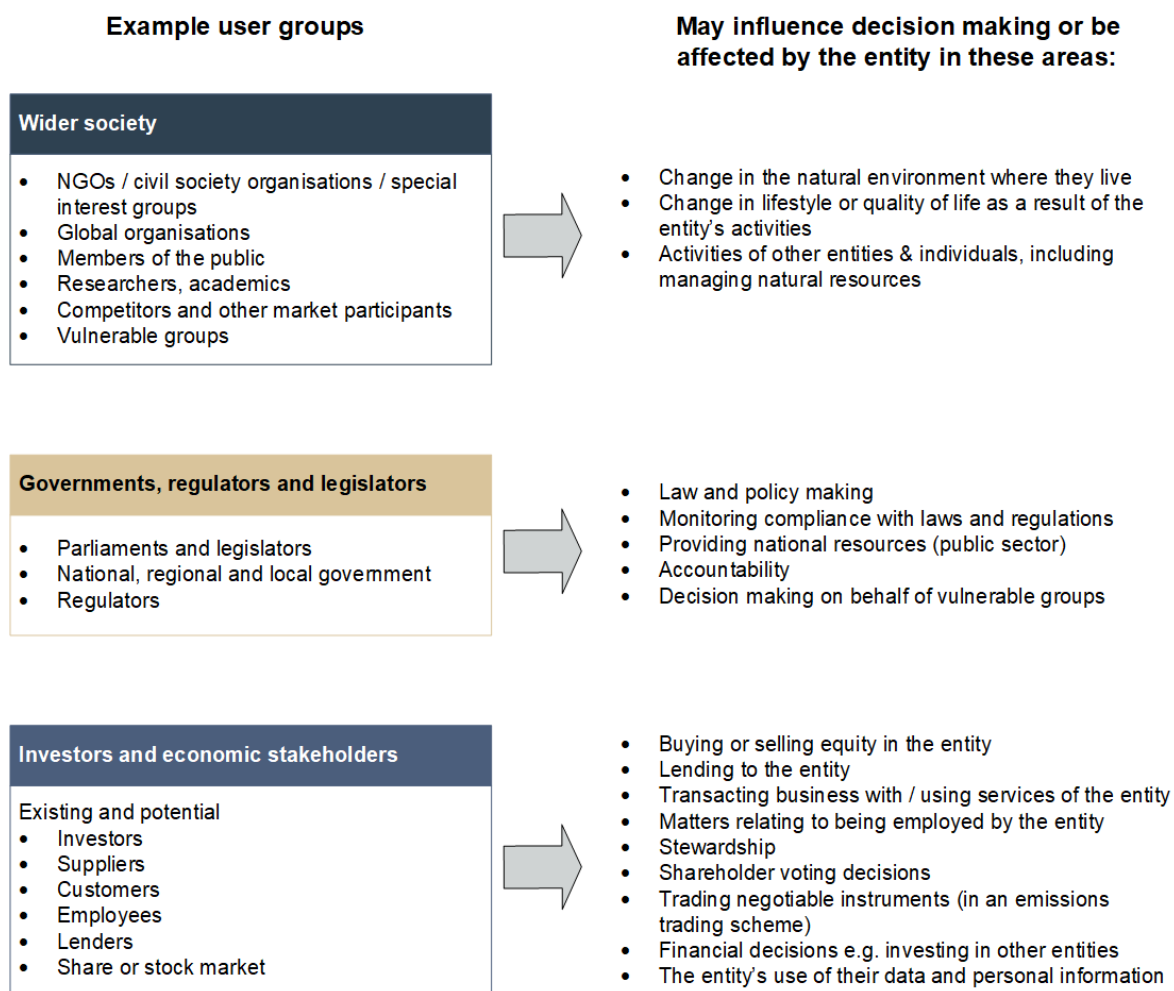

Example: Diverse needs of users

The users of a sustainability report prepared by a state-run hospital on its clinical performance might include:

- Government, which needs to know whether citizens are being provided with adequate healthcare and whether resources are being used efficiently.
- Groups of patients (current or potential), the general public and the wider world, who want to know whether the hospital is available to provide care to the community, playing its role in controlling diseases, and whether it is clinically safe.
- A cancer patient who has a self-interest about whether the hospital has the capabilities to treat the patient successfully.

In this example, the previous two user groups might be the intended users, but the individual patient might on his or her own not be, although such patient may be a member of the collective group of patients.

405. Some examples of possible user groups are included in the table below. This is not intended to be an exhaustive list, but it could be considered as a starting point for considering how the entity identified the intended users of their sustainability information and further considering entity-specific user groups.

Diagram F.4 – Example user groups

406. When it is not possible to evaluate sufficiently what may be relevant by identifying directly what would be of importance to intended users, an alternative or supplementary approach may be to consider the significance of the potential sustainability matters (including topics and aspects of topics). Depending on the purpose of reporting the sustainability information, the significance of the potential sustainability matters may be considered in the context of the entity's strategy, business model and performance ("financial materiality") or the entity's impact on the environment, society or economy ("impact materiality") (See also **Part E – Planning** – Double Materiality).

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407. Impact on other entities could include impact on individuals, organizations, wider society or the environment as is appropriate in the context of the purpose of the sustainability information. The impacts could occur either directly due to the actions and decisions of the reporting entity's management, indirectly through relationships of the reporting entity, or by the direct or indirect effect of forces external to the reporting entity.


Example: Impacts of an entity create indirect impacts on the entity

A company may be responsible for regularly releasing a large volume of pollutants into a river. There may be direct impacts on the environment, and perhaps on local communities using the river for fishing or a water supply. There could also be indirect impacts on the company itself, perhaps through loss of revenue from customers unhappy with the company's attitude towards damaging the environment as well as direct impacts such as the cost of clean-up or fines from authorities.

408. When considering the anticipated impact, examples of circumstances that might increase its relevance include that it:

- Has major risks or opportunities for the entity (including reputational risk, or affecting the entity's license to operate).
- Has direct material financial implications (as determined by financial statement materiality thresholds).
- Has, or potentially will have, a major effect on the entity's operational performance.
- Has, or potentially will have, a major effect on other entities' operations or activities.
- Has resulted, or may result, in major direct damage to natural resources or the environment.
- Relates to strategic opportunities for the entity to boost competitive position.
- Relates to key organizational values, policies, strategies, operational management systems, goals and targets of the entity or its stakeholders.


Example: Impacts on an entity in the medium term

An entity owns a factory on low-lying coastal land impacted by inundation from rising sea levels and an increase in extreme weather events is expected to mean the factory site will be unusable in five years' time. While there may not be any physical impact for the next five years, this information may be relevant, irrespective of whether users have a short-term interest in the entity (for example an investor expecting to invest for three years) or a longer term interest (for example, a bank that has issued a loan, secured on the factory site maturing in ten years' time) as these considerations are likely to be priced into the investment. The practitioner may need to consider whether the timescale chosen by the entity for inclusion of information is appropriate and whether there is sufficient disclosure of this in the sustainability information.

Step 2: Consider selection of sustainability matters to include in the sustainability information

409. The practitioner may consider how the entity identified relevant sustainability matters. An entity may have done so in multiple stages, taking into account the framework(s) used, the purpose of the sustainability reporting and the intended users, and filtering an initially longer list of potential sustainability matters to end up with those that are relevant in the engagement circumstances.

410. Stakeholder engagement activities can be an important part of an entity identifying sustainability matters. An open dialogue with stakeholders may give better results than passive interaction or asking them to comment on an existing list of sustainability matters, however there may be a need to adequately inform stakeholders about the entity and its activities to enable them to engage effectively with the process.
411. The practitioner might also consider some of the following sources in considering the entity's process to identify sustainability information to be reported, and whether the criteria for identifying that information are suitable and have been appropriately applied (i.e., result in sustainability information that is relevant, complete, reliable, neutral and understandable). Internal sources may include:
- Discussions with management and those charged with governance.
 - Previous reporting by the entity.
 - Agendas and minutes from board or senior management meetings and committees.
 - Risk assessments.
 - Strategy documents prepared by the entity.
 - Whistleblower reports.
 - Communications from in-house (or external) legal counsel.
412. External sources may include:
- Reporting by peers and competitors.
 - Survey results (of the entity, peers or the industry).
 - Supplier/customer complaints.
 - Interviews with stakeholders, outreach activities, stakeholder engagement.
 - Web and social media searches.
 - Expert views on global megatrends.
 - The United Nations Sustainable Development Goals.
 - Regulatory reporting requirements.
413. As part of the process to identify sustainability matters, it may be appropriate for the entity to have considered matters that are individually relevant, and matters that are relevant when taken together with other sustainability matters, for example, because one or more matters are related.



Example: Aggregated relevance

Information about members of staff leaving, or information about a few customer complaints or the termination of two supplier contracts, may not, on its own, be relevant. However, taken together, these events may turn out to be related and information about such events may be relevant if it indicates serious problems with the entity's senior management.

414. Intended users may find it helpful to understand the entity's process to identify the sustainability information to be reported, even if disclosure of the process is not required by the framework.

Accordingly, the practitioner may consider it appropriate to encourage an entity to disclose details of their process to identify sustainability information to be reported, giving details of what has been included in the sustainability information and what has been left out.

415. Irrespective of whether the entity's process to identify sustainability information to be reported is disclosed, the criteria applied to identify sustainability information to be reported, including the identification of topics, aspects of topics and the reporting boundary, are required to be made available to the intended users, along with other applicable criteria.

Understanding Control Activities

416. In a reasonable assurance engagement, the practitioner is required to understand the control activities component. In doing so, the practitioner is required to identify certain controls, including:

- Controls for which the practitioner plans to obtain evidence by testing their operating effectiveness. These controls include:
 - Controls that the practitioner plans to obtain evidence by testing their operating effectiveness because it is a more efficient or effective way to obtain sufficient appropriate evidence than performing substantive procedures alone.
 - Controls that address risks for which substantive procedures alone do not provide sufficient appropriate evidence.
- Complementary user entity controls. These are controls identified in an assurance report of another practitioner that the practitioner determines to be relevant to the user entity. This may include, for example, a one-to-many report on the controls at a value chain entity prepared by another practitioner. These controls are those that the user entity may have in place to make sure that information obtained from other organizations is incorporated appropriately within its information system and the resulting sustainability information. These other organizations may include, for example, a service organization engaged by the entity to provide services to the entity relevant to the entity's internal control for its sustainability reporting, or organizations in the value chain that are within the reporting boundary, but outside the control of the entity, that is required to include information from those organizations in its sustainability information.
- General IT controls related to the controls the practitioner plans to test. In connection with obtaining an understanding of controls that the practitioner plans to test, the practitioner also needs to understand the risks arising from the use of IT related to those controls and what general IT controls the entity has implemented to address those risks. Specifically, if controls are reliant on the use of IT, it is important to understand the controls around the IT. As a result, ISSA 5000 requires the practitioner to identify the IT applications and the other aspects of the entity's IT environment, related to the controls the practitioner plans to test, that are subject to risks arising from the use of IT and understand the general IT controls that address the risks arising from the use of IT.
- Other controls: The practitioner may identify other controls that they consider are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to those assessed risks.

417. In a limited assurance engagement, the practitioner is not required to understand the control activities component. However, if the practitioner plans to obtain evidence by testing the operating

effectiveness of any controls, the practitioner is required to understand those controls that the practitioner plans to test, including any general IT controls that address risks arising from the use of IT related to those controls. If the practitioner does not plan to test the operating effectiveness of any controls, they are not required to understand them.



What is involved in obtaining an understanding of controls in the control activities component?

418. Understanding those controls means evaluating whether the controls are designed effectively to address the risk of material misstatement and determining that the controls have been implemented. It is important to understand controls before testing their operating effectiveness. If a control is not effectively designed or placed in operation, then there is no point to testing its operating effectiveness.



How does the practitioner evaluate whether a control is designed effectively?

419. Evaluating the design of a control involves considering whether the control is capable of effectively preventing, detecting, or correcting material misstatements of the sustainability information (in other words, capable of achieving its intended objective). This evaluation ordinarily focuses on the control's structure, appropriateness, and alignment with the entity's risk management objectives. The key aspects of evaluating the design of a control may include:
- Determining what the control is intended to achieve. What risks are the control intended to address?
 - Evaluating the specific elements of the control, such as policies, procedures, and activities. What are the steps involved in the control? Who is responsible for each step? What documentation is required?
 - Determining if the control is relevant to the identified risks and objectives. If the control is implemented, will it address the risks that it is intended to address?
 - Evaluating whether the design of the control addresses the risk of material misstatement (at the disclosure level for limited assurance engagements or at the assertion level for reasonable assurance engagements).
420. The practitioner may evaluate the design of a control by inquiry, or by reviewing documentation, such as policies, procedures and flowcharts, that describes how the control is intended to operate. Other procedures in evaluating the design of a control may include:
- Determining how often the control is performed and whether this frequency is appropriate given the risk.
 - Identifying who is responsible for performing the control and whether they have the appropriate authority and competence.
 - Determining how well the control integrates with other controls and processes within the entity.
 - Recognizing any inherent limitations of the control that might affect its effectiveness.
 - Comparing the control design with industry best practices or regulatory requirements.



How does the practitioner determine that a control has been implemented?

421. Determining that a control has been implemented means establishing that the control exists and is being used in practice as designed, which may include:
- Asking relevant personnel about the control to confirm its existence and implementation.
 - Directly observing the control being performed to confirm it is operational.
 - Reviewing documents and records that provide evidence of the control's implementation.
 - Tracing an event or transaction through the entire process to see how the control is applied at each stage (sometimes referred to as a walkthrough).

Evaluation of Control Deficiencies

422. A deficiency in internal control exists when the design, implementation or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
423. Although the control environment does not operate at the disclosure or assertion level, a deficiency in the control environment undermines the other components of the system of internal control, including those controls that are designed to address risks of material misstatement at the disclosure or assertion level. This increases the risk that the controls throughout the system of internal control will not prevent, or detect and correct, misstatements on a timely basis.
424. If an entity's risk assessment process or process to monitor the system of internal control are not appropriate to the entity's circumstances, it is indicative of deficiencies in those components. These deficiencies may result in the entity's failure to identify changes to the entity or its environment, or circumstances where controls were not operating as intended, that would require changes to the system of internal control. This increases the risk that controls, while perhaps once effectively designed, are no longer addressing the risks they were designed to address or are no longer addressing risks that are relevant.
425. Controls in the information system and communication and control activities components are more likely to operate at the disclosure or assertion level. Therefore, they are more likely to directly affect the ability of management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements at the disclosure or assertion level on a timely basis.
426. In considering whether the practitioner has identified one or more control deficiencies, they may discuss the relevant facts and circumstances of their findings with the appropriate level of management. This discussion provides an opportunity to alert management on a timely basis to the existence of deficiencies of which management may not have been previously aware. The level of management with whom it is appropriate to discuss the findings is one that is familiar with the internal control or the aspect of the business to which it relates and that has the authority to take remedial action on any identified deficiencies in internal control. In some circumstances, it may not be appropriate for the practitioner to discuss their findings directly with management, for example, if the findings appear to call management's integrity or competence into question.

ISSA 5000
Para. 121

427. Control deficiencies may affect the design of further procedures. Examples of matters that the practitioner may consider in determining the effect of a control deficiency or combination of deficiencies include:

- Whether a misstatement or combination of deficiencies has occurred or the likelihood that misstatements will occur as a result of the control deficiency, as control deficiencies may exist even though the practitioner has not identified misstatements during the engagement.
- The likelihood of the deficiencies leading to material misstatements in the sustainability information in the future and potential magnitude of those misstatements.
- Whether the controls deficiencies relate to disclosures that are subjective or complex, such as estimates or forward-looking information, that may be more susceptible to management bias.
- The materiality of the disclosures exposed to the deficiencies.
- The volume of activity that has occurred or could occur in the disclosure exposed to the deficiency or deficiencies.
- The importance of the controls to the sustainability information process.
- The cause and frequency of the exceptions detected as a result of the deficiencies in the controls.
- The interaction of the deficiency with other deficiencies in controls.

428. Paragraph A402 of ISSA 5000 provides examples of circumstances that indicate that control deficiencies exist.



What does the practitioner do with their understanding of the entity's system of internal control?

429. The primary purpose of understanding the entity's system of internal control is to help the practitioner identify and assess the risks of material misstatement, including:

- Pervasive risks of material misstatement: Certain components of the system of internal control (e.g., the control environment, the entity's risk assessment process, and the entity's system to monitor the system of internal control) operate at a higher level (i.e., entity level). Therefore, deficiencies in these components may result in risks of material misstatement more pervasively throughout the sustainability information. Furthermore, because these higher-level controls serve as a foundation for controls in the other components (e.g., the information system and communication and control activities components), which operate at the disclosure or assertion level, deficiencies in those higher-level controls may affect the operating effectiveness of controls at the disclosure or assertion level. Therefore, the most effective approach to address these pervasive risks of material misstatement may be to design and perform overall responses.
- Risks of material misstatement at the disclosure level or at the assertion level: Controls in the information system and communication and control activities components that are not effectively designed or placed in operation will increase the risk of material misstatement in the disclosures or assertions that those controls were intended to address.

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Para. 128L/R

- Design and perform procedures in response to the risks of material misstatement: Controls that are designed effectively and placed in operation will give the practitioner a basis to test those controls to obtain sufficient appropriate evidence. On the other hand, if the practitioner concludes that the controls are neither designed effectively nor placed in operation, there is no point in testing them. In such instances, the only way to obtain sufficient appropriate evidence would be through substantive procedures.
430. The purpose of understanding the entity's system of internal control is not necessarily to identify matters to communicate to management or those charged with governance. However, the practitioner may consider communicating the deficiencies to management or those charged with governance if, in their judgment, the deficiencies merit their attention.

ISSA 5000
Para. 68, A166

Identifying and Assessing the Risks of Material Misstatement

431. Identifying and assessing the risks of material misstatement involves the exercise of professional judgment. The understanding of the matters discussed above obtained as part of the practitioner's risk assessment procedures provides the basis for the practitioner to think about "what could go wrong" and thereby enable the identification and assessment of the risks of material misstatement. For example, there may be potential risks of material misstatement due to fraud or error if the practitioner has identified:
- That sustainability matters or the applicable criteria are complex or subject to a high degree of subjectivity, which may cause the misapplication of the criteria to the sustainability matters and result in misstatements.
 - Changes in or uncertainty related to the entity or its environment, or the entity's internal controls, which, for example, may result in a misstatement(s) in a disclosure(s) related to those controls that are no longer addressing the risks they were designed to address or are no longer addressing risks that are relevant if the entity's controls are not updated in response to the changes in the environment.
 - Incentives or pressures on management to achieve certain objectives or milestones, which may result in management bias in reporting the sustainability information, particularly if deficiencies in internal control provide the opportunity for management to exercise those biases.
 - Weaknesses or deficiencies in the design or implementation of internal controls, which may result in misstatements not being prevented or detected and corrected on a timely basis.



What are assertions and why are they important??



Assertions: Representations by the entity, explicit or otherwise, that are embodied in the sustainability information, as used by the practitioner to consider the different types of potential misstatements that may occur.

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Para. 18

432. In a reasonable assurance engagement, practitioners are required to identify and assess risks of material misstatement at the assertion level for the disclosures and design and perform further procedures that are responsive to the assessed risks.

ISSA 5000
Para. 122R

Assertions may be used by a practitioner as a tool to:

- Consider the different types of potential misstatements that may occur when identifying and assessing risks of material misstatement for the disclosures.
- Assist the practitioner with designing and performing further procedures in response to assessed risk of material misstatement to obtain evidence about whether the sustainability information has been prepared in accordance with the criteria, or whether it is misstated.

433. The practitioner is not required to identify and assess risks of material misstatement at the assertion level in a limited assurance engagement. However, the practitioner may choose to use assertions in a limited assurance engagement if they are useful in considering the types of potential misstatements that could occur or designing and performing procedures in response to them.

ISSA 5000
Para. 122L,
A416L

434. The table below sets out the assertions that the practitioner may use. The assertions can be expressed differently, provided all aspects described below have been covered.

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Assertion	Aspects covered by the assertion
Occurrence and existence	The disclosures are related to events or conditions that have occurred or exist.
Responsibility	The disclosures pertain to the entity.
Completeness	All events or conditions, pertaining to the entity and the reporting boundary, that should have been included in the sustainability information have been included.
Accuracy and valuation	The disclosures, including estimates, have been appropriately measured, evaluated or described in accordance with the applicable criteria.
Cutoff	The disclosures have been recorded in the reporting period to which they relate.
Presentation, classification and understandability	The disclosures are appropriately aggregated or disaggregated, structured appropriately, and presented and described in accordance with the applicable criteria, and are clearly expressed.
Consistency	The criteria and application of the criteria are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed; and comparative

Assertion	Aspects covered by the assertion
	information, if any, is as reported in the prior period or has been appropriately restated.

435. In reporting sustainability information, the entity makes explicit or implicit assertions about that information.



Example: Assertions by an entity in its sustainability information

Entity A has included the following statement in the sustainability information:

The increase in Scope 1 and 2 greenhouse gas (GHG) emissions is due to the acquisition of a new production plant in Europe during the first quarter of the year. At all our operations, GHG emissions per unit of production have decreased significantly since the previous year due to improved management oversight.

The entity is explicitly asserting that there has been an increase in GHG emissions, that it has acquired a new production plant during the year, and that the acquisition of the new plant is the reason for the increased emissions. The entity is also explicitly asserting that GHG emissions per unit of production have decreased at all of its sites due to management actions.

The entity is implicitly asserting, among other matters, that:

- **Occurrence and existence:** The reported GHG emissions have occurred.
- **Responsibility:** The GHG emissions reported are those emitted by the facilities within the entity's control (i.e., the entity is responsible for the GHG emissions emitted).
- **Accuracy and valuation:** The GHG emissions are accurately reported, including that they have been converted to CO2 equivalents using appropriate conversion factors.
- **Cutoff:** The GHG emissions are reported in the period in which they were emitted.
- **Completeness:** All GHG emissions within the organizational boundary have been measured and reported.
- **Presentation, classification and understandability:** The GHG emissions have been presented in accordance with the reporting framework, appropriately classified as Scope 1 or 2 emissions, depending on their source, and grouped in a way that is understandable.
- **Consistency:** The GHG emissions reported have been prepared on a basis that is consistent with the previous year.

436. The practitioner may express the assertions in other ways. This is a matter of choice for the practitioner as long as the aspects of the relevant assertions described above are covered. For example, the criteria may include a required principle of "connectivity," such that the criteria require disclosures in, and presentation of, the sustainability information in a manner that demonstrates connectivity between aspects of the sustainability matters. For example, the practitioner may treat assertions about presentation, classification and understandability that result from applying criteria that meet the principle of connectivity as "connectivity" assertions or may treat them as subsumed in the category of presentation, classification and understandability assertions.



What is the difference between identifying and assessing a risk of material misstatement at the disclosure level in a limited assurance engagement or at the assertion level for the disclosures in a reasonable assurance engagement?

437. As indicated in paragraph 323 above the risk assessment in a limited assurance engagement is based on a different breadth and depth (nature and extent) of understanding of the components of internal control without any required understanding of the control activities, which could have contributed to the identification and assessment of potential risks of material misstatement. In addition, the risk assessment in a limited assurance engagement is less granular than for a reasonable assurance engagement because the practitioner is not required to identify and assess risks of material misstatement at the assertion level. Furthermore, the risk identification and assessment is less extensive for a limited assurance engagement because the level of assurance obtained is substantially lower than the assurance obtained in a reasonable assurance engagement.

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Para. A406L



How does the practitioner assess risks of material misstatement?

438. Based on the understanding the practitioner has obtained in performing the risk assessment procedures, the practitioner uses professional judgment to identify the appropriate approach to grouping the entity's disclosures. The practitioner identifies and assesses the risk of material misstatement at the disclosure level (i.e., for a disclosure or group of disclosures) in a limited assurance engagement and at the assertion level (i.e., one or more assertions for a disclosure or group of disclosures) in a reasonable assurance engagement. The practitioner then determines whether some of those risks of material misstatement are at an acceptable level (for limited assurance) or an acceptably low level (for reasonable assurance). In these circumstances further procedures are not required. However, in a reasonable assurance engagement the practitioner is required to consider the need to design and perform substantive procedures for disclosures that, in the practitioner's judgment, are material. See also **Part G - Responding to the Risks of Material Misstatement**, paragraphs 460-461.

ISSA 5000
Para. A285-
A287

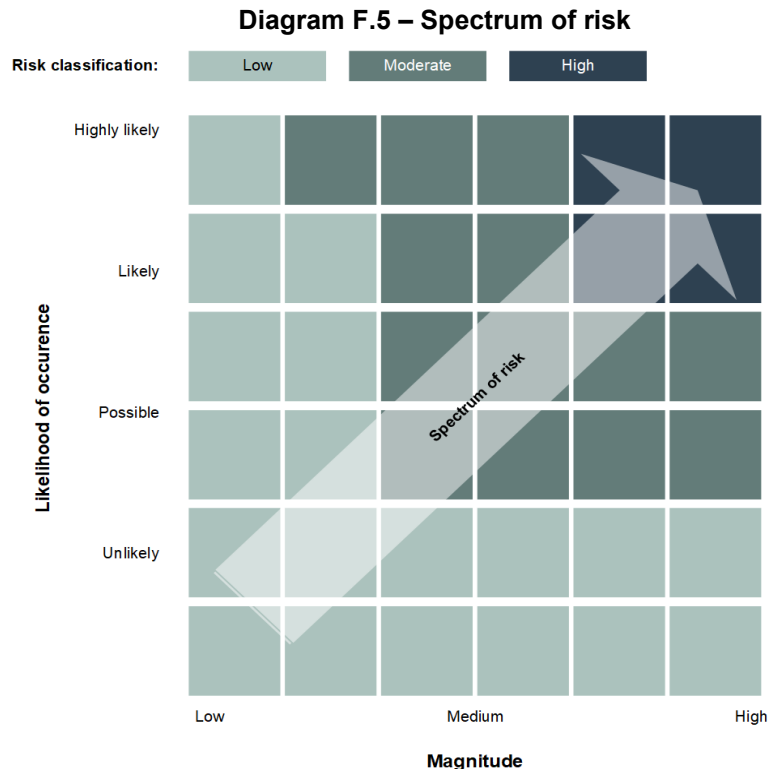
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Para. 140R

439. The practitioner assesses risks of material misstatement on a spectrum of risk based on the likelihood of their occurrence and the magnitude of the misstatement if it were to occur. The higher the risk of material misstatement is on the spectrum, the more persuasive the evidence the practitioner will need to obtain to address the risk. ISSA 5000 states in principle what is required of the practitioner and includes application material for carrying out these requirements. ISSA 5000 does not require separate steps for identifying and assessing the risks of material misstatement and also is not prescriptive about how a practitioner operationalizes concepts such as the spectrum of risk, the combination of likelihood and magnitude, and the assessment given to a risk.

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Para. 122L/R,
A404-A418R

440. In assessing the likelihood of a material misstatement occurring, the practitioner may consider:
- Past experience with the entity, including misstatements identified in the past and how management and those charged with governance dealt with them, historical performance, and any known issues or errors.

- Current understanding of the nature, scope and timing of events or conditions related to the susceptibility of a disclosure(s) to misstatement and expectations about the timing or frequency of their occurrence.
 - The entity's risk assessment process.
 - Economic conditions, regulatory changes, and market trends that might affect the likelihood of misstatements.
441. In assessing the magnitude of a misstatement, if it were to occur, the practitioner may consider:
- The potential impact on the sustainability information and the importance of that disclosure to intended users, including both quantitative and qualitative factors.
 - Materiality thresholds to gauge the significance of potential misstatements.
 - Qualitative factors such as the nature of the disclosure, the susceptibility to fraud, and the potential for pervasive effects on the sustainability information.
442. Some misstatements may be likely to occur, but if they were to occur the impact on the sustainability information would be low. Some misstatements rarely occur, but if they do, the magnitude of the impact on the sustainability information could be high.
443. In assessing the risk of material misstatement, the practitioner considers likelihood and magnitude in combination. The higher the combination of likelihood and magnitude, the higher the assessment of risk; the lower the combination of likelihood and magnitude, the lower the assessment of risk. This will allow the practitioner to think about the risks of material misstatement in terms of the spectrum of risk, as illustrated in the diagram below (the diagram is intended to be an example and is not determinative).



444. For a risk to be assessed as higher on the spectrum of risk, it does not mean that both the magnitude and likelihood need to be assessed as high. Rather, it is the intersection of the magnitude and likelihood of the material misstatement on the spectrum of risk that will determine whether the assessed risk is higher or lower on the spectrum of risk. A higher risk assessment may arise from different combinations of likelihood and magnitude. For example, a higher risk assessment could result from a lower likelihood but a very high magnitude. However, a risk with a high likelihood, but a low magnitude, if it were to occur, is not likely to be assessed as higher on the spectrum of risks.
445. Some risks are always at the higher end of the spectrum of risk. This is because, if they were to occur, the magnitude would be very high. For example, ISSA 5000, paragraph 123R requires the practitioner, in a reasonable assurance engagement, to treat the risk of management override of controls as a risk of material misstatement due to fraud, and thus a risk of material misstatement at the upper end of the spectrum.



How does the practitioner's identification and assessment of risks of material misstatement assist with the design and performance of procedures in response to the risks?

446. Understanding where a risk lies on the spectrum of risk informs the practitioner's design of further procedures to address the risk and helps to focus further procedures on disclosures or assertions where the risks are the greatest.
447. The assessed risks of material misstatement also drive impact the nature, timing and extent of the practitioner's further procedures in order to obtain sufficient appropriate evidence. For example, a higher assessed risk may result in the practitioner performing types of procedures that provide higher quality evidence or to perform more procedures or different procedures to obtain evidence from different sources or to test more items or visit more locations. The further procedures the practitioner performs in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. See **Part G – Responding to the Risks of Material Misstatement**.

G. RESPONDING TO THE RISKS OF MATERIAL MISSTATEMENT

Matters Addressed in This Part

- General Considerations in Responding to the Risks of Material Misstatement
- Overall Responses
- Procedures in Response to Risks of Material Misstatement at the Disclosure Level (Limited Assurance) or at the Assertion Level for the Disclosures (Reasonable Assurance)
- Revising the Risk Assessment in a Reasonable Assurance Engagement or Determining Whether Additional Procedures are Necessary in a Limited Assurance Engagement

General Considerations in Responding to the Risks of Material Misstatement

448. In both limited and reasonable assurance engagements, the practitioner aims to obtain evidence with enough collective persuasiveness to respond to the risks of material misstatement. For limited assurance, the procedures performed are limited compared with those necessary in a reasonable assurance engagement but are, nonetheless, planned to obtain a level of assurance that is meaningful. In some cases, the nature of procedures may be similar for limited and reasonable assurance, but the extent may differ between limited and reasonable assurance, as well as across the range of limited assurance engagements.
449. The practitioner seeks to obtain sufficient appropriate evidence to reduce engagement risk to an acceptable level (for a limited assurance engagement) or to an acceptably low level (for a reasonable assurance engagement) in the circumstances of the engagement. Decisions regarding the appropriate procedures to respond to the risks of material misstatement require professional judgment, taking into account the nature of the assessed risks. For example:
- Risks of material misstatement can be pervasive or related to a particular disclosure (or group of disclosures) or assertion or group of assertions (for a reasonable assurance engagement). If the risks of material misstatement are pervasive to the sustainability information, the practitioner will design and perform overall responses (see below). If the risks of material misstatement are at the disclosure or assertion level, the practitioner will design and perform further procedures that are responsive to the risks of material misstatement in those disclosures or assertions. **Part F – Risk Identification and Assessment** addresses the identification and assessment of the risks of material misstatement.
 - Further procedures include tests of controls or substantive procedures (analytical procedures or tests of details). The practitioner may design and perform different types of procedures depending on the circumstances. For example, if the practitioner determines that controls are designed effectively and have been implemented, the practitioner may decide to obtain evidence by testing their operating effectiveness.
450. The nature, timing and extent of further procedures to respond to the risks of material misstatement will be informed by:

- The practitioner's approach to planning and performing procedures, including understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting, and whether the practitioner decides to group the sustainability information in other ways (see **Part E – Planning**);
- The assessed risks of material misstatement, including the reasons for the assessment given to the risks of material misstatement (see ISSA 5000 paragraph A425 for examples of reasons for the assessment given to a risk of material misstatement);
- Whether the practitioner intends to obtain evidence about the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures;
-  Whether using the work of others (e.g., practitioner's experts, component practitioners or another practitioner(s)) is necessary to obtain evidence from or pertaining to group components or value chain components; (see **Part D – Group Sustainability Assurance Engagements, Value Chain and Using the Work of Others**) and
- The persuasiveness of evidence to be obtained. More persuasive evidence may be needed in certain circumstances to provide the basis for a conclusion on the sustainability information. For example, when the risk of material misstatement is higher on the spectrum of risk, it may be appropriate to perform more extensive procedures or more focused procedures, or obtain corroborating evidence from a number of independent sources.

ISSA 5000 Para.
A284-A287

Overall Responses



When does the practitioner perform overall responses?

451. After identifying and assessing the risks of material misstatement, the practitioner designs and performs further procedures to respond to those risks. In some cases, the practitioner may identify circumstances in which overall responses are needed to address the risks of material misstatement. Such circumstances include:
- Control deficiencies in the control environment that undermine the other components of the system of internal control;
 - Fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations; or
 - Identified risks of material misstatement pervasively throughout the sustainability information.

ISSA 5000
Para. 128L/R



Example: Possible pervasive risks of material misstatement

- The control environment provides an overall foundation for the operation of the other components of the entity's system of internal control. The control environment may not directly prevent, or detect and correct, misstatements. It may, however, influence the effectiveness of controls in the other components of the system of internal control. The practitioner may identify deficiencies in the entity's control environment such that the control environment does not serve as a foundation for the other components of internal control. In

this case, the practitioner may assume that such deficiencies raise questions about whether other aspects of the system of internal control are designed or operating effectively. Therefore, there may be a possibility that material misstatements may occur in multiple disclosures or assertions.

- The practitioner may identify:
 - o Incentives for intentional misstatement of the sustainability information, for example, those who are directly involved with, or have the opportunity to influence, the reporting process may have a significant portion of their compensation contingent upon achieving aggressive targets or complying with laws and regulations that have a direct effect on the sustainability information.
 - o Misstatements throughout the sustainability information that exceed what was expected based on the risk assessment.



What do overall responses include?

452. Designing and performing overall responses may include:

- Assigning and supervising personnel, considering the knowledge, skill and ability of the individuals to be given significant engagement responsibilities, and the practitioner's risk assessment procedures. For example, the practitioner may assign personnel to the engagement with relevant expertise if fraud or suspected fraud is identified involving management.
- Conducting more procedures as of the period end rather than at an interim date.
- Obtaining more extensive evidence from procedures other than tests of controls or otherwise increasing sample sizes and the extent of procedures, such as the number of facilities at which procedures are performed.
- Performing additional substantive testing or increasing sample sizes to obtain sufficient evidence.
- Incorporating an element of unpredictability in the selection of the nature, timing and extent of procedures.

Procedures in Response to Risks of Material Misstatement at the Disclosure Level (Limited Assurance) or at the Assertion Level for the Disclosures (Reasonable Assurance)



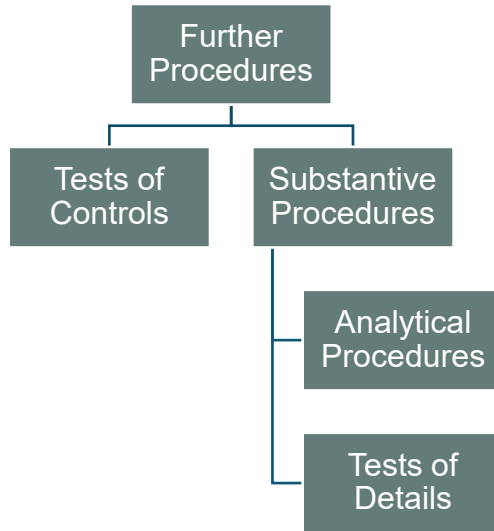
What does the practitioner consider when designing further procedures?

453. Practitioners are required to perform further procedures that are responsive to the assessed risks of material misstatement. Further procedures include tests of controls and substantive procedures.

454. The planned nature, timing and extent of further procedures is a matter of professional judgment. Paragraph A423 of ISSA 5000 describes considerations that inform the practitioner when designing the nature, timing and extent of further procedures. Paragraph A424 of ISSA 5000 provides examples

ISSA 5000
Para. 126L/R

of differences between the practitioner's further procedures for a reasonable assurance engagement and a limited assurance engagement on sustainability information.



455. Other considerations for the practitioner in designing further procedures include:

- Where the assessed risk of material misstatement lies on the spectrum of risk. This affects the nature, timing and extent of procedures the practitioner performs.
- The nature of the related disclosure. Risks related to qualitative disclosures may require a different nature of procedure than those related to quantitative disclosures. For example, obtaining evidence in response to risks of material misstatement related to qualitative disclosures may involve inquiry, inspection of documents, and observation of activities. With respect to quantitative disclosures, in addition to inquiry, inspection and observation, the practitioner may obtain evidence by performing analytical procedures, or tests of details such as tracing amounts to source documents. Furthermore, if the disclosure or the assertion is complex or subjective, the practitioner may decide to involve experts.
- Whether the practitioner will obtain evidence from the operating effectiveness of controls. The practitioner may decide to test the operating effectiveness of controls, and thus reduce the extent of substantive procedures that the practitioner would need to obtain sufficient appropriate evidence. This decision is largely based on the practitioner's decision as to how to obtain the evidence most effectively and efficiently. However, in a reasonable assurance engagement, the practitioner is required to test the operating effectiveness of controls that address risks for which substantive procedures alone do not provide sufficient appropriate evidence. ISSA 5000
Para.
119R(a)(i)
- When to perform the procedures. Some procedures may be performed at various stages throughout the engagement, rather than waiting until the end of the reporting period. If substantive procedures are performed at an interim date, ISSA 5000 requires the practitioner to perform additional procedures to enable the practitioner to extend the conclusions of those substantive procedures for the remaining period. ISSA 5000
Para. 142



Why would a practitioner test the operating effectiveness of controls?

456. Practitioners perform tests of controls when they plan to obtain evidence about their operating effectiveness in determining the nature, timing and extent of substantive procedures. This may be guided by several factors:

- Risk assessment: While performing risk assessment procedures, if the practitioner determines that controls are designed effectively and have been implemented, the practitioner may decide to test the operating effectiveness of these controls. This is more likely to be the case in a reasonable assurance engagement because 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 (see **Part F – Risk Identification and Assessment** and ISSA 5000 Para. A406L)
- The entity's control environment: Understanding the entity's control environment helps practitioners determine whether controls are likely to be designed and operating effectively. If the entity has a strong control environment, practitioners may be more inclined to test the operating effectiveness of controls.
- Prior experience: Practitioners may decide to test the operating effectiveness of controls if they have prior experience with the entity and have found its controls to be effective in the past.
- Changes in controls: If there have been significant changes in the entity's internal controls since the last engagement, practitioners may consider testing the operating effectiveness of the new or modified controls to obtain evidence that they are functioning as intended.
- Efficiency considerations: Testing the operating effectiveness of controls can be more efficient than performing extensive tests of details. This is true for both limited assurance engagements and reasonable assurance engagements; however, it may be less common in limited assurance engagements.
- Regulatory requirements: Law or regulation may require practitioners to test the operating effectiveness of controls, depending on the nature of the entity and the sustainability information.



Examples: Controls that might be tested in a sustainability assurance engagement

When performing an assurance engagement on sustainability information, practitioners may test a variety of controls related to the accuracy and completeness of the reported sustainability information. Such controls may include:

- Data collection and recording controls:
 - o Standardized data collection procedures: Standardized procedures for collecting data across different departments or locations.
 - o Automated data capture systems: Automated systems used to capture data, such as energy meters or emission monitoring systems.
 - o Manual data entry controls: Controls that prevent or detect errors in manual data entry, such as validation checks.

- Data processing and calculation controls:
 - o Calculation methodologies: Methodologies used to calculate sustainability metrics to so that they are consistent with industry standards and guidelines.
 - o Software controls: Software tools used for data processing and calculations, including any built-in validation checks.
- Data consolidation and reporting controls:
 - o Reconciliation procedures: Procedures in place to reconcile sustainability data with other internal records, such as financial data or operational logs.
 - o Review and approval processes: Sustainability data and reports are reviewed and approved by appropriate personnel before being finalized and published.

457. If the practitioner decides to test the operating effectiveness of controls, the practitioner is also required to obtain an understanding of the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT (for reasonable assurance engagements) and the entity's general IT controls that address risks arising from the use of IT related to the controls identified for testing (for both reasonable and limited assurance engagements).

ISSA 5000 Para.
119R(b)-(c),
120L(b)



When does the practitioner perform substantive procedures?

458. The practitioner designs and performs further procedures to obtain sufficient appropriate evidence as a basis for the practitioner's limited or reasonable assurance conclusion, as appropriate. To the extent that the practitioner does not plan to test the operating effectiveness of identified controls, evidence will be obtained from substantive procedures. ISSA 5000 paragraphs 139R-142 also include requirements for substantive procedures in certain circumstances.

459. In a reasonable assurance engagement, practitioners are required to perform substantive procedures that are responsive to each risk for which the assessment of that risk is close to the upper end of the spectrum of risk. Determining which risks are close to the upper end of the spectrum is based on the assessment of the likelihood of the risk occurring, and magnitude of the misstatement if it were to occur. See also **Part F – Risk Identification and Assessment**.

ISSA 5000
Para. 139R

460. In a reasonable assurance engagement, practitioners also are required, irrespective of the assessed risks of material misstatement, to consider whether it is necessary to design and perform substantive procedures for disclosures that, in the practitioner's judgment, are material. The consideration of the need to design and perform substantive procedures for these disclosures reflects that:

ISSA 5000
Para. 140R

- The practitioner's assessment of the risks of material misstatement is judgmental.
- There are inherent limitations in internal control, including the possibility of management override. Therefore, for example, the practitioner may determine that testing the operating effectiveness of controls may need to be supplemented with limited tests of details.

461. The practitioner's understanding of the entity's process to identify sustainability information to be reported may indicate that certain disclosures include information that is likely to be of particular importance to intended users (see also ISSA 5000 paragraphs A285–A287 regarding the grouping of disclosures for purposes of planning and performing the engagement). Therefore, even for disclosures where the practitioner's assessed risk of material misstatement is at an acceptably low level, ISSA 5000 paragraph 140R requires the practitioner to consider performing substantive procedures for those disclosures. The decision and extent of these procedures is a matter of professional judgment. Practitioners need not perform substantive procedures for all disclosures, but rather focus on disclosures, or the information within those disclosures, that is expected to be of particular importance to intended users.

ISSA 5000
Para. A440R



When might the practitioner perform analytical procedures?

462. In responding to assessed risks of material misstatement, analytical procedures are a type of substantive procedure that the practitioner may decide to use alone or with other procedures to obtain sufficient appropriate evidence to support their conclusions about the sustainability information. Analytical procedures may also be used as risk assessment procedures to help identify inconsistencies, unusual events or conditions, and amounts, ratios, and trends that indicate matters that may have implications for the engagement.

ISSA 5000
Para. A42

463. If the relationship between different aspects of the sustainability information is predictable, analytical procedures may:

- Efficiently provide substantive evidence, especially when the relationships and trends are strong and predictable. For example, if the practitioner can reliably predict utility usage based on production levels, this can serve as substantive evidence for the accuracy of the reported utility usage.
- Provide corroborative evidence to support the conclusions drawn from other procedures.



Examples: Analytical procedures

- **Trend analysis:** Reviewing historical data to identify trends and patterns in sustainability metrics, such as energy consumption, greenhouse gas emissions, water usage, and waste generation. This helps in evaluating whether the reported data is consistent with past performance.
- **Ratio analysis:** Calculating and analyzing ratios such as energy intensity (energy consumption per unit of production) or carbon intensity (emissions per unit of revenue) to evaluate the appropriateness of related disclosures.
- **Benchmarking:** Comparing the organization's sustainability performance with industry standards, peer companies, or best practices to identify any unexpected inconsistencies.
- **Variance analysis:** Investigating significant variances between reported sustainability data and expected values based on historical performance, budgets, or forecasts. This helps in identifying potential errors or areas that require further investigation.

- Correlation analysis: Examining the relationships between different sustainability metrics and other financial or operational data to identify any unusual patterns or inconsistencies, for example, correlating production levels with energy consumption to evaluate whether the reported data is reasonable.

464. The difference between performing analytical procedures in a limited assurance engagement as opposed to a reasonable assurance engagement is related to the level of precision of the analytical procedure and the practitioner's response if the analytical procedure identifies fluctuations or relationships that are inconsistent with other relevant information or differ significantly from the expected result.
465. In a reasonable assurance engagement, the practitioner is required to develop an expectation about recorded quantities or ratios that is sufficiently precise to identify possible material misstatements at the assertion level. In a limited assurance engagement, analytical procedures may be designed to support expectations about the direction of trends, relationships and ratios rather than with the level of precision required in a reasonable assurance engagement to identify possible material misstatements because the practitioner identifies and assesses risks of material misstatement at the disclosure level, not at the assertion level.
466. Irrespective of whether the engagement is a limited assurance or reasonable assurance engagement, the practitioner is required to investigate fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from the expected result, by inquiring of management about the differences. In a limited assurance engagement, the practitioner is required to consider the responses from management in determining whether additional procedures are necessary. In a reasonable assurance engagement, the practitioner is required to obtain additional evidence relevant to management's responses and perform additional procedures as necessary in the circumstances.

ISSA 5000
Para. 144L/R



Example: Analytical procedure in a limited assurance engagement

The practitioner has determined to perform an analytical procedure related to reported water usage data for the current period. Based on historical data, the practitioner determines that the entity's water usage is closely related to production volumes. Therefore, the practitioner is able to develop an expectation sufficiently precise to identify a potential material misstatement at the disclosure level related to water usage.

In performing the analytical procedure, the practitioner identifies that the water usage in the current period is significantly less than expected. The practitioner inquires of management about why the water usage has dropped though the production volumes have remained constant. Management informs the practitioner that, during the regular maintenance of their water-using equipment, leaks had been identified and fixed, and low-flow fixtures had been installed.

The practitioner, after considering management's response, may determine that additional procedures are necessary, and may inspect invoices related to the installation and repairs and maintenance of the water-using equipment.



Example: Analytical procedure in a reasonable assurance engagement

The practitioner has determined to perform an analytical procedure related to reported water usage data for the current period. Based on historical data, the practitioner determines that the entity's water usage is closely related to production volumes. Therefore, the practitioner is able to develop an expectation sufficiently precise to identify a potential material misstatement in the completeness and accuracy of the disclosure related to water usage.

In performing the analytical procedure, the practitioner identifies that the water usage in the current period is significantly less than expected. The practitioner is concerned that the water usage is incompletely or inaccurately recorded. The practitioner inquires of management about why the water usage has dropped though the production volumes have remained constant. Management informs the practitioner that, during the regular maintenance of their water-using equipment, leaks had been identified and fixed, and low-flow fixtures had been installed.

The practitioner is required to obtain additional evidence regarding management's response. For example, the practitioner may inspect invoices related to the installation and repairs and maintenance of the water-using equipment. Furthermore, the practitioner may determine that it is necessary to inspect the water utility bills for evidence that the water usage is completely and accurately recorded.



What are some considerations regarding the nature of tests of details?

467. In addition to analytical procedures, substantive procedures may include tests of details. ISSA 5000 does not specifically require the practitioner to perform tests of details; however, the practitioner may perform tests of details when the practitioner does not obtain evidence from testing the operating effectiveness of controls and analytical procedures, particularly when the practitioner was planning to obtain evidence from testing controls and:

- The controls are not operating effectively; or
- In a reasonable assurance engagement, because there are inherent limitations in internal control, including the possibility of management override of controls, testing the operating effectiveness of controls may be supplemented with tests of details.



Examples: Tests of details

Substantive tests of details are procedures that are focused on obtaining evidence about the items or matters included in or underlying the sustainability information, including, as applicable, the identification, capture, recording, processing, extracting, collation or summary of information about items or matters (i.e., at the disclosure level in a limited assurance engagement or at the assertion level for the disclosures in a reasonable assurance engagement). Examples of substantive tests of details that might be performed during a sustainability assurance engagement may include:

Inspection and observation:

- Examining utility bills, invoices, and other source documents to verify reported energy consumption, water usage, and waste disposal figures.

- Examining purchase orders and receipts for materials and supplies to confirm the quantities and types of materials reported in sustainability metrics.
- Conducting site visits to observe processes and practices related to sustainability, such as waste segregation, recycling, and energy efficiency measures.
- Performing physical counts of inventory, such as raw materials, finished goods, or waste materials, to verify reported quantities.
- Examining internal records and logs, such as maintenance logs for energy-efficient equipment or waste disposal logs, to corroborate reported data.

Recalculation and reperformance:

- Recalculating greenhouse gas emissions based on activity data (e.g., fuel consumption) and emission factors to verify the accuracy of reported emissions.
- Reperforming calculations for energy efficiency metrics, such as energy intensity (energy consumption per unit of production), to verify accuracy.

Confirmation with third parties:

- Sending confirmation requests to suppliers to verify the quantities and types of materials supplied, particularly for materials with sustainability implications (e.g., recycled content, sustainably sourced materials).
- Confirming energy and water usage data with utility providers to verify the accuracy of reported consumption figures.

Review of supporting documentation:

- Reviewing supporting documentation, such as certifications to verify the accuracy of reported sustainability achievements and initiatives.

Data reconciliation:

- Reconciling sustainability data with financial data, such as reconciling reported energy costs with financial records of utility expenses.
- Reconciling sustainability data with operational data, such as production volumes or transportation logs, to ensure consistency and accuracy.



What is the difference between forward-looking information and estimates?

468. The key differences between forward-looking information and estimates are:

- Forward-looking information pertains to forecasted or projected (hypothetical) events and conditions. Estimates are typically related to current or past events or conditions, but like forward-looking information may have some degree of uncertainty due to inherent limitations related to the measurement or evaluation of underlying matter(s), or because the estimate depends on the forecast of an outcome of one or more events or conditions.
- Forward-looking information is based on predictions and assumptions about the future, which may be based on events regarded as being most likely to occur, or hypothetical events or

conditions. Estimates are based on historical data, current conditions, and reasonable assumptions.

- Forward-looking information generally involves a higher degree of uncertainty compared to estimates, as it deals with future events that are inherently unpredictable. The further into the future the forward-looking information relates to, the greater the degree of uncertainty associated with the measurement or evaluation of that information.

Estimates

469. Estimates are approximations of the value of an item in the absence of precise means of measurement. They are often used in sustainability information to account for items where exact amounts cannot be determined. Estimates are based on historical data, current conditions, and management's judgment. They involve some level of uncertainty but are generally grounded in more immediate and observable data compared to forward-looking information.



Examples: Estimates

Environmental:

- Greenhouse gas (GHG) emissions: Estimating the total carbon footprint, including Scope 1 (direct emissions), Scope 2 (indirect emissions from purchased electricity), and Scope 3 (other indirect emissions such as those from the supply chain and product use).
- Energy consumption: Estimating the total energy usage across different facilities, including electricity, natural gas, and other fuel sources.
- Water usage: Estimating the total volume of water consumed, including withdrawals from different sources and water used in production processes.
- Waste generation: Estimating the total amount of waste produced, including hazardous and non-hazardous waste, and the proportion that is recycled or sent to landfill.

Social:

- Employee turnover: Estimating the annual employee turnover rate, including voluntary and involuntary departures.
- Workplace safety: Estimating the total number of workplace injuries or incidents, including lost-time injury frequency rates (LTIFR) and total recordable incident rates (TRIR).
- Training and development: Estimating the average number of training hours per employee or the total investment in employee training and development programs.
- Community impact: Estimating the economic impact of community investment programs, such as donations, sponsorships, and volunteer hours.

Governance:

- Compliance costs: Estimating the costs associated with compliance with environmental regulations, labor laws, and other legal requirements.
- Risk assessments: Estimating the potential financial impact of identified ESG risks, such as climate change, community relations or regulatory compliance.

- Ethical violations: Estimating the number of reported ethical violations or incidents of non-compliance with the organization's code of conduct.

Product and supply chain:

- Sustainable sourcing: Estimating the percentage of raw materials or products sourced from certified sustainable suppliers.
- Product lifecycle impact: Estimating the environmental impact of products throughout their lifecycle, including production, use, and disposal.
- Supplier audits: Estimating the number of supplier audits conducted to ensure compliance with sustainability standards and the percentage of suppliers meeting those standards.

Forward-looking Information

470. Forward-looking information refers to forecasts (based upon best-estimate assumptions), projections (based upon hypothetical assumptions), scenarios (a combination of a forecast and projections), targets (goals intended to be achieved in the future) or commitments (obligations to be discharged in the future). It may relate to an organization's sustainability performance and may provide a basis for measuring progress over time and holding the organization accountable for its sustainability commitments. Forward-looking information is inherently uncertain and involves a high degree of judgment and assumptions about future conditions and events that may or may not occur.



Examples: Forward-looking information

Environmental targets:

- Carbon emission reductions: Targets to reduce greenhouse gas emissions by a certain percentage by a specific year.
- Renewable energy usage: Targets for the percentage of energy consumption to be sourced from renewable energy by a future date.
- Waste reduction: Targets to reduce waste generation or increase recycling rates over a specified period.
- Water usage: Targets for reducing water consumption or improving water efficiency.

Social objectives:

- Diversity and inclusion: Targets for increasing the representation of underrepresented groups within the workforce or leadership by a certain year.
- Community engagement: Commitments for investing in community development projects or increasing volunteer hours.
- Employee well-being: Targets related to improving employee health and safety, such as reducing workplace accidents or enhancing mental health support.

Governance commitments:

- Ethical practices: Future commitments to enhance ethical standards, such as implementing more rigorous anti-corruption measures.
- Transparency and reporting: Plans to increase the frequency and detail of sustainability reporting or to achieve certain sustainability certifications.
- Stakeholder engagement: Strategies for improving engagement with stakeholders, including shareholders, customers, and local communities.

Product and supply chain initiatives:

- Sustainable products: Targets for increasing the proportion of products that are sustainably sourced or have a lower environmental impact.
- Research and development: Investment targets for developing new technologies or processes that improve sustainability performance.
- Sustainable sourcing: Commitments to source materials from sustainable or certified suppliers.
- Supply chain transparency: Commitments to improve traceability and transparency within the supply chain.

*What are the differences between testing estimates and forward-looking information?*

471. Forward-looking information and estimates are distinct concepts, though the approach to testing them often involves similar procedures. Both estimates and forward-looking information involve a degree of uncertainty. Therefore, obtaining evidence about both takes into account management's judgment in developing the estimate or forward-looking information, including management's selection and use of appropriate methods, assumptions and data. Regardless of the source or degree of uncertainty, or the extent of judgment involved, the practitioner is required to evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates and forward-looking information.
472. Because of the similarities and the approach to testing, as discussed above, estimates and forward-looking information are addressed together in the "Responding to Risks of Material Misstatement" section of ISSA 5000. ISSA 5000 paragraphs 146L and 146R address the required procedures for obtaining evidence about estimates and forward-looking information, and the distinction in work effort between limited and reasonable assurance engagements.
473. The key differences between obtaining sufficient appropriate evidence related to estimates or forward-looking information are:
- Estimates: Procedures may include reviewing subsequent events, testing the processes and controls used to develop the estimates, evaluating whether the assumptions to develop the estimate are appropriate, and comparing estimates to actual outcomes in subsequent periods.
 - Forward-looking information: Procedures may include evaluating the reasonableness of assumptions, comparing forecasts to historical trends, and considering the potential impact of future events and conditions. Practitioners may also review the entity's track record in making

accurate forecasts. When evaluating the appropriateness of assumptions used to develop forward-looking information, the practitioner may consider whether the best-estimate assumptions are not unreasonable, and, in the case of hypothetical assumptions, whether such assumptions are consistent with the purpose of the information.

Revising the Risk Assessment in a Reasonable Assurance Engagement or Determining Whether Additional Procedures are Necessary in a Limited Assurance Engagement



Why does ISSA 5000 have separate requirements for determining whether additional procedures are necessary in a limited assurance engagement (para. 148L) and revising the risk assessment in a reasonable assurance engagement (para. 147R)?

474. Because of the nature of a limited assurance engagement and the related assurance conclusion (i.e., nothing has come to the practitioner's attention that causes the practitioner to believe that the information is materially misstated), the risk assessment at the disclosure level leads to an expectation about whether a misstatement will arise that is not at an acceptable level in the circumstances of the engagement. Procedures are planned in response to the assessed risk that are different in nature (and possibly timing) and lesser in extent than for a reasonable assurance engagement. Based on the results of the planned procedures:
- If nothing comes to the practitioner's attention that causes the practitioner to believe that the sustainability information may be materially misstated, then no additional procedures are necessary.
 - If a matter(s) comes to the practitioner's attention that causes the practitioner to believe that the sustainability information may be materially misstated (i.e., the initial expectation may not be correct), additional procedures (sometimes referred to as a "deep dive") need to be performed until the practitioner is either conclude either that the matter is not likely to cause the sustainability information to be materially misstated or determine that the matter causes the sustainability information to be materially misstated.
475. For a reasonable assurance engagement, the risk assessment is at the assertion level for the disclosures and is based on a more detailed understanding than for a limited assurance engagement (ISSA 5000, paragraph A406L). Therefore, the expectation about where the assessment will land on the spectrum of risk (combination of likelihood and magnitude) is more precise. The further procedures planned and performed in response to the assessed risks of material misstatement differ in nature (and possibly timing) and are greater in extent than for a limited assurance engagement. If a matter(s) comes to the practitioner's attention in performing the further procedures to indicate that the initial expectation was incorrect, then a new expectation (i.e., revised risk assessment) is needed, and additional procedures are performed as needed in response to that revised risk assessment to be able to conclude that the sustainability information is not materially misstated (i.e., to reduce engagement risk to an acceptably low level to support a reasonable assurance conclusion).
476. If the practitioner identifies a material misstatement in the sustainability information after performing additional procedures in accordance with paragraph 147R(b) or 148L, the practitioner will further consider the nature and circumstances of such misstatement, and the potential impact on the assurance report, as follows:

- Consider the nature and circumstances of the material misstatement, i.e., whether the misstatement is isolated or pervasive and understanding its potential impact on the overall sustainability information (see ISSA 5000, paragraph 155).
- Communicate their findings to the entity's management (see ISSA 5000, paragraph 156).
- Request that management correct the identified misstatement and evaluate management's response to the request (see ISSA 5000, paragraphs 156-158).
- Document the nature of the misstatement, the evidence supporting their identification of the misstatement, the discussions with management, management's response, and the impact on the assurance report (see ISSA 5000, paragraph 161).
- Communicate the issue with those charged with governance (e.g., the audit committee or board of directors) (see ISSA 5000, paragraph 68).



What does the practitioner do if, as the engagement progresses, sufficient appropriate evidence has not been obtained to reach conclusions based on the results of the procedures performed?

477. If the practitioner cannot obtain sufficient appropriate evidence to reach conclusions based on the results of the procedures performed, the practitioner may:

- Re-evaluate the scope and nature of the procedures performed to determine if there are alternative procedures that could be performed to obtain the necessary evidence. This might involve performing additional procedures, or seeking evidence from different sources.
- Communicate with the entity's management to discuss the difficulties encountered in obtaining sufficient appropriate evidence. Management may be able to provide additional information or facilitate access to necessary records and documentation.
- Evaluate the impact of any limitations on the engagement, if the practitioner is still unable to obtain sufficient appropriate evidence. This involves considering the significance of the lack of evidence and its potential effect on the assurance conclusion. See **Part H – Concluding and Reporting**.
- Document the nature of the limitation, the procedures performed, the reasons for the inability to obtain evidence, and the impact on the assurance report. This documentation is essential for transparency and for supporting the practitioner's professional judgment.
- Communicate the issue with those charged with governance (see ISSA 5000, paragraph 68). This communication may include a description of any limitation on scope, its potential impact on the assurance conclusion, and any proposed modification to the assurance report.

H. CONCLUDING AND REPORTING

Matters Addressed in This Part:

- The Practitioner's Responsibility to Form an Assurance Conclusion
- Evaluating the Sufficiency and Appropriateness of Evidence Obtained
- Evaluating the Effect of Uncorrected Misstatements
- Concluding
- The Form and Content of the Assurance Report
- Inherent Limitations
- Emphasis of Matter and Other Matter Paragraphs
- Other Information

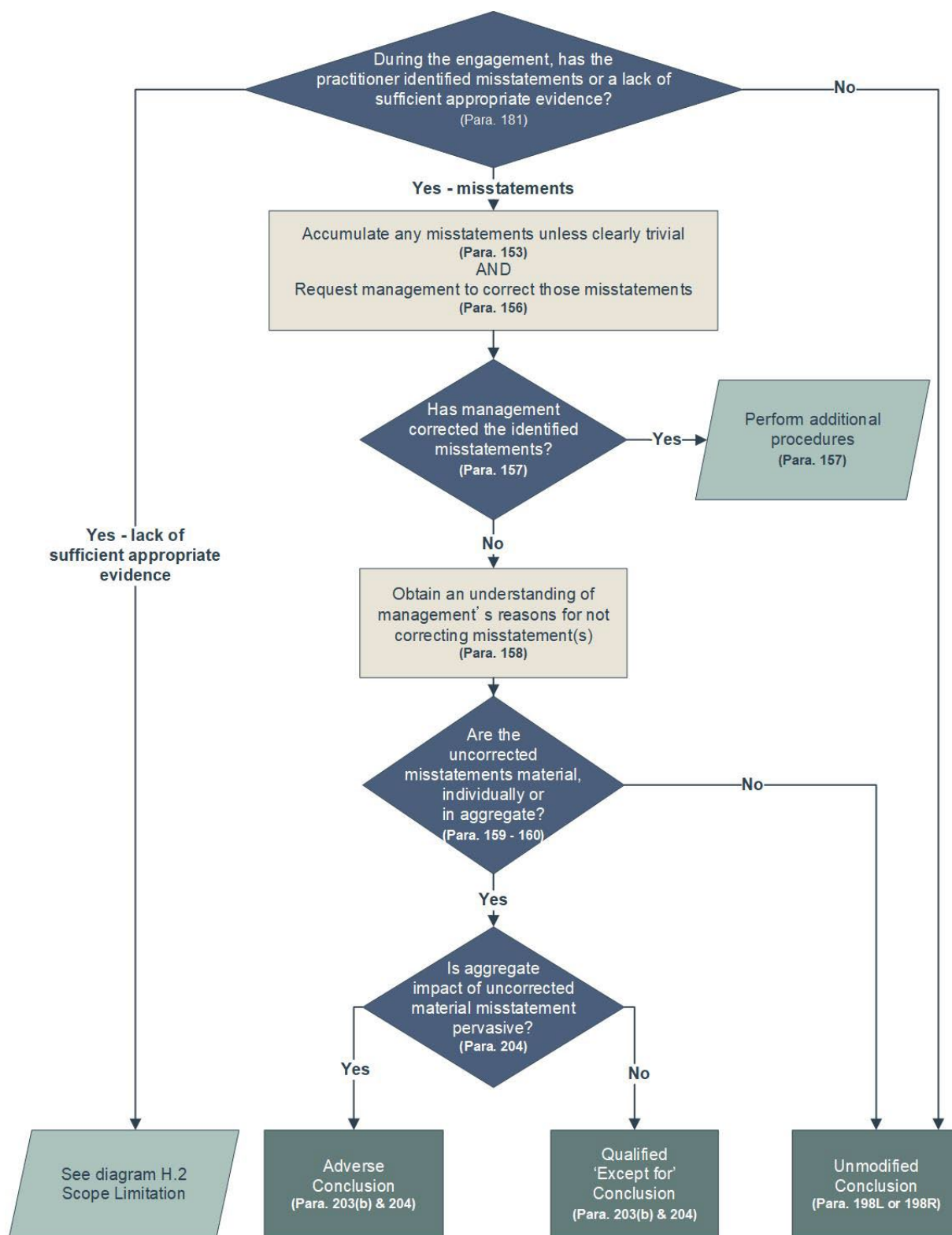
The Practitioner's Responsibility to Form an Assurance Conclusion

478. The practitioner is required to form a conclusion about whether the sustainability information is free from material misstatement, whether due to fraud or error. In order to do so, the practitioner needs to evaluate whether:

- Sufficient appropriate evidence has been obtained; and
- Any uncorrected misstatements are material, individually or in aggregate.



ISSA 5000
Para. 181

Diagram H.1 – Forming the Assurance Conclusion

Note: All paragraph references in the diagram are paragraphs in ISSA 5000.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

479. Having performed their evidence-gathering procedures, the practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance conclusion. Such evidence also includes evidence from the work performed by a practitioner's external expert, another practitioner or internal audit function. When evaluating the sufficiency and appropriateness of the evidence obtained, the practitioner is required to evaluate whether:

ISSA 5000
Para. 178

- The evidence obtained meets the intended purpose of the procedures, and
- Consider all evidence obtained, including evidence that is consistent or inconsistent with other evidence, and regardless of whether it appears to corroborate or contradict the disclosures.

480. In addition to the guidance in ISSA 5000, paragraph A238, the practitioner may also consider the matters set out below when evaluating the sufficiency and appropriateness of evidence.



Practitioner's Considerations

Considerations when evaluating the sufficiency and appropriateness of evidence may include the following:

- Was the planned evidence able to be obtained?
- Has any new information come to the practitioner's attention that differs from that expected or that contradicts or is inconsistent with other evidence obtained, and has that been addressed by revising the risk assessment and conducting additional procedures?
- Has the evidence obtained from different sources been considered in an unbiased manner?
- Is more evidence needed and how will that be obtained?
- Have any difficult professional judgments been appropriately reviewed and has appropriate consultation on difficult or contentious matters taken place, if needed?
- Has the effect of uncorrected misstatements on the sustainability information been considered, both individually and in aggregate, and both quantitatively and qualitatively?
- When evidence represents information that was not verifiable to a high degree of precision, is the range from which the reported information was selected appropriate?
- Have events subsequent to the reporting period been considered, as well as their implications, if any, for the assurance engagement?

Scope Limitations

481. If the practitioner is unable to obtain sufficient appropriate evidence (i.e., there is insufficient evidence to support the practitioner's conclusion), a scope limitation exists, and in these circumstances the practitioner either:

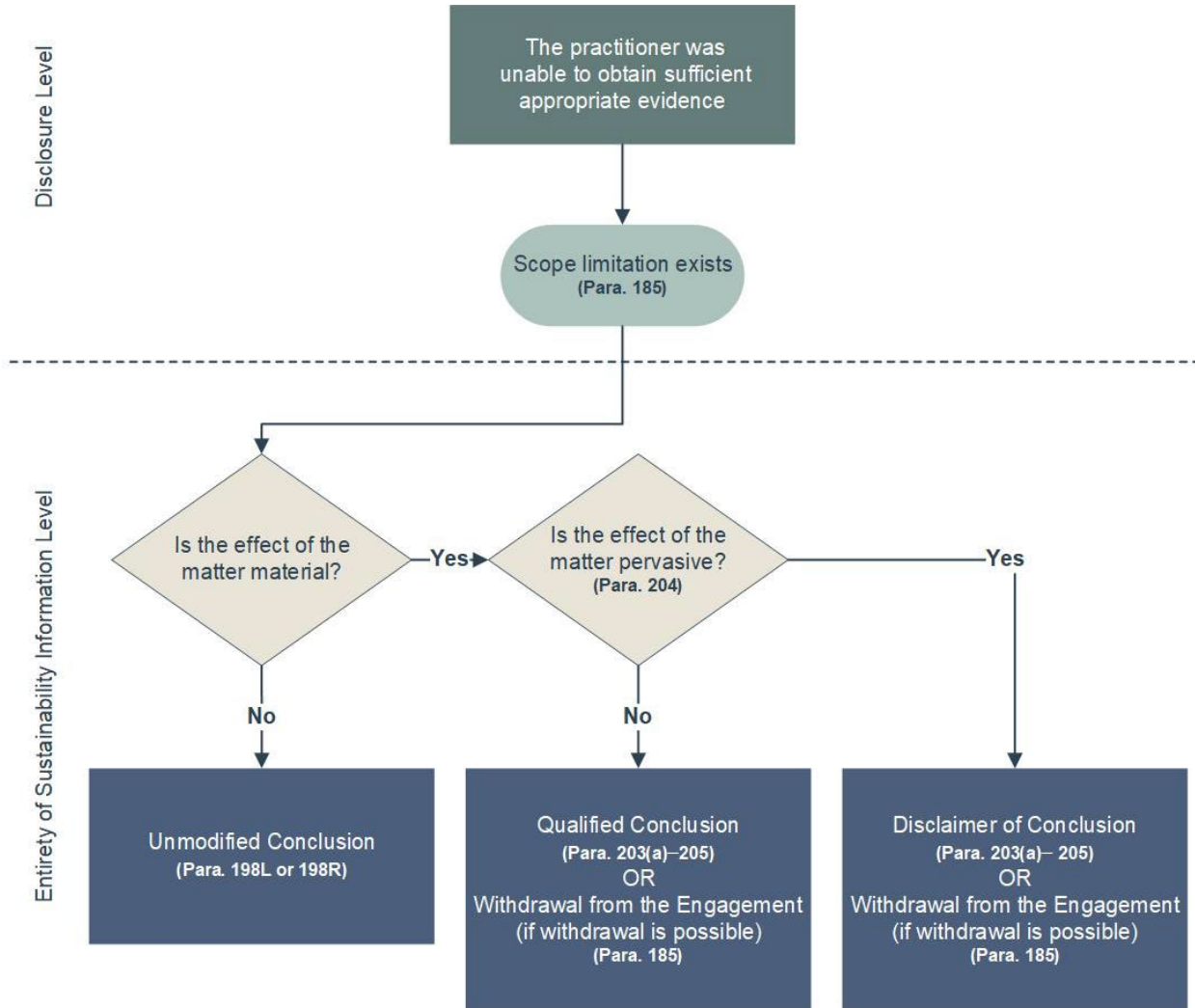
ISSA 5000 Para.
185, 203(a) - 205

- Expresses a qualified conclusion, if the effect of the matter could be material but not pervasive;

- Expresses a disclaimer of conclusion, if the effects or possible effects of the matter are material and pervasive; or
- Withdraws from the engagement, if withdrawal is possible under applicable law or regulation, as appropriate. For example, when the effects or possible effects of the matter are material and pervasive, but a qualification of the conclusion would be inadequate to communicate the gravity of the situation.

The diagram below illustrates how the practitioner responds to an inability to obtain sufficient appropriate evidence.

Diagram H.2 – Scope Limitations



Note: All paragraph references in the diagram are paragraphs in ISSA 5000.

Evaluating the Effect of Uncorrected Misstatements

482. The practitioner is required to accumulate misstatements identified during the engagement, other than those that are clearly trivial. Paragraphs A470-A472 of ISSA 5000 provide guidance about the practitioner's consideration of when identified misstatements are clearly trivial.

ISSA 5000
Para. 153

483. The practitioner is required to communicate to management on a timely basis and request them to correct all misstatements accumulated during the engagement.

ISSA 5000
Para. 156 - 158

484. Prior to evaluating the effect of uncorrected misstatements, the practitioner is required to consider whether the results of procedures performed, and evidence obtained indicate that materiality needs to be revised. The practitioner is then required to determine whether uncorrected misstatements (i.e., misstatements that have been accumulated during the engagement and that have not been corrected) are material, individually or in aggregate.

ISSA 5000
Para. 159 - 160



How does the practitioner aggregate and compare misstatements for different sustainability matters?

485. When the sustainability information is measured using a common measurement basis (e.g., monetary amounts or physical units such as tons of carbon dioxide), the practitioner may be able to accumulate misstatements together (i.e., they are quantitatively of the same nature and are capable of being aggregated). If this is not the case, it may be possible to group the misstatements together, for example, by whether they relate, in common, to a particular topic of the sustainability matters (e.g., the practitioner may be able to group misstatements in occupational health and safety, and employee diversity, as they both relate to the social topic).

486. When the practitioner considers whether or the extent to which misstatements can be aggregated, they may consider if those misstatements individually or in aggregate would impact intended users' decisions since:

- The same intended users may have a different tolerance for misstatements in different disclosures, therefore it may not be appropriate for the misstatements in those different disclosures to be aggregated.
- The criteria may require a certain level of aggregation or disaggregation for the disclosures. For example, if the criteria require the disclosures to be at the social topic "level," then considering the combined effect of misstatements arising in aspects of the social topic may be appropriate. If the criteria require disclosures on a more disaggregated basis, then misstatements arising in relation to each disaggregated subtopic may need to be considered.



How does the practitioner conclude when there are multiple misstatements that cannot be aggregated?

487. Even if there are misstatements that are not able to be aggregated by sustainability matter or other common factors, they may exhibit a common direction, narrative, tone or trend. For example, misstatements in disclosures of different sustainability matters that cannot be aggregated may make the sustainability information as a whole look more favorable than it actually is. In this scenario, the practitioner may conclude that the sustainability information is materially misstated given that the

misstatements could reasonably be expected to influence the decisions of intended users taken on the basis of the sustainability information.



Can the practitioner conclude a misstatement is not material when the misstatement for a quantitative disclosure is above materiality determined for the disclosure?

488. When determining materiality for quantitative disclosures, qualitative factors as well as quantitative factors are considered. Therefore, a misstatement above materiality for quantitative disclosures cannot be deemed immaterial due to qualitative factors. In addition, it is unlikely that an individual misstatement in a disclosure can be offset by other misstatements within that disclosure, unless the misstatements relate to the same matter and involve the same measurement basis. When considering offsetting misstatements, the practitioner also considers if the related disclosures individually are important to the information needs of users.



Examples: Offsetting Misstatements

Scenarios when misstatements may and may not be able to be offset:

- The sustainability information includes the entity's scope 1 greenhouse gas (GHG) emissions and measurement and evaluation is consistent across all branches in the entity. When the entity's branch A has an overstatement of scope 1 GHG emissions and branch B has an understatement of scope 1 GHG emissions, the overstatement and understatement can be offset for the entity's disclosure of scope 1 GHG emissions, which aggregates the entity's scope 1 GHG emissions, including its branches.
- The sustainability information includes the entity's scope 1 GHG emissions disaggregated into two separate disclosures in accordance with the applicable criteria. When there is an overstatement and an understatement of scope 1 GHG emissions in a different disaggregated disclosure, the overstatement and understatement cannot be offset for their disclosure.
- The sustainability information includes the entity's scope 1 and scope 2 GHG emissions. When the entity's scope 1 GHG emissions is overstated and scope 2 GHG emissions is understated, the overstatement and understatement cannot be offset for their disclosure.



How does the practitioner conclude when there are misstatements in quantitative disclosures that are not clearly trivial but they are below materiality individually or in aggregate?

489. Qualitative factors may be considered when determining the materiality of misstatements for quantitative disclosures, as misstatements in quantitative disclosures of amounts under the threshold for materiality may have a material effect on the reported sustainability information from a qualitative perspective. For example, the misstatement may have arisen as a result of intentional omission by management. Therefore, the practitioner needs to consider both quantitative and qualitative factors when evaluating the uncorrected misstatements in quantitative disclosures. ISSA 5000, paragraphs A491 and A493 provides guidance on qualitative and other factors that may indicate that a misstatement is more likely to be material.



How does the practitioner evaluate whether quantitative misstatements are material when performance materiality has been used to conduct procedures for quantitative disclosures?

490. Performance materiality is an approach that may be used by practitioners to reduce aggregation risk in the design and performance of assurance procedures, when the sustainability information is disaggregated. Using performance materiality increases the likelihood that the procedures performed will result in the identification of misstatements that are not individually material in quantitative terms. It is necessary to aggregate the detected misstatements and consider if the aggregate of the misstatements exceed materiality for the quantitative disclosure.

Concluding

491. The practitioner issues an unmodified conclusion if they are satisfied that they have obtained sufficient appropriate evidence and they have not identified any material misstatements that remain uncorrected or that any uncorrected misstatements in aggregate are not material. This is often referred to as a “clean” opinion or conclusion.

ISSA 5000
Para. 198L/R

492. A modified conclusion is issued if, either:

- The practitioner is unable to obtain sufficient appropriate evidence, as then a scope limitation exists (see *Evaluating the Sufficiency and Appropriateness of Evidence Obtained* section above); or
- Misstatements identified and accumulated during the engagement, that have not been corrected, are material individually or in aggregate (see *Evaluating the Effect of Uncorrected Misstatements* above).

ISSA 5000
Para. 203, 204



How should the practitioner conclude when two reporting frameworks are being applied?

493. When management prepares the sustainability information in accordance with multiple reporting frameworks, each framework needs to be complied with individually for the practitioner to form a conclusion based on each of those multiple reporting frameworks. If two frameworks are being applied and those frameworks are interoperable but additional disclosures are required to meet the requirements of the first or the second framework, the practitioner ordinarily needs to:

ISSA 5000
Para. A551

- Understand how the reporting frameworks are interoperable (e.g., what needs to be met to enable interoperability, which are common disclosures required by both frameworks, and those disclosures that are different or additional to meet each framework).
- Be satisfied that the evidence obtained enables them to conclude whether the sustainability information is prepared in accordance with each of the reporting frameworks. Where the reporting frameworks require common disclosures, the practitioner is unlikely to need separate evidence for each reporting framework. For example, when the practitioner designs and performs risk assessment procedures, if common disclosures are required, the design and performance of risk assessment procedures do not have to be done separately for each of the reporting frameworks for those common disclosures.

- Form a conclusion about whether the sustainability information is prepared, in all material respects, in accordance with each of the two frameworks.

The Form and Content of the Assurance Report

494. The assurance report conveys the assurance conclusion and describes the basis for the conclusion. It is the means by which the practitioner communicates the outcome of the assurance engagement to the intended users. Clear communication helps the intended users to understand the assurance conclusion.
495. As a standardized format is not required for the assurance report, some different presentation styles can be used as long as all of the basic elements required by ISSA 5000, paragraph 190 are included. Tailoring the assurance report to the specific engagement circumstances can benefit readability and users' understanding. Illustrations of assurance reports on sustainability information are included in ISSA 5000, Appendix 3.

Sustainability Information Subject to the Assurance Engagement

496. ISSA 5000 requires the sustainability information subject to the assurance engagement to be identified or described. The assurance report needs to convey clearly to the intended users what information is subject to the assurance engagement and what is not, especially when the scope of the assurance engagement is not the entire sustainability information reported by the entity, so that intended users do not make inappropriate assumptions about what information has been subject to the assurance engagement. How the sustainability information that has been assured is identified will depend on the nature of the sustainability information and what will be clearest to users, as well as whether the entity wishes to indicate what is assured in the sustainability information itself. For example:



ISSA 5000
Para. 190(c)(iv)

- The entity may agree to tag (or label) the specific disclosure(s) subject to assurance in the sustainability information and the practitioner then references those tags in the assurance report. Tagging may be by use of symbols or icons or by separating the parts of the sustainability information that have been assured from those that have not been assured under different headings or colored sections.
 - Using the title(s) of the section(s) in the sustainability information that has been assured to identify it in the assurance report.
 - Identifying the specific disclosures subject to assurance in the assurance report or in an appendix to the assurance report.
497. Below is an example description in the assurance report when the scope of the assurance engagement does not extend to the entirety of the sustainability information and the specific disclosures subject to assurance are identified in the assurance report.



Example: Limited Assurance Conclusion in a Narrow Scope Engagement

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the Selected Information in the Integrated Annual Report of ABC Company (the Company) for the year ended December 31, 20X1 (the “Selected Information”). The Selected Information subject to our limited assurance engagement covers:

- Scope 1 GHG emissions (XXX thousands of tons CO2)
- Scope 2 location based GHG emissions (XXX thousands of tons CO2)
- Scope 2 market based GHG emissions (XXX thousands of tons CO2)

The information in the Integrated Annual Report other than this Selected Information was not covered by our limited assurance engagement.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the accompanying Selected Information is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X. We do not provide a conclusion on the information in the Integrated Annual Report other than this Selected Information.

Level of Assurance Obtained

498. The standard also requires the level of assurance (i.e., reasonable or limited assurance) obtained by the practitioner to be identified or described. If different levels of assurance for different parts of the sustainability information is obtained, clear identification in the assurance report of the sustainability information subject to each level of assurance is needed to aid users’ understanding of what has been subject to limited assurance and what has been subject to reasonable assurance. In the assurance report, the sustainability information subject to one level of assurance can be distinguished from the sustainability information subject to the other level of assurance in the same way that sustainability information subject to the assurance engagement can be identified, for example, by reference to tags or headings in the sustainability information or identifying the specific disclosures (see paragraph 496 above). Refer to ISSA 5000, Appendix 3, Illustration 3 for illustration of a combined reasonable and limited assurance report.

ISSA 5000
Para. 190(c)(iii)

Identifying the Applicable Criteria

499. The assurance report is required to identify the applicable criteria so the intended users can understand the basis for the practitioner’s conclusion. Below is an example description in the assurance report when the identified criteria are entity-developed criteria.

ISSA 5000
Para. 190(c)(vii)



Example: Reasonable Assurance Opinion Identifying the Applicable Criteria

Reasonable Assurance Opinion

We have conducted a reasonable assurance engagement on the Sustainability Report of ABC Company (the “Company”) for the year ended December 31, 20X1 (the “Sustainability Information”).

In our opinion, the accompanying Sustainability Information is prepared, in all material respects, in accordance with the applicable criteria, including the measurement and evaluation methodologies set out in notes [x] to [xx] in [name of relevant section] of the Sustainability Information].

Relevant Ethical Requirements Other Than the IESBA Code and Quality Management Requirements Other Than ISQM 1, That are “at Least as Demanding”

500. The practitioner is required to state in the assurance report that they either complied with the independence and other ethical requirements of the IESBA Code related to sustainability assurance engagements, and that the firm of which the practitioner is a member applies ISQM 1, or requirements “at least as demanding.”

ISSA 5000 Para.
190(d)(iv) and (vi)

501. If requirements other than the IESBA Code or ISQM 1 are applied, ISSA 5000 requires that the assurance report identifies those requirements and 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. Below is an example of such description in the assurance report.



Example: Description of Relevant Ethical Requirement and Quality Management Requirements other than the IESBA Code and ISQM 1

We are independent of the Company in accordance with [title/identification of the ethical requirements applied and jurisdiction] that are relevant to our assurance engagement of the Sustainability Information, and we have fulfilled our other ethical responsibilities in accordance with these requirements. [Name of the appropriate authority] has determined such requirements to be at least as demanding as 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 sustainability assurance engagements.

Our firm applies [title/identification of the quality management requirements applied and jurisdiction], which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. [Name of the appropriate authority] has determined such requirements to be at least as demanding as International Standard on Quality Management 1, *Quality Management for Firms that Perform*

Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.

Reference to a Practitioner's Expert

502. Sustainability assurance engagements may relate to 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 and for which the work of a practitioner's expert is used. However, as the practitioner has sole responsibility for the assurance conclusion expressed, it is important that, if the assurance report refers to a practitioner's expert, the wording of that report does not imply that the practitioner's responsibility for the conclusion expressed is reduced because of the involvement of that expert. ISSA 5000 requires that, if the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report shall not identify the expert, unless required by law or regulation (see also the guidance in ISSA 5000, paragraphs A573-A575).
503. When law or regulation requires practitioner's expert to be referred in the assurance report, additional wording may be needed to prevent the assurance report implying that the practitioner's responsibility for the conclusion expressed is reduced.
504. Below is an example of how the practitioner can refer to the work of an expert without identifying them.

ISSA 5000
Para. 192



Example: Reference to the work of a practitioner's expert

Our work was carried out by an independent and multidisciplinary team including assurance practitioners, engineers, and environmental scientists. We used the work of environmental scientists, in particular, to assist with determining the reasonableness of ABC company's climate related scenarios. We remain solely responsible for our assurance *[conclusion/ opinion]*.

Summary of Work Performed

505. For a limited assurance engagement, the assurance report is required to include a "Summary of Work Performed" section. This section describes the nature, timing and extent of procedures performed sufficiently to enable users to understand the limited assurance the practitioner has obtained.
506. An informative summary of the work performed enables the intended users of the assurance report to understand what has been done in the context of the particular engagement as the basis for the practitioner's conclusion. For many assurance engagements, infinite variations in procedures are possible in theory, making it difficult to communicate clearly and unambiguously. ISSA 5000, paragraph A564L sets out factors to consider in determining the level of detail to be provided in the summary of work.

ISSA 5000
Para. 190(i)

507. Below are examples of how the work performed may be summarized in this section.



Example: Summary of procedures performed related to risk assessment procedures

- Evaluated the suitability of the framework and entity-developed criteria developed to supplement the framework, as the basis for preparing the Sustainability Information, and whether the reporting policies selected by the entity are consistent with the framework and the criteria used in the relevant industry.
- Through inquiries, obtained an understanding of ABC company's control environment, the results of ABC company's risk assessment process, the results of the ABC company's process to monitor the system of internal control, and the ABC company's information system and communication relevant to the preparation of the Sustainability Information, including evaluating whether ABC company's information system appropriately supports the preparation of the Sustainability Information in accordance with the applicable criteria. This did not include evaluation of the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness.



Example: Summary of procedures performed related to responding to risks of material misstatement

- Evaluated whether ABC company has appropriately applied the criteria with respect to estimates, including ABC company's methods for developing estimates are appropriate and have been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate ABC company's estimates.
- Performed analytical procedures by comparing the expected greenhouse-gas emissions, based on the calorific value of fuel combusted during the period, to actual greenhouse-gas emissions and made inquiries of management to obtain explanations for any significant differences we identified.
- Reconciled the assembled Sustainability Information with the underlying records and through inquiry of management obtained an understanding of material adjustments made during the course of preparing the sustainability information.
- For ABC company's Group Sustainability Information, through inquiry of management obtained an understanding of how management has aggregated the information, determined that all entities have been included in the Group Sustainability Information as required by the applicable criteria, and considered whether management's judgments made in the aggregation process give rise to indicators of possible management bias.
- Considered whether the presentation and disclosure of the Sustainability Information is in accordance with the framework criteria.

Inherent Limitations

508. One of the basic elements of the practitioner's assurance report in accordance with ISSA 5000 is a section with the heading "Inherent Limitations in Preparing the Sustainability Information." Not all sustainability assurance reports will contain this section, but ISSA 5000 recognizes that such limitations may be present and therefore *if applicable*, the assurance report includes such section that describes *any significant* inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria.

ISSA 5000
Para. 190(g)

509. The heading of this section deliberately draws attention to the fact that the inherent limitations described are those encountered by management in preparing the sustainability information. ISSA 5000 contemplates that there may be inherent limitations relating to the following items:

- Certain estimates that may be subject to high levels of uncertainty, complexity or subjectivity.
- Forward-looking information, which by its nature may be subject to greater uncertainty, and include forecasts, projections, or future plans of the entity (see also ISSA 5000, paragraph A560). The related disclosures become more speculative as the length of the period covered increases and the uncertainty may increase the further into the future the period to which the forward-looking information relates.

Note: ISSA 5000, paragraph A454 explains that regardless of the source or degree of uncertainty, complexity or subjectivity, or the extent of management's judgment, 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.

- Information from the entity's upstream or downstream value chain, in certain circumstances. There may be limitations on access to such information (i.e., on management's ability to obtain information from value chain entities outside of the entity's control). In these circumstances, the applicable criteria may provide certain relief provisions for management, for example, the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information.

Note: ISSA 5000, paragraph A252 explains that regardless of any limitations on management's ability to obtain information from value chain entities, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management (see also ISSA 5000, paragraph A290 that describes procedures that may be considered by the practitioner in these circumstances, including testing management's process for obtaining such information).

510. Inherent limitations encountered by management in preparing the sustainability information, such as those described in the preceding paragraphs, also may affect the nature or extent of the practitioner's procedures, but does not reduce the practitioner's responsibility to obtain sufficient appropriate evidence that the sustainability information is free from material misstatement. Therefore, the practitioner may also choose to describe the effects on the practitioner's procedures in the assurance report in the Inherent Limitations section of the report (or in another appropriate section of the report). However, it is important that any such description does not imply that the

ISSA 5000
Para. A559

practitioner's responsibility for obtaining sufficient appropriate evidence to support the assurance conclusion is reduced with respect to such information. Examples of the "Inherent Limitations in Preparing the Sustainability Information" Section in the Assurance Report are set out below.



Example 1: Inherent Limitations in Estimates

Inherent Limitations in Preparing the Sustainability Information

The Sustainability Information includes estimates developed using the methods identified in the reporting policies in the Sustainability Information [*specify location*] for which the applicable framework criteria allow a choice of different methods in its development. This selection of acceptable different methods may result in different quantifications between different entities.



Example 2: Inherent Limitations in Forward-Looking Information

Inherent Limitations in Preparing the Sustainability Information

As discussed in note Y to the Sustainability Information, the Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts. The forward-looking sustainability information has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur.

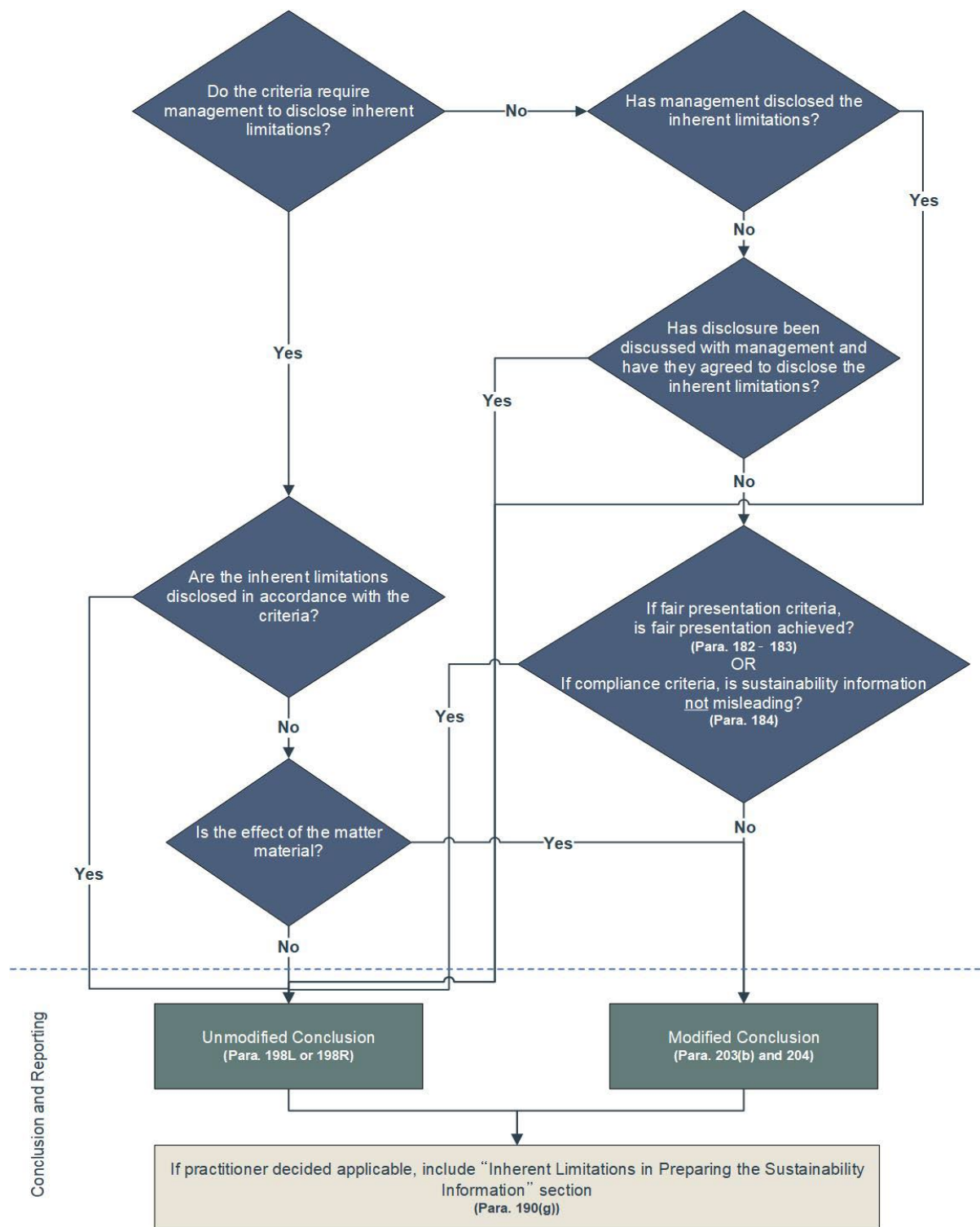


Example 3: Inherent Limitations in Information Value Chain

Inherent Limitations in Preparing the Sustainability Information

The Sustainability Information includes Scope 3 emissions that are subject to inherent limitations given the lack of availability and relative precision of information used for determining quantitative Scope 3 information from value chain entities outside the control of the group. Consequently, quantitative Scope 3 information can result in materially different disclosures from those which would have been determined using more precise information or methods, affecting comparability between entities and over time.

511. The diagram below illustrates relevant considerations relating to inherent limitations in preparing the sustainability information for the practitioner's assurance report, including when management is required or may choose to disclose inherent limitations in the sustainability information.

Diagram H.3 – Inherent Limitations in Preparing the Sustainability Information**Note:**

- This diagram is based on the assumption that the practitioner has obtained sufficient appropriate evidence and there is no other matter that affects the practitioner's assurance conclusion.
- All paragraph references in the diagram are paragraphs in ISSA 5000.

Emphasis of Matter and Other Matter Paragraphs

512. The practitioner may consider it necessary to draw intended users' attention to a matter presented or disclosed in the sustainability information that, in the practitioner's judgment, is of such importance that it is fundamental to intended users' understanding of that information (an Emphasis of Matter paragraph). This paragraph is required to clearly indicate that the practitioner's conclusion is not modified in respect of the matter. Below is an example description in the assurance report of an Emphasis of Matter paragraph.

ISSA 5000
Para. 199(a)



Example: Emphasis of Matter

We draw attention to Note X to the Sustainability Information which describes the uncertainty related to potential longer-term impacts of the hazardous spillage at production site Y, and consequent actions that may be taken against ABC company. Our [conclusion/ opinion] is not modified in respect of this matter.

513. Further, if the applicable criteria are designed for a specific purpose, the practitioner is required to include an Emphasis of Matter paragraph in their report that alerts readers to this fact, and that, as a result, the sustainability information may not be suitable for another purpose.
514. In addition, the practitioner may wish to communicate a matter other than those that are presented or disclosed in the sustainability information that, in the practitioner's judgment, is relevant to intended users' understanding of the engagement, the practitioner's responsibilities or the assurance report (an Other Matter paragraph).

ISSA 5000
Para. 200

ISSA 5000
Para. 199(b)



What is the difference between "Inherent Limitations in Preparing the Sustainability Information" and "Emphasis of Matter" paragraphs?

515. If applicable, inherent limitations are described in the assurance report in accordance with ISSA 5000, paragraph 190(g), irrespective of whether they have been disclosed by management. On the other hand, an Emphasis of Matter paragraph can only draw attention to a matter which is presented or disclosed by management in the sustainability information.



When there is an inherent limitation disclosed in the sustainability information, does the practitioner need to include both an "Inherent Limitations in Preparing the Sustainability Information" section and an "Emphasis of Matter" paragraph?

516. In some cases, inherent limitations may be fundamental to intended users' understanding of the sustainability information and may be described within the sustainability information (e.g., when required by the applicable criteria or when management chooses to do so in order to achieve fair presentation (in the case of fair presentation criteria) or for the sustainability information not be misleading (in the case of compliance criteria)). In such cases, the practitioner may choose to use the "Inherent Limitations in Preparing the Sustainability Information" section to describe the matter pursuant to ISSA 5000, paragraph 190(g). This section is more appropriate than an "Emphasis of

Matter” paragraph in these circumstances since this section is specifically intended for use when there are inherent limitations in the measurement or evaluation of the sustainability matters against the applicable criteria.

Other Information

517. The practitioner is required to read the other information (defined in ISSA 5000, paragraph 18) and to consider whether there is a material inconsistency between the other information and the sustainability information or the practitioner’s knowledge obtained during the assurance engagement, and to remain alert for indications that the other information appears to be materially misstated. In addition:

ISSA 5000
Para. 172

- ISSA 5000, paragraphs 173-177 and the related application material in ISSA 5000, paragraphs A514-A518 address requirements and guidance relating to the practitioner’s response to the results of the procedures performed in accordance with ISSA 5000, paragraph 172.
- ISSA 5000, paragraphs 201-202 and the related application material in ISSA 5000, paragraphs A585-A586 address requirements and guidance about including an “Other Information” section in the assurance report and the content of such section.



How does the practitioner respond when the other information includes audited financial statements with a qualified auditor’s opinion?

518. If the auditor’s opinion on the financial statements, which is other information in relation to the sustainability information subject to the assurance engagement, is qualified due to a material misstatement, the practitioner will be concerned about potential misstatement in the sustainability information. Accordingly, the practitioner is required to discuss the matter with management. In addition, the practitioner is required to communicate with the financial statement auditor about the misstatement of the financial statements, unless prohibited by law or regulation, or professional requirements. Based on such discussion and communication and any other procedures considered necessary in the circumstances, the practitioner concludes whether:

ISSA 5000
Para. 173, 174

- A material misstatement of the sustainability information exists; or
- The practitioner’s understanding of the entity and its environment needs to be updated.

519. In either case, if the material misstatement in the financial statements remains uncorrected, the practitioner addresses the material misstatement in the assurance report and communicates with those charged with governance about how the practitioner plans to address the material misstatement in the assurance report. How it is addressed in the assurance report depends on the circumstances, for example:

ISSA 5000
Para. 176

- If the misstatement did not impact the sustainability information or the practitioner concludes that the sustainability information is not materially misstated, the practitioner may use the “Other Information” section of the assurance report to bring users’ attention to the qualified auditor’s opinion on the financial statements due to a material misstatement and refer users to the auditor’s report for further information.

- If the practitioner concludes that a material misstatement of the sustainability information exists, the practitioner will consider the impact on the assurance conclusion in accordance with ISSA 5000, paragraphs 203(b) and 204.

Appendix 1

Documentation Requirements in ISSA 5000

1. ISSA 5000 includes overarching documentation requirements for an engagement conducted under the ISSAs, as well as specific documentation requirements for certain stages or specific aspects of the engagement.
2. Documentation that meets the requirements of ISSA 5000 provides:
 - (a) Evidence of the practitioner's basis for concluding about the achievement of the overall objectives of the engagement; and
 - (b) Evidence that the engagement was planned and performed in accordance with ISSA 5000 and applicable legal and regulatory requirements.
3. It is neither necessary nor practicable for the practitioner to document every matter considered, or professional judgment made, in an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the engagement file. For example, the existence of an adequately documented plan demonstrates that the practitioner has planned the engagement.
4. The tables below provide the overarching documentation requirements (Table 1) and specific documentation requirements (Table 2) in ISSA 5000 (and reference to the application material that should be read in conjunction with the requirements):

Table 1 - Overarching Documentation Requirements

Para.	ISSA 5000 Requirement
Form, Content and Extent of Engagement Documentation	
69	The practitioner shall prepare, on a timely basis, engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable a practitioner experienced in sustainability assurance, having no previous connection with the assurance engagement, to understand: (Ref: Para. A171–A173) (a) The nature, timing and extent of the procedures performed to comply with this ISSA, other relevant ISSAs and applicable legal and regulatory requirements; (b) The results of the procedures performed, and the evidence obtained; and (c) Significant matters arising during the assurance engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. (Ref: Para. A174–A176)
70	In documenting the nature, timing and extent of procedures performed, the practitioner shall record: (Ref: Para. A177–A178) (a) The identifying characteristics of the specific items or matters tested;

Para.	ISSA 5000 Requirement
	(b) Who performed the assurance engagement work and the date such work was completed; and (c) Who reviewed the assurance engagement work performed and the date and extent of such review.
71	The engagement documentation shall also include discussions of significant matters with management, those charged with governance and others, including the nature of the significant matters discussed, and when and with whom the discussions took place. (Ref: Para. A179)
Departure from a Relevant Requirement	
24	If, in exceptional circumstances, the practitioner judges it necessary to depart from a relevant requirement in this ISSA or any other ISSAs, the practitioner shall document how the alternative procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A57)
Failure to Achieve an Objective in an ISSA	
25	If an objective in this ISSA or any other ISSAs relevant to the engagement cannot be achieved, the practitioner shall evaluate whether this requires the practitioner to modify the practitioner's conclusion or withdraw from the assurance engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective in this or any other relevant ISSA represents a significant matter requiring documentation in accordance with paragraph 69.
Assembly of the Final Engagement File	
72	The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. After the assembly of the final engagement file has been completed, the practitioner shall not delete or discard engagement documentation of any nature before the end of its retention period. (Ref: Para. A180–A182)
73	In circumstances other than those envisaged in paragraph 212, when the practitioner finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the practitioner shall, regardless of the nature of the modifications or additions, document: (a) The specific reasons for making them; and (b) When and by whom they were made and reviewed.

Table 2 - Specific Documentation Requirements

Para.	ISSA 5000 Requirement
Quality Management	
74	The practitioner shall include in the engagement documentation: (Ref: Para. A183) (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved; (b) Conclusions about compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions; (c) Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements, including with respect to the preconditions for an assurance engagement; and (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.
Planning	
102	The practitioner shall include in the engagement documentation: (a) The factors relevant to the practitioner's consideration of materiality for qualitative disclosures in accordance with paragraph 98(a); (b) The basis for the determination of materiality for quantitative disclosures, in accordance with paragraph 98(b); and (c) The basis for the practitioner's determination of performance materiality in accordance with paragraph 100.
Risk Assessment Procedures	
125	The practitioner shall include in the engagement documentation: (a) The engagement team discussion in accordance with paragraph 105, and the significant decisions reached; (b) Key elements of the practitioner's understanding, inquiries and discussion in accordance with paragraphs 106–119R; (c) The evaluation of the design of identified controls, and determination of whether such controls have been implemented, in accordance with paragraph 120L, if applicable, and paragraph 120R; and (d) The identified and assessed risks of material misstatement, in accordance with paragraphs 122L and 122R.

Para.	ISSA 5000 Requirement
Responding to Risks of Material Misstatement	
152	The practitioner shall include in the engagement documentation: (a) The overall responses in accordance with paragraphs 128L and 128R and the reasons for such responses; (b) The results of the further procedures, including the conclusions where these are not otherwise clear; (c) Identified or suspected fraud or non-compliance with laws and regulations and the procedures performed, the significant professional judgments made, and the conclusions reached thereon; and (d) When applicable, conclusions reached about whether it is appropriate to use evidence about the operating effectiveness of controls obtained in previous engagements.
Accumulation and Consideration of Identified Misstatements	
161	The practitioner shall include in the engagement documentation: (a) All misstatements accumulated during the engagement, other than those that are clearly trivial, and whether they have been corrected (paragraphs 153 and 156); and (b) The practitioner's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion (paragraph 160).
Forming the Assurance Conclusion	
187	The practitioner shall include in the engagement documentation: (a) The basis for the engagement leader's determination in accordance with paragraph 186(b) that sufficient appropriate evidence has been obtained, including: (i) The determination in accordance with paragraph 50(d) that the work of another practitioner is adequate for the practitioner's purposes; (ii) The evaluation in accordance with paragraph 57 that the work of a practitioner's external expert is adequate for the practitioner's purposes; (iii) The determination in accordance with paragraph 59(e) that the work of the internal audit function is adequate for the practitioner's purposes; and (iv) If the practitioner identified information that was inconsistent with their final conclusion regarding a significant matter and how the practitioner addressed the inconsistency (see paragraph 180); and (Ref: Para. A535)

Para.	ISSA 5000 Requirement
	(b) The basis for the engagement leader's determination in accordance with paragraph 186(d)(i) that the engagement leader's involvement has been sufficient and appropriate throughout the engagement. (Ref: Para. A536)
Preparing the Assurance Report	
212	If, in exceptional circumstances, the practitioner performs new or additional procedures or draws new conclusions after the date of the assurance report, the practitioner shall document: (Ref: Para. A602) (a) The circumstances encountered; (b) The new or additional procedures performed, evidence obtained, and conclusions reached, and their effect on the assurance report; and (c) When and by whom the resulting changes to engagement documentation were made and reviewed.

Appendix 2

Fraud and Non-Compliance with Laws and Regulations Requirements in ISSA 5000

1. ISSA 5000 includes overarching requirements for addressing fraud and non-compliance with laws and regulations for an engagement conducted under the ISSAs, as well as specific requirements for certain stages or specific aspects of the engagement.
2. The tables below provide the overarching requirements (Table 1) and specific requirements (Table 2) in ISSA 5000 (and reference to the application material that should be read in conjunction with the requirements):

Table 1 - Overarching Requirements

ISSA 5000 Requirement			
Para.	Fraud	Para.	Non-Compliance with Laws and Regulations
64	The practitioner shall maintain professional skepticism throughout the engagement, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the practitioner's past experience of the honesty and integrity of the entity's management and those charged with governance. (Ref: Para. A162).	65	The practitioner shall remain alert to the possibility that procedures performed during the engagement may bring instances of non-compliance or suspected non-compliance with laws and regulations to the practitioner's attention.
		66	In the absence of identified or suspected non-compliance, the practitioner is not required to perform procedures regarding the entity's compliance with laws and regulations, other than those set out in paragraphs 65 and 111–112.
67	If the practitioner identifies fraud or suspected fraud, the practitioner shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A163–A165, A434) (a) Require the practitioner to report to an appropriate authority outside the entity; or (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.		

Table 2- Specific Documentation Requirements

ISSA 5000 Requirement			
Para.	Fraud	Para.	Non-Compliance with Laws and Regulations
Evidence			
94	If the practitioner has doubts about the relevance or reliability of information intended to be used as evidence, the practitioner shall: (Ref: Para. A276) (a) Determine whether modifications or additions to procedures are necessary to resolve the doubts; and (b) If the doubts cannot be resolved, consider the effect, if any, on other aspects of the engagement, including whether such doubts indicate a risk that disclosures may be materially misstated due to fraud.		
Risk Assessment			
103L/ R	The practitioner shall design and perform risk assessment procedures sufficient to: (Ref: Para. A313–A318, A415R, A416L) a) Identify and assess risks of material misstatement, whether due to fraud or error, at the disclosure level for limited assurance or at the assertion level for the disclosures for reasonable assurance; and b) Design and perform further procedures.		
105	The engagement leader and other key members of the engagement team, and any key practitioner's external experts, shall discuss the susceptibility of the disclosures to material misstatement,		

ISSA 5000 Requirement			
Para.	Fraud	Para.	Non-Compliance with Laws and Regulations
	whether due to fraud or error, and the application of the applicable criteria to the entity's facts and circumstances. The engagement leader shall determine which matters are to be communicated to members of the engagement team and to any practitioner's external experts not involved in the discussion. (Ref: Para. A320–A321)		
		111	The practitioner shall obtain an understanding of: (Ref: Para. A349–A351) (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, in the context of the entity's sustainability information; and (b) How the entity is complying with that framework.
112	The practitioner shall make inquiries of appropriate parties and, when appropriate, others within the entity regarding whether: (Ref: Para. A352–A353) (a) They have knowledge of any fraud or suspected fraud or identified or suspected non-compliance with laws and regulations affecting the sustainability information; and (b) The entity has an internal audit function and, if so, make further inquiries to obtain an understanding of the activities and main findings, if any, of the internal audit function with respect to the sustainability information.		
123R	Due to the unpredictable way in which management is able to override controls, the practitioner shall treat risks of management override of controls as risks of material misstatement due to fraud and thus risks of material misstatement at the upper end of the spectrum of risk. (Ref: Para. A418R).		

ISSA 5000 Requirement			
Para.	Fraud	Para.	Non-Compliance with Laws and Regulations
Responding to Risks of Material Misstatement			
126L/ R	The practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the disclosure level for limited assurance or at the assertion level for the disclosures for reasonable assurance. (Ref: Para. A284–A287, A420–A424)		
128L	The practitioner shall design and implement overall responses to address the risks of material misstatement if the practitioner identifies: (Ref: Para. A428–A429) (a) Control deficiencies in the control environment that undermine the other components of the system of internal control; (b) Fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations; or (c) Risks of material misstatement pervasively throughout the sustainability information.		
128R	The practitioner shall design and implement overall responses to address the risks of material misstatement if: (Ref: Para. A428–A429) (a) The practitioner's evaluation of the control environment indicates that: (i) Management, with the oversight of those charged with governance, has not created and maintained a culture of honesty and ethical behavior; (ii) The control environment does not provide an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; or (iii) Control deficiencies identified in the control environment undermine the other components of the system of internal control; (b) The practitioner identifies fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations; or (c) The practitioner identifies risks of material misstatement pervasively throughout the sustainability information.		

ISSA 5000 Requirement			
Para.	Fraud	Para.	Non-Compliance with Laws and Regulations
129	Respond appropriately to fraud or suspected fraud, or non-compliance or suspected non-compliance with laws and regulations, identified during the engagement by obtaining: (Ref: Para. A430–A431) (a) An understanding of the nature of the act and the circumstances in which it occurred; and (b) Further information to evaluate the possible effect on the sustainability information.		
130	If the practitioner suspects there may be instances of fraud or non-compliance with laws and regulations, the practitioner shall discuss the matter, unless prohibited by law or regulation, with the appropriate level of management and, where appropriate, those charged with governance. (Ref: Para. A432)		
131	The practitioner shall evaluate the implications of identified or suspected fraud or non-compliance with laws and regulations for the assurance engagement, including the practitioner's risk assessment procedures and the reliability of written representations, and take appropriate action. (Ref: Para. A433–A435)		
Accumulation and Consideration of Identified Misstatements			
154	The practitioner shall: (Ref: Para. A477–A480) (a) Consider whether identified misstatements, either individually or in aggregate, may be due to fraud; and (b) Respond appropriately if there are indicators that there may be material misstatements due to fraud.		
Written Representations from Management and Those Charged with Governance			
165(f)	The practitioner shall request from management and, where appropriate, those charged with governance a written representation: (Ref: Para. A506–A507) ... (f) Whether they have disclosed to the practitioner their knowledge of any fraud or suspected fraud or identified or suspected non-compliance with laws and regulations		

ISSA 5000 Requirement			
Para.	Fraud	Para.	Non-Compliance with Laws and Regulations
	where the fraud or non-compliance could have a material effect on the sustainability information; and ...		
Forming the Assurance Conclusion			
179	The practitioner shall evaluate whether judgments and decisions made by management in the estimates made and assumptions used in preparing the sustainability information, including with respect to forward-looking information, even if they are individually reasonable, are indicators of possible management bias. When indicators of possible management bias are identified, the practitioner shall evaluate the implications for the assurance engagement. Where there is intention to mislead, management bias is fraudulent in nature.		
181	The practitioner shall form a conclusion about whether the sustainability information is free from material misstatement, whether due to fraud or error. In forming that conclusion, the practitioner shall consider the practitioner's evaluation in paragraphs 178 and 179 regarding the sufficiency and appropriateness of evidence obtained and the determination in paragraph 160 of whether uncorrected misstatements are material, individually or in the aggregate. (Ref: Para. A527)		

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