

SUSTAINABILITY ASSURANCE

Frequently Asked Questions: The Application of Materiality under ISSA 5000

These Frequently Asked Questions (FAQs) are issued by the staff of the International Auditing and Assurance Standards Board (IAASB). The FAQs are intended to support the consistent understanding and approach to considering or determining materiality when applying International Standard on Sustainability Assurance (ISSA)[™] 5000, *General Requirements for Sustainability Assurance Engagements* (ISSA 5000[™]).


The IAASB developed ISSA 5000, which was issued in November 2024. ISSA 5000 is effective for assurance engagements on sustainability information reported for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.

The FAQs are designed to highlight, illustrate or explain aspects of ISSA 5000 and thereby assist in the standard's application. They do not amend or override ISSA 5000, the text of which alone is authoritative. Reading the FAQs is not a substitute for reading ISSA 5000. The FAQs are not intended to be exhaustive, and reference to the IAASB's standards should always be made. This publication does not constitute an authoritative or official pronouncement of the IAASB.

Existing Resources on Materiality

These FAQs provide guidance on materiality to support implementation of the relevant requirements and application material contained in ISSA 5000 and to supplement the guidance provided in the ISSA 5000 Implementation Guide. These FAQs should be read in conjunction with the existing material available on materiality, which includes:


ISSA 5000, General Requirements for Sustainability Assurance Engagements

- Performance materiality definition (Para.18)
- Requirements (Para. 98-102, 160)
- Application material
 - Planning (Para. A292-A312)  *Contains an example*
 - Risk Assessment Procedures (Para. A337)
 - Accumulation and Consideration of Identified Misstatements (Para. A484-A498)

ISSA 5000 Implementation Guide (the Guide)

- Part B **Fundamental Principles and Concepts – Materiality** (Para.113-125)
 - The concept of materiality (Para. 113-116)

- FAQ: *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?* (Para. 117-120)
- FAQ: *How are intended users and information needs of those intended users identified?* (Para. 121-125)
- **Part E Planning – Materiality** (Para. 287-320)
 - FAQ: *Why is there a differentiation between materiality for qualitative and quantitative disclosures?* (Para. 288-289)
 - FAQ: *How might the practitioner identify intended users and their information needs?* (Para. 290-291)
 - *The Difference Between “Consider” and “Determine” for Materiality* (Para. 292)
 - *Grouping disclosures for purposes of considering or determining materiality* (Para. 293-296)
 - ✔ Contains an example
 - *Considering Materiality for Qualitative Disclosures* (Para. 297) ✔ Contains examples
 - *Determining Materiality for Quantitative Disclosures* (Para. 298-299)
 - FAQ: *Does the requirement in paragraph 98(b) of ISSA 5000 mean the practitioner has to determine a materiality for each quantitative disclosure?* (Para. 300-302)
 - FAQ: *How does the practitioner deal with ratios when considering or determining materiality?* (Para. 303-304) ✔ Contains an example
 - FAQ: *How does the practitioner determine materiality if the quantitative disclosure is very small or near zero?* (Para. 305-306) ✔ Contains examples
 - FAQ: *How does the practitioner approach materiality in group engagements?* (Para. 307-309)
 - Double materiality (Para. 310-311)
 - FAQ: *What does it mean to “take into account both perspectives” of double materiality when considering or determining materiality?* (Para. 312-314) ✔ Contains an example
 - Aggregation Risk (Para. 315-316)
 - FAQ: *In what circumstances may there be no aggregation risk?* (Para. 317)
 - Performance Materiality (Para. 318-320) ✔ Contains examples
- **Part F Risk Identification and Assessment**
 - Understanding the Entity’s Process to Identify Sustainability Information to be Reported (Para. 390-415) ✔ Contains examples
- **Part H Concluding and Reporting**
 - Evaluating the Effect of Uncorrected Misstatements (Para. 482-484)

- FAQ: *How does the practitioner aggregate and compare misstatements for different sustainability matters?* (Para. 485-486)
- FAQ: *How does the practitioner conclude when there are multiple misstatements that cannot be aggregated?* (Para. 487)
- FAQ: *Can the practitioner conclude a misstatement is not material when the misstatement for a quantitative disclosure is above materiality determined for the disclosure?* (Para. 488)
 *Contains examples*
- FAQ: *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?* (Para. 489)
- FAQ: *How does the practitioner evaluate whether quantitative misstatements are material when performance materiality has been used to conduct procedures for quantitative disclosures?* (Para. 490)

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Understanding Materiality

Q1. What is the concept of materiality related to sustainability information?

A1. Materiality is a concept relating to the information needs of the intended users and what may reasonably be expected to influence their decisions based on the sustainability information reported and subject to assurance. For this reason, materiality is often referred to as a “user-driven concept”. The answer to Q5 below addresses in more detail who the intended users are and their information needs. For further explanation on the materiality concept, refer to the Guide paragraphs 113-116 and 287.

The sustainability reporting framework or criteria may define or describe materiality and provide the context for the users whose needs are being addressed, as illustrated below.



Examples: Descriptions of materiality in sustainability reporting standards

Example 1: IFRS S1¹, states:

- *“Materiality as an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, in the context of the entity’s sustainability-related financial disclosures.” (see S1, paragraph 14)*
- *“In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.” (see S1, paragraph 18)*
- *“Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of the primary users of general purpose financial reports make on the basis of those reports, which provides information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance. The materiality of information is assessed in the context of an entity’s sustainability-related financial disclosures and is based on the nature or magnitude of the item to which the information relates, or both.” (see S1, Appendix A Defined terms)*

Example 2: GRI 1,² states:

- *“When using GRI Standards, the organization prioritizes reporting on those topics that represent its most significant impacts on the economy, environment and people, including impacts on their human rights. In the GRI Standards, these are the organization’s material topics.” (see GRI 1, Section 2.2)*
- *“The process of determining material topics is informed by the organization’s ongoing identification and assessment of impacts. The ongoing identification and assessment of*

¹ International Financial Reporting Standards (IFRS) Sustainability Disclosure Standard S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, issued in June 2023 (IFRS S1).

² Global Reporting Initiative (GRI) Standard 1, Foundation 2021, effective date 1 January 2023 (GRI 1)

impacts involves engaging with relevant stakeholders and experts and it is conducted independently of the sustainability reporting process.” (see GRI 1, Section 2.2)

Example 3: Draft Simplified ESRS³ Annex II, Table 2 – Glossary of terms defined in ESRS, provides the following definitions:

- *“Double materiality – Double materiality has two dimensions: impact materiality and financial materiality. A sustainability topic meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both.”*
- *“Financial materiality – A sustainability topic is material from a financial perspective if it generates risks or opportunities that affect (or could reasonably be expected to affect) the undertaking’s financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.”*
- *“Impact materiality – A sustainability topic is material from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short, medium and long term. A material sustainability topic from an impact perspective includes impacts connected with the undertaking’s own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships.”*
- *“Materiality - A sustainability topic is material if it meets the definition of impact materiality, financial materiality, or both.”*

The differences between the objectives of the IFRS, GRI and ESRS standards reflect the different information needs of their respective intended users, which results in the differing materiality concepts and definitions. The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.⁴ The objective of sustainability reporting using the GRI Sustainability Reporting Standards (GRI Standards) is to provide transparency on how an organization contributes or aims to contribute to sustainable development.⁵ The ESRS require the undertaking to disclose information about its material impacts on people and the environment and about its material sustainability-related risks and opportunities (collectively “impacts, risks and opportunities”).⁶ Reporting under these two perspectives constitutes the double materiality concept (see Q4 for further information).

³ [European Commission Delegated Regulation amending Delegated Regulation \(EU\) 2023/2772 as regards the simplification of certain sustainability reporting standards](#), published on May 6, 2026 (Draft Simplified ESRS), and final publication expected in Q2, 2026.

⁴ IFRS S1, para.1.

⁵ GRI 1, section 1.1.

⁶ Draft Simplified ESRS Annex 1, ESRS 1 General requirements, para.2.

Q2. How does materiality apply to the entity in the reporting of sustainability information?

- A2. Many sustainability reporting frameworks or other criteria require that the entity report material sustainability matters or material information about those matters and, for this purpose, specify a process by which the entity identifies sustainability information to be reported. Such a process may be referred to in different ways, for example, the entity's "materiality assessment" or "materiality process." For purposes of ISSA 5000, this process is referred to as "the entity's process to identify sustainability information to be reported."

The entity's process includes identifying the intended users and consideration of their information needs to determine which matters are important to those users and therefore are material and must be reported in the sustainability information. The entity also applies materiality in identifying the specific information related to the sustainability matters to be reported upon, when the framework or other criteria have a materiality threshold for reporting information.

Some frameworks or other criteria may specify that particular sustainability matters and specific information about them are always required to be reported, without specifying a threshold or needing the entity to apply a process to identify sustainability information to be reported. There may also be a hybrid where, in addition to specific matters that are always considered material and therefore required to be reported, the framework or criteria require the entity to apply a process to identify sustainability information to be reported about those or other sustainability matters.

Q3. How does materiality apply to the practitioner⁷ in undertaking a sustainability assurance engagement?

- A3. The assurance practitioner is required to obtain an understanding of the entity's process to identify sustainability information to be reported, which includes the application of materiality in identifying such information, as part of obtaining an understanding of the entity's information system and communication and to evaluate whether that system appropriately supports the preparation of the sustainability information in accordance with the sustainability reporting framework or criteria (see ISSA 5000, paragraphs 117(a) and 118, as well as Appendix 2 of the standard that provides additional guidance regarding the practitioner's consideration of the entity's process at various times throughout the assurance engagement). The difference between the entity's process to identify sustainability information to be reported and the practitioner's application of materiality in planning and performing the engagement is further explained in paragraphs 117-120 of the Guide.

The practitioner uses the sustainability reporting framework or criteria as a frame of reference for materiality, and the practitioner will assure the sustainability information against the criteria of the reporting framework, including any materiality thresholds or materiality considerations set out in that framework. In the absence of materiality being addressed in the reporting framework, the practitioner may apply the principles set out in paragraph A296 of ISSA 5000.

⁷ ISSA 5000, paragraph 18 defines *Practitioner* as "The individual(s) conducting the engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm). Where this ISSA expressly intends that a requirement or responsibility be fulfilled by the engagement leader, the term "engagement leader" rather than "practitioner" is used."

The purpose for which the practitioner applies materiality differs from that of the entity (see Q7 and Q9 for further information). Materiality is applied throughout the assurance engagement, including when:

- Planning the engagement by considering materiality for qualitative disclosures and determining materiality for quantitative disclosures;
- Performing risk assessment procedures to identify and assess the risks of material misstatement;
- Determining the nature, timing and extent of further procedures in response to the assessed risks of material misstatement; and
- Evaluating whether uncorrected misstatements are material, i.e., whether or not the sustainability information is free from material misstatement.

Q4. What is “double materiality”?

A4. “Double materiality” is a sustainability reporting concept that is required under some reporting frameworks and considers an entity’s impacts from two perspectives: the material impacts of sustainability matters on the entity (financial materiality)⁸ and the material impacts of the entity on the environment, society, or economy (impact materiality),⁹ whether positive or negative. The Guide explains this concept in more detail in paragraphs 310-314, including how the practitioner takes both perspectives of double materiality¹⁰ into account when considering or determining materiality.

Q5. Who are the intended users and how are they and their information needs identified?

A5. For purposes of ISSA 5000, the standard defines “intended users” in paragraph 18 as 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 (see also the related application material in ISSA 5000, paragraphs A36-A38).

The Guide provides guidance about intended users and their information needs in paragraphs 121-125. In addition, the Guide addresses how the practitioner may identify intended users and their information needs (see paragraphs 290-291), as well as the practitioner’s consideration of how the entity has identified the intended users of the sustainability information as part of understanding the entity’s process to identify the sustainability information to be reported (see paragraph 399-408). The material provided here is intended to provide additional perspectives in relation to these interrelated matters.

⁸ ISSA 5000 para. A337(a)(i): The material impacts of environmental, social and governance matters on the entity’s strategy, business model and performance, which may be referred to as “financial materiality.”

⁹ ISSA 5000 para. A337(a)(ii): The material impacts of the entity’s activities, products and services on the environment, society, or economy, which may be referred to as “impact materiality;”

¹⁰ ISSA 5000 para. A337(b): Both financial materiality and impact materiality, which may be described by the applicable criteria as “double materiality.”

Identifying intended users and their information needs may be challenging for sustainability reporting, at least for initial engagements, as there may be a diverse range of users with broad and disparate interests. Those interests may focus on financial materiality, impact materiality or double materiality. However, intended users do not need to encompass every possible user or group of users, but instead will usually include the major stakeholders with significant and common interests.

The reporting framework may provide a description of the intended users for which the framework has been developed.



Examples: Sustainability reporting standard identifying the intended users

GRI 1 (see section 2.4) describes stakeholders for the purpose of impact reporting under GRI standards as *“individuals or groups that have interests that are affected or could be affected by an organization’s activities.”* GRI 1 also notes that common categories of stakeholders for organizations are: business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups.

[Draft] Simplified ESRS, para.4 (22(b) amended) states that:

“Users of general-purpose sustainability statements are:

- (a) primary users of general-purpose financial reports, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and*
- (b) other users of general-purpose sustainability statements, such as the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations.”*

When the entity’s sustainability information is subject to assurance, the Guide, paragraph 290, notes that the practitioner can identify the intended users, by discussing with the preparer, using the practitioner’s previous knowledge from similar engagements or those in the same industry, or information in the applicable criteria. Additional ways that the intended users and their needs may be identified may include by:

- Agreement between the practitioner and management or those charged with governance about the users for whom the information is reported.
- Jurisdictional policymakers, government bodies or standard setters, that are authorized or recognized organizations that follow a transparent due process, conducting public consultation or targeted outreach to identify users of sustainability information and understand their common information needs to inform their decision-making. The law or regulation, or the framework criteria for sustainability reporting, that is introduced in response to those information needs, then may be used as a proxy for identifying the information needs of those intended users directly, and can be presumed to be sufficient to meet the needs of the identified intended users.

- The entity, their representatives or an industry body engaging or consulting with likely users of the entity's or a group of entities' sustainability information to identify the intended users and their common information needs for decision-making.
- The entity or others conducting surveys or research on users and their information needs.
- Certain users, such as lenders or other funders, requiring the entity to provide sustainability information that is subject to assurance to meet their information needs.

ISSA 5000, paragraph A297 explains that the practitioner can make reasonable assumptions, when understanding the common information needs of the intended users, about the intended users' reasonable knowledge, understanding and reasonable decision making.

Q6. Is the application of materiality impacted by whether the framework comprises fair presentation or compliance criteria?

- A6. No. Both fair presentation and compliance frameworks may include a materiality threshold or filter to limit what is to be reported to material sustainability information. The difference between fair presentation and compliance criteria is that, in addition to requiring compliance with the framework, fair presentation criteria acknowledge that it may be necessary for management to provide information beyond that specifically required by the framework or, in extremely rare circumstances, to depart from a requirement of the framework to achieve fair presentation (see definition of "criteria" in paragraph 18 of ISSA 5000).

As noted in the answer to Q3, the framework criteria may include a discussion of the concept of materiality that provides a frame of reference for the practitioner's application of materiality. This reference to "framework criteria" may be to either a fair presentation or compliance framework, as requirements to apply materiality are not restricted to one or the other type of framework.

Matters Related to the Entity's Application of Materiality

Q7. How does the entity apply materiality when determining the sustainability information to be reported and in preparing and reporting that information?

- A7. Sustainability reporting frameworks often include requirements for the entity to disclose only information about sustainability matters that are determined to be material. The entity's judgments about what is material are specific to the entity's facts and circumstances, and those material topics are identified by the entity's process to identify sustainability information to be reported. This includes judgments about the materiality of specific topics (e.g., climate, biodiversity, labor practices, human rights) and aspects of those topics (e.g., risks and opportunities, governance, targets, metrics and key performance indicators), as well as the information about such topics and aspects of topics.

The sustainability reporting framework represents the criteria that the entity applies in preparing the sustainability information and must exhibit certain characteristics; it must result in sustainability information that is relevant, complete, reliable, neutral and understandable for intended users (see also ISSA 5000, paragraphs A195-A201 for additional guidance about the sources of criteria and characteristics of suitable criteria). If applicable, such criteria encapsulate the process by which the entity identifies sustainability matters to be reported, including the application of materiality in identifying such matters. Framework criteria that are embodied in law or regulation or are established

by an authorized or recognized organization that follows a transparent due process may be presumed to be suitable in the absence of indications to the contrary.

The entity may conclude that information related to a sustainability matter, whether a topic or an aspect of a topic, is material due to the magnitude or nature of the information, or a combination of both, judged in relation to the information needs of intended users. Therefore, the materiality judgments made by the entity involve both quantitative (magnitude) and qualitative (nature) considerations.



Example: Reporting framework providing criteria for determining topics to report

GRI 3 Material Topics provides step-by-step guidance for entities on how to determine material topics, which includes detail to:

- Identify and assess impacts on an ongoing basis
 - Step 1: Understand the organization’s context
 - Step 2: Identify actual and potential impacts
 - Step 3: Assess the significance of the impacts
- Determine material topics for reporting
 - Step 4: Prioritize the most significant impacts for reporting, by testing the material topics with experts and information users, and against the Sector Standards.

In preparing and presenting the sustainability information, the entity applies materiality in accordance with the reporting framework or other suitable criteria. See Q1 for examples of sustainability reporting frameworks containing descriptions of materiality.

Q8. Does the entity’s application, in accordance with the reporting framework, of a process to identify sustainability information to be reported lead to fair presentation?

A8. The entity’s process to identify sustainability information to be reported is not the basis for determining if fair presentation has been achieved.

As explained in the answer to Q7, the sustainability reporting framework represents the criteria that the entity applies in preparing the sustainability information and, if applicable, it encapsulates the process by which the entity identifies sustainability matters to be reported, including the application of materiality in identifying such matters. However, the criteria more broadly determine the principles and concepts regarding the measurement or evaluation of sustainability matters and the presentation of the sustainability information. As explained in the answer to Q6, when a sustainability reporting framework is designed to achieve fair presentation, it may be necessary for management to provide information beyond that specifically required by the framework, or, to depart from a requirement of the framework (see definition of “criteria” in paragraph 18 of ISSA 5000). This is a separate consideration from whether the material sustainability information has been reported as a result of the entity’s process.

Overarching Matters Related to the Practitioner’s Application of Materiality

Q9. For what purpose does the practitioner apply materiality in a sustainability assurance engagement?

A9. Materiality is applied by the practitioner in planning and performing a sustainability assurance engagement, including when performing risk assessment procedures to identify and assess the risks of material misstatement and determining the nature, timing and extent of further procedures in response to the assessed risks of material misstatement. In addition, the practitioner applies materiality in evaluating whether the sustainability information is free from material misstatement. Relevant requirements and guidance are:

- ISSA 5000, paragraph 95 addresses the practitioner’s responsibility to develop an overall strategy and engagement plan. The application material explains, among other matters, that understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting may assist the practitioner in planning the engagement (ISSA 5000, paragraph A284). How the practitioner decides to group disclosures, whether in the same way as management or using another logical way, will affect the level at which the practitioner considers or determines materiality and designs and performs risk assessment procedures (see the Guide, paragraphs 293-296, which includes an example). See Q10 for further discussion of the grouping disclosures.
- ISSA 5000, paragraph 98 requires the practitioner to consider materiality for qualitative disclosures, and to determine materiality for quantitative disclosures, and paragraph 100 requires the practitioner to determine performance materiality for quantitative disclosures. See Q13-Q19 for further consideration of these matters.
- If both financial materiality and impact materiality (“double materiality”) are required to be applied by the reporting framework or criteria, paragraph 99 of ISSA 5000 requires that the practitioner “takes into account” both perspectives in considering or determining materiality. Where the applicable framework applies double materiality, the practitioner may use the entity’s double materiality assessment as part of obtaining an understanding of the information needs of intended users and identifying and assessing risks of material misstatement. This does not imply that the practitioner re-performs the entity’s double materiality assessment. This is further explained in the Guide, paragraphs 312-314, *What does it mean to “take into account both perspectives” of double materiality when considering or determining materiality?*
- During the engagement, the practitioner may identify misstatements of the sustainability information and if management does not correct such misstatements, the practitioner is required to determine whether uncorrected misstatements are material, individually or in the aggregate (i.e., determine whether the sustainability information is materially misstated). See the requirements in ISSA 5000, paragraphs 153-161 and related application material (paragraphs A470-A498), as well as paragraphs 482-490 in the Guide. See also Q20 and Q21 that address certain specific matters in relation to evaluating the materiality of misstatements.

Q10. How does the practitioner group disclosures for purposes of considering or determining materiality?

A10. The notion of grouping disclosures to assist the practitioner in planning and performing the engagement is addressed in ISSA 5000, paragraphs A284-A287, and paragraph A294 recognizes the relevance of the grouping of disclosures for considering or determining materiality. Specifically, paragraph A284 explains that understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting may assist the practitioner in planning the engagement and matters that may be relevant in this regard. These include the information needs of intended users (e.g., intended users may place more significance on information about certain sustainability topics, or aspects of topics, than others) and whether the applicable criteria address how the sustainability information should be presented (e.g., the criteria may specify the required level of aggregation or disaggregation of the sustainability information).

Whether and how the practitioner groups the disclosures for purposes of planning and performing the engagement is a matter of professional judgment (ISSA 5000, paragraph A287). The grouping of disclosures will affect the level at which the practitioner considers or determines materiality and designs and performs risk assessment procedures; therefore, care is needed when grouping disclosures so that the risks of material misstatement can still be readily identified and responded to appropriately.

In addition, the grouping of disclosures has an impact in circumstances where some reporting criteria require many individual disclosures or where some disclosures include many data points, and the question arises whether, for example, a separate materiality is required for each data point within a disclosure. This may not necessarily be required as further explained in the Guide, paragraphs 300-302, in addressing the question *“Does the requirement in paragraph 98(b) of ISSA 5000 mean the practitioner has to determine a materiality for each quantitative disclosure?”*.

The grouping of disclosures for considering or determining materiality or setting performance materiality may be based on:

- Management’s grouping of disclosures, whether aggregated or disaggregated, for the purpose of presenting the sustainability information;
- The groupings necessary to reflect the level at which disclosures are required by the reporting framework or criteria; or
- Other logical groupings that may be determined by the practitioner, for example, to reflect disclosures with common attributes, the geographic locations or risk profiles of operations or likely sources of evidence for purposes of planning and performing the engagement.



Examples: Grouping of disclosures

Topics and aspects of topics that the practitioner may consider as capable of being grouped, may include:

- Scope 1 greenhouse-gas emissions across different facilities operated by the entity in the same industry measured in metric tons of carbon dioxide equivalent (tCO₂e).

- Risks and opportunities and the related performance metrics for biodiversity impacts when the same management team is responsible for both the assessments and the performance metrics.

Topics and aspects of topics that the practitioner may consider as not capable of being grouped, may include:

- Financed emissions that are required to be disaggregated by industry.
- Policies and action plans (qualitative disclosures) and performance metrics (quantitative disclosures) of ecosystem services.
- Human rights across components, that may obscure site-specific, or localized human rights issues.

Groupings of topics and aspects of topics by management that may not be appropriate or result in a misstatement, may include:

- Human rights due diligence across facilities, industries, regions or the value chain with widely variable profiles.

The Guide explains in more detail the basis for grouping disclosures for the purposes of considering or determining materiality and provides an example when the practitioner applies groupings that are different to the entity's groupings and the reasons for doing so (paragraphs 293-296).

Q11. Is the practitioner required to determine materiality for the sustainability information as a whole?

A11. No. A sustainability assurance engagement ordinarily involves the application of multiple materialities. This means that materiality is considered or determined for different disclosures.

Not all disclosures involve the same materiality considerations. Given the nature of sustainability information, i.e., qualitative and quantitative disclosures about a number of different topics and aspects of topics, it is impracticable for practitioners to determine materiality for the sustainability information as a whole. 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. For further explanation of multiple materialities, see ISSA 5000, paragraph A299 and the Guide, paragraph 289 (that includes examples).

Q12 Does the practitioner consider the scope of the assurance engagement in applying materiality?

A12. The practitioner makes judgments about materiality in the context of the information needs of intended users related to the sustainability information that is subject to assurance – actual or potential misstatements of the sustainability information that may reasonably be expected to influence the decisions of users taken on the basis of that information. The scope of the assurance engagement may extend to all the sustainability information to be reported by the entity or only part of that information (see ISSA 5000, paragraph 5).

Paragraph A298 of ISSA 5000 explains that materiality relates to the sustainability information within the scope of the assurance engagement. When the assurance engagement covers some, but not all,

of the sustainability information, materiality is considered in relation to only the sustainability information that is within the scope of the assurance engagement.

The above concept is not unique to sustainability assurance but is fundamental to assurance engagements generally. Assurance standards contemplate that assurance work is performed over subject matter information within the scope of the engagement (e.g., whether financial statements as a whole or elements thereof, or all sustainability information being reported or specific sustainability disclosures).

The practitioner plans and performs procedures to obtain sufficient appropriate evidence to obtain limited assurance or reasonable assurance, as applicable, that *the sustainability information that is subject to assurance* is free from material misstatement. The practitioner's assurance conclusion communicated in the assurance report is designed to enhance the degree of confidence of the intended users about *that information* (i.e., the information within the scope of the assurance engagement).

In applying materiality, the practitioner recognizes that different disclosures may give rise to different information needs and tolerances for misstatement among intended users. This means that ordinarily the practitioner considers or determines materiality for different disclosures or groups of disclosures (see also the answers to Q11, related to the practitioner's application of multiple materialities, and Q10, related to the grouping of disclosures). Therefore, the practitioner's consideration or determination of materiality in relation to a specific disclosure or grouping of disclosures may not necessarily be different based on whether the scope of the assurance engagement is the entire sustainability information or only part of the sustainability information reported by the entity.

As discussed in the answers to Q14 and Q15, there are various factors that may affect the practitioner's consideration of qualitative materiality and determination of quantitative materiality. Some factors may have greater prominence when the scope of the assurance engagement covers some, but not all, of the sustainability information as contemplated in ISSA 5000, paragraph A298. The following are examples of such factors (none of which are necessarily determinative on their own):

- Sensitivity of the information to stakeholders, including the number of persons or entities affected by, and the severity of the effect of, the sustainability matter.
- The relative importance of the disclosure in the context of the entity's industry or the geographic locations of its operations (e.g., sustainability information about the same topic or aspects of a topic may be of greater or lesser interest to intended users, depending on the entity's industry or geographic locations).
- The determination of the scope of the engagement by law or regulation, including the reasons why specific or only certain sustainability information is required to be assured relative to those matters that are relevant to the information needs of intended users. This also may include recognizing that users' attention would be drawn to those disclosures that have been assured.
- Whether a potential misstatement of the disclosure could affect compliance with law or regulation, including whether there is an incentive or pressure on management to achieve an expected target or outcome in relation to the topic or aspects of the topic.
- Whether or the extent to which the disclosure addresses matter(s) that are part of the entity's sustainability strategy.

- The attention placed on the disclosure or aspects of the disclosure in the entity’s reporting (e.g. included in the foreword of the CEO, discussed as part of key results) or with respect to known previous communications to the intended users on matters relevant to their information needs.



Example: Contrasting how certain factors may affect the practitioner’s consideration or determination of materiality for disclosures subject to assurance

	Steel Manufacturer – Integrated steel producer with blast furnace operations	Retail Bank – Regional retail bank with office-based operations
Disclosures within the scope of the assurance engagement	Scope 1 and 2 emissions only	Scope 1 and 2 emissions only
Scope 1 and 2 emissions profile	Very high Scope 1 emissions from production processes and significant Scope 2 electricity consumption	Low Scope 1 emissions and moderate Scope 2 emissions from offices and data centers
Relevant factors in the circumstances		
• Stakeholder sensitivity	Investors, customers, regulators and communities closely monitor decarbonization performance due to transition risk and environmental impacts	Investors and regulators are more focused on financed emissions and climate risk management than operational emissions
• Industry/ geographic relevance	Operational GHG emissions are a central industry metric and subject to significant scrutiny in the country’s industrial transition	Operational GHG emissions are generally of lower significance within the sector compared with financed emissions
• Law or regulation	Material Scope 1 and Scope 2 disclosures are within the scope of mandatory reporting/assurance requirements	Material Scope 1 and Scope 2 disclosures are within the scope of mandatory reporting/assurance requirements
• Compliance pressures	Significant pressure to meet public emissions reduction commitments and regulatory expectations	Limited direct pressure relating to operational emissions targets
• Link to sustainability strategy	Reduction of operational emissions forms a key pillar of the entity’s sustainability strategy	Sustainability strategy focuses primarily on financing activities and portfolio transition
• Prominence in reporting	Emissions data highlighted in CEO messaging and key performance indicators	Operational emissions disclosed primarily to satisfy reporting requirements

The factors above suggest that users of the sustainability information within the scope of the assurance engagement for the steel manufacturer relative to those of the retail bank may be more sensitive to or have a lower tolerance for misstatement in the reported Scope 1 and Scope 2 emissions. For example, in the case of the steel manufacturer, relatively smaller misstatements in Scope 1 and Scope 2 emissions may be significant to users.

The notion of using multiple materialities also implies that for either of the entities above, the practitioner’s consideration or determination of materiality related to Scope 1 and Scope 2 emissions information may not necessarily be different if the scope of the sustainability assurance engagement were to be broader (i.e., if Scope 3 emissions, other disclosures or grouping of disclosures, or the entire sustainability information of the entity, were subject to assurance).

The Practitioner’s Application of Materiality – Considering Materiality for Qualitative Disclosures and Determining Materiality for Quantitative Disclosures

Q13. Why is there a differentiation between materiality for qualitative and quantitative disclosures?

A13. The “bifurcated” approach to materiality in ISSA 5000 paragraph 98, which requires the practitioner to consider materiality for qualitative disclosures and determine materiality for quantitative disclosures, is explained in the Guide, paragraphs 288 and 292.

Q14. How does the practitioner consider materiality for qualitative disclosures?

A14. In considering materiality, the practitioner actively reflects upon factors that may lead to potential material misstatements in qualitative disclosures (see ISSA 5000, paragraph A293, and the Guide, paragraph 292). Examples of such qualitative factors are discussed in ISSA 5000, paragraph A300, and examples of the practitioner’s consideration of materiality for qualitative disclosures are provided in the Guide, paragraph 297. While the practitioner may be able to anticipate the factors that may lead to potential material misstatements in qualitative disclosures, misstatements may be identified during the engagement that the practitioner may or may not have anticipated – the practitioner considers those misstatements when evaluating whether uncorrected misstatements are material, individually or in the aggregate. ISSA 5000, paragraph A491, discusses qualitative factors that may indicate that a misstatement is more likely to be material. Paragraphs A492 and A493 also contain guidance that is relevant to the evaluation of misstatements of qualitative information.

Q15. How does the practitioner determine materiality for quantitative disclosures?

A15. ISSA 5000, paragraphs A301-A305 explain the determination of materiality for quantitative disclosures. The Guide, paragraph 298, further expands on this and highlights 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). Paragraphs 300-306 of the Guide provide additional guidance and examples for determining materiality for quantitative disclosures.

The Practitioner’s Application of Materiality – Performance Materiality

Q16. Why is the practitioner required to determine performance materiality for quantitative disclosures?

Q16. Paragraph 18 of ISSA 5000 includes a definition of “performance materiality.” This definition encapsulates that the purpose of determining performance materiality for quantitative disclosures is to reduce aggregation risk to an appropriately low level. Aggregation risk being the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

The practitioner determines performance materiality to address aggregation risk in quantitative disclosures. Performance materiality assists the practitioner in designing and performing risk assessment procedures and further procedures. See ISSA 5000, paragraphs A307-A310 and the Guide, paragraphs 315-319 for further discussion and examples relating to aggregation risk and performance materiality.

Q17. How does performance materiality address aggregation risk?

A17. Performance materiality addresses aggregation risk by increasing the likelihood that the practitioner's procedures will result in detecting individual immaterial misstatements that, once aggregated, may be material. Performance materiality is lower than materiality for quantitative disclosures to reduce aggregation risk to an appropriately low level. See also ISSA 5000, paragraphs A307-A311 and the Guide, paragraph 320, for further information.



Example: Aggregation risk and performance materiality

Scope 1 greenhouse gas emissions are within the scope of the assurance engagement. The entity has three locations with the following undetected misstatements:

- Location A: 1,100 tCO₂e
- Location B: 600 tCO₂e
- Location C: 550 tCO₂e

Total undetected misstatements = **2,250 tCO₂e**

Scenario 1 – If performance materiality was not applied

The practitioner determines quantitative materiality of **1,000 tCO₂e** for this disclosure but does not determine performance materiality.

Because the practitioner designs assurance procedures at each location using the materiality threshold of 1,000 tCO₂e, only the misstatement at Location A was detected. However, the misstatements in Locations B and C were not detected, even though the **aggregate misstatement** at Locations B and C (1,150 tCO₂e) also exceed quantitative materiality.

Scenario 2 – Performance materiality is applied

The practitioner determines:

- Quantitative materiality for the disclosure: **1,000 tCO₂e**
- Performance materiality: **500 tCO₂e**

Assurance procedures are designed using the **performance materiality threshold**.

Using this lower threshold reduces the risk that **undetected misstatements in aggregate exceed quantitative materiality**. The misstatements at Locations B and C were detected, in addition to the misstatement at Location A.

Q18. Can performance materiality be the same as materiality?

A18. Performance materiality is defined in ISSA 5000 as *an amount less than materiality*, since the purpose of performance materiality is to address aggregation risk. If there is no aggregation risk in the circumstances, then there is no need to determine performance materiality that is lower than quantitative materiality for a disclosure, so, effectively performance materiality would be equal to materiality. This will be the case when the disclosure is not disaggregated and can be tested as a

whole or single population. See ISSA 5000, paragraph A310 and the Guide, paragraphs 317 and 319 for further information.



Example: Performance materiality when there is no aggregation risk

An entity discloses its total Scope 1 and Scope 2 greenhouse gas emissions for 2026 as 1 million tCO₂e. The disclosure is presented as a single aggregated amount and is not disaggregated into components such as facilities, business units, or sources of emissions. The practitioner performs assurance procedures on the entire disclosed amount as a single population and determined that performance materiality could equal materiality.

Q19. Is the practitioner required to determine component performance materiality in a group sustainability assurance engagement?

A19. ISSA 5000 does not specifically require the determination of component performance materiality in a group sustainability assurance engagement. However, the practitioner may decide to determine performance materiality at the component level, especially when the practitioner determines that this is required in the circumstances to appropriately address aggregation risk. See the group engagement example in the Guide, paragraph 318.

The Practitioner’s Application of Materiality – Evaluating the Materiality of Misstatements of the Sustainability Information

Q20. How does the practitioner aggregate and evaluate the materiality of misstatements for disparate disclosures?

A20. ISSA 5000, paragraph 160, requires the practitioner to determine whether uncorrected misstatements are material, individually or in aggregate. However, misstatements for disparate disclosures may not be able to be aggregated, or aggregating misstatements may not always be appropriate.

- Certain quantitative disclosures may be of the same nature and may be measured using a common measurement basis and, therefore, the practitioner may be able to aggregate quantifiable misstatements of such disclosures. However, disparate disclosures may relate to multiple and separate topics, may comprise several aspects of the topics, and the sustainability matters may be measured or evaluated using different measurement bases, and, therefore, quantifiable misstatements of such disclosures may not be capable of being aggregated. Misstatements of qualitative disclosures also may not be able to be aggregated per se. In these cases, it may still be possible to group the misstatements together to the extent that the disclosures are related.
- Aggregating misstatements of quantitative disclosures may not be appropriate, for example, if they have opposite impacts, offsetting them may obscure misstatements that may be material to intended users individually. In addition, whether and the extent to which it is appropriate to aggregate misstatements may depend on factors such as the information needs of intended users across different disclosures, the requirements of the sustainability reporting framework or criteria regarding the level of aggregation or disaggregation for the disclosures, and whether the disclosures involved have commonalities or relate to the same matter.



Examples: Circumstances when misstatements can or cannot be aggregated

Misstatements that cannot be aggregated:

- Disclosure of breaches of regulatory requirements for hazardous waste management are understated, but the total understatement in the number of breaches across the entity's operations is immaterial. However, breaches that occurred at a facility adjacent to a protected preserve, being a sensitive location, cannot be aggregated with breaches at other facilities and are separately evaluated to determine if those misstatements are material.
- An entity's sustainability report includes disclosures on hazardous and non-hazardous waste. User tolerance for misstatements is higher for non-hazardous, degradable waste, than for radioactive or other hazardous waste, so there may not be a reasonable basis for aggregating misstatements of hazardous waste and misstatements of non-hazardous waste.

Misstatements that are correlated:

- Undisclosed breaches of hazardous waste management and misstatements in disclosures about community engagement that omit disclosure of impacts of operations on Indigenous Peoples in the same facility are immaterial when evaluated separately. However, when considered in combination, the practitioner may determine that the disclosure is materially misstated due to the omission of disclosures about the impacts of breaches of hazardous waste management on Indigenous Peoples.

Determining whether uncorrected misstatements are material, individually or in aggregate, is a matter of professional judgement in the engagement circumstances. It is important to understand the matters that have been highlighted above in the full context of the auditor's responsibilities to evaluate the effect of uncorrected misstatements as explained in ISSA 5000, paragraphs A484-A498. See also the Guide, paragraphs 482-490.

Once identified misstatements that have not been corrected are aggregated or grouped in a way that is relevant to the information needs of intended users, as discussed above, their materiality can be evaluated. This is likely to be more straightforward for misstatements of quantitative disclosures, than for qualitative disclosures. Misstatements of qualitative disclosures will be considered against the events or circumstances that the practitioner considered material in planning the engagement and qualitative factors relating to the nature and effect of such misstatements (see also Q14).

Uncorrected misstatements may be evaluated both individually and in aggregate. Any uncorrected quantitative and qualitative misstatements that are not material individually, but in aggregate exceed materiality, represent a material misstatement of the sustainability information. In addition, the practitioner evaluates quantitative and qualitative misstatements together in determining whether they collectively indicate a material, systemic or pervasive misstatement across disclosures (i.e., whether the misstatements are both material and pervasive ("pervasive" is described in paragraph A591 of ISSA 5000)).



Example: Evaluating the materiality of misstatements for disparate disclosures

An entity's sustainability information includes disclosures relating to several sustainability matters, including climate change, water management and workforce safety. During the assurance engagement, the practitioner identifies the following misstatements:

- Scope 3 greenhouse gas emissions disclosed by the entity exclude emissions from a large category of purchased goods.
- The entity discloses that its operations are located in areas of low water stress; however, one of its largest production facilities is located in a region subject to high water stress and this is not disclosed.
- The entity reports a workforce injury rate that includes only office employees and excludes manufacturing employees, whose injury rate is higher.

The practitioner determines that each of the above misstatements is not material individually. Given the disparate nature of these disclosures, including that they do not have commonalities and are not related, the misstatements are not capable of being aggregated. However, each misstatement has the effect of portraying the entity's sustainability performance more favorably than is supported by the underlying information. When the practitioner considers the effect of these misstatements in aggregate across the sustainability information that is subject to assurance, the practitioner may conclude that the misstatements may reasonably be expected to influence the decisions of intended users. If so, the sustainability information is materially misstated.

Q21. How does the practitioner conclude in the assurance report if a single disclosure is materially misstated?

- A21. If a material misstatement is identified but remains uncorrected, then it will result in a conclusion that the sustainability information subject to assurance is materially misstated. In such instance, the practitioner is required to issue a modified conclusion, even if the material misstatement relates to only a single disclosure for a topic or aspect of a topic.

Depending on the engagement circumstances, for example, the nature and extent of the sustainability information subject to assurance and the nature and extent of the misstated disclosure relative to other disclosures, it may be unlikely that a single material misstatement has a pervasive effect. If such misstatement is material but not pervasive, ISSA 5000 requires that the practitioner issue a qualified conclusion (for further information, see ISSA 5000, paragraphs 203, 204, A593L and A594R). Diagram H.1 in the Guide, paragraph 478, reflects the outcomes that the standard drives in response to a material misstatement.



Example: Impact on the assurance report of a material misstatement of a single disclosure

The practitioner is engaged to conduct a limited assurance engagement on an entity's sustainability report. The report covers multiple topics and the disclosures extend to over 250 pages. The practitioner evaluates water to be a material topic. The practitioner finds that water consumption is materially misstated as the metric has excluded a material source and is

understated. However, management of the entity declines to correct the disclosure. No other material misstatements are detected.

As a result, the practitioner concludes that the sustainability report is not free from material misstatement, but considers, based on the evidence they have obtained, that the misstatement is isolated to the water disclosure and is not pervasive. Therefore, the practitioner issues a qualified conclusion.

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