



NZAuASB Board Meeting Agenda

18 October 2023

9:00 am to 5.00 pm, Generator, Level 10, 11 Britomart Place, Auckland CBD

Apologies: None

Est.Time	Item	Topic	Objective		Page	Supplementary
PUBLIC SESSION						
10.00am	1	<u>Board Management</u>				
	1.1	Action list	Approve	Paper	3	
	1.2	Chair's report	Note	Verbal		
	1.3	AUASB Update	Note	Verbal		
	1.4	Update from CE	Note	Verbal		
	1.5	IAASB report September 2023	Note	Paper		3
	1.6	Prioritisation schedule	Note	Paper		7
10.30am	2	<u>Environmental scanning</u>			<i>Anna</i>	
	2.1	International Update	Note	Paper	4	
	2.2	Domestic Update	Note	Paper	10	
	2.3	Update for XRB	Note	Paper	12	
10.45am	<i>Morning tea</i>					
<u>NON-PUBLIC SESSION</u>						
12:15pm	<i>Lunch</i>					
PUBLIC SESSION						
1:15pm	4	<u>Trust and Confidence</u>			<i>Sharon</i>	
	4.1	Summary paper	Note	Paper	26	
1:30pm	5	<u>Sustainability Assurance ED ISSA 5000</u>			<i>Anna</i>	
	5.1	Summary paper	Note	Paper	29	
	5.2	Issues paper	Discuss	Paper	31	
	5.3	Feedback sustainability assurance focus group discussions	Note	Late Paper		
	5.4	Overview of IESBA developments	Note	Paper		10
	5.5	ED-ISSA 5000	Note	Paper		15
	5.6	ED-ISSA 5000 Explanatory Memorandum	Note	Paper		211
2.45pm	<i>Afternoon tea</i>					
3.00pm	6	<u>GHG Guidance</u>			<i>Nimash</i>	
	6.1	Quality Management Guidance summary paper	Discuss	Paper	45	
	6.2	Independence Guidance summary paper	Discuss	Paper	47	
	6.3	Independence guidance	Consider	Paper	50	
	6.3A	Independence guidance (Previous Version)	Note	Paper		261

Est.Time	Item	Topic	Objective		Page	Supplementary
	6.4	Transitional provision	Consider	Paper	66	
	6.5	Illustrative reports	Consider	Paper	70	
3:40pm	7	<u>Service Performance Information Review Standard</u>			<i>Bruce</i>	
	7.1	Summary paper	Note	Paper	96	
	7.2	Issues Paper	Consider	Paper	98	
4:00pm	8	<u>Guidance on the Audit of Service Performance Information</u>			<i>Lisa</i>	
	8.1	Summary Paper	Note	Paper	107	
	8.2	Interactive Flowchart	Note	Paper		278
	8.3	FAQs	Note	Paper	108	
4:15pm	9	<u>ISA for Less Complex Entities (LCE)</u>			<i>Bruce</i>	
	9.1	Summary paper	Consider	Paper	112	
	9.2	Survey results	Note	Paper		279
	9.3	Preliminary recommendations around quantitative thresholds	Note	Paper		283
4:30pm	10	<u>Modified Audit Reports</u>			<i>Bruce</i>	
	10.1	Summary paper	Note	Paper	115	
	10.2	Application of Modified Audit Report Policy	Note	Paper	116	
	10.3	XRB Policy on Modified Audit Reports	Note	Paper		284

Next meeting: 30 November 2023, In person, Wellington

DATE: 4 Oct 2023

TO: Members of the External Reporting Board

FROM: Greg Schollum, IAASB member
Misha Pieters, Technical Advisor to Greg and Director Assurance

SUBJECT: September 2023 IAASB meeting

Action: To **NOTE** the update from the IAASB September meeting.

IAASB activities of high strategic importance to the XRB

1. Key areas of strategic importance are summarised below. The full meeting report is in the appendix.
2. The XRB adopts the IAASB's standards and amends these only if there is a compelling reason to do so. The XRB is still to consider whether to adopt the IAASB's draft sustainability assurance standard. Key projects of focus include:

Project	Timing	Impact/urgency
ED ISSA 5000 Sustainability Assurance	Submission due 1 December 2023. New York roundtables were held on the third day of the September meeting.	High. The NZAuASB to discuss a submission at its October meeting. The NZAuASB Chair, director and technical director of assurance and Greg will attend the roundtable discussions in Sydney in October. The NZAuASB issued a consultation document. The XRB is exploring ways to enhance trust and confidence at focus group discussions.
Audits of Less complex entities (LCE)	The IAASB approved ISA for LCE. Standard is expected to be issued in December following PIOB approval. One member abstained.	High. A key strategic decision for the XRB is whether to adopt ISA for LCE for use in New Zealand. The NZAuASB will need to reflect on NZ survey results and discuss if and for whom the LCE standard should be adopted in New Zealand at its October meeting.
Fraud	Undertook a full read. ED expected to be approved in December.	Medium. There may be mixed views for using the KAM mechanism for reporting fraud related matters in the auditor's report.
Strategy and Work Plan (SWP)	Discussion on 2024-2027 SWP. Target to approve SWP in December.	Medium. Work plan of the IAASB directly impacts XRB's standards. Revision of the standard for interim reviews expected to be included. The XRB have requested this for some time. There may be an opportunity to assist the IAASB in this project.

Appendix: Full report from the IAASB September 2023 meeting

1. Key topics on the September agenda included:
 - Approval of the auditing standard for less complex entities (ISA for LCEs).
 - Consideration of the submissions received in response to ED ISA 500 (Revised), *Audit Evidence*.
 - A further full read of the exposure draft to revise ISA 240, *Fraud*
 - A discussion on the Strategy and Work Plan (SWP) for 2024-2027 followed by a joint discussion with the IESBA to discuss co-operation as both boards work to finalise their respective SWP.

The full September 2023 meeting papers can be accessed [here](#).

Auditing standard for less complex entities (ISA for LCE)

2. The IAASB approved the ISA for LCE standard, with 17 affirmative votes. One member, the IAASB deputy chair, abstained due to a concern over insufficient guidance in the ISA for LCE for practitioners who don't have a good understanding of the ISAs. The final standard is expected to be available in December following PIOB approval.
3. The discussion focussed on final tweaks following a lengthy project that had been discussed over 30 times at IAASB Task Force meetings.
4. A key discussion related to the future upkeep and ongoing maintenance of the ISA for LCE. The IAASB agreed to an effective date of 15 December 2025, with various views as to whether the standard should then have a period of stability, to enable a stable platform to encourage adoption, or be subject to revision to maintain consistency with the ISAs, given the key projects underway currently, including going concern and fraud.
5. Greg emphasised the importance of material ongoing alignment between the ISAs and ISA for LCE, while acknowledging a need for stability initially. He opposed a 5-year stability period, as this may result in several years for which ISA for LCE would materially differ from the ISAs. On balance, the IAASB landed on a period of 3 years of stability, and thereafter to develop revisions to the ISA for LCE at the same time as revising the ISAs. The due process considerations for updates to the ISA for LCE still need to be finalised.

Impact on the XRB: A key decision for the XRB is whether to adopt ISA for LCE for use in New Zealand. Greg obtained confirmation during the discussion that it is up to each jurisdiction to add material as needed for jurisdictional specific matters. This is important in the context of service performance information. The XRB has run a survey to seek input on whether to adopt the ISA for LCE for New Zealand and if so, for what entities. The NZAuASB will discuss this at the October meeting.

Fraud

6. The IAASB provided feedback on the second full read of the Exposure Draft, which is targeted for approval in December. The key matters discussed include:
 - The key attribute of authenticity of documentation. Some members raised concern regarding the potential work effort and documentation implications of:
 - a conditional requirement for the auditor to investigate further if conditions are identified to cause them to believe that a record or document may not be authentic, together with a
 - a conforming amendment to remove application material from ISA 200, that states that "the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.

On balance, the IAASB supported the position that there cannot be a presumption that everything is ok but asked for further work to be done on this by the Task Force. It is likely that further guidance will be added to help clarify the work effort and documentation implications of a more neutral setting on authenticity.

- The apparent lack of materiality threshold considerations for fraud matters.
- Support for using the KAM filter in the auditor's report, with a few citing boilerplate concerns. Greg raised concern that the application material that highlights users' interest in matters related to fraud, and that "these matters are ordinarily of most significance" wording does not focus on significant fraud and could be misinterpreted as all fraud. The words intentionally encourage the auditor to think about what to report. It was reiterated that there are already KAMs in relation to identified deficiencies in internal control.
- In relation to the proposal to disclose where there is no fraud related KAMs, it was reiterated that this is a conscious determination by the auditor and that the auditor really needs to think that there are none. The intent of the IAASB is to drive this conscious decision as while it's not always the case that there will be fraud related KAMs, it is viewed that this will ordinarily be the case.

Impact on the XRB: The exposure draft is expected to be issued early in 2024. The XRB will want to engage widely on these proposals to ensure a range of views, from practitioners, preparers and users are sought.

Audit Evidence

7. The IAASB reflected on the key themes emerging from an analysis of submissions received in response to the exposure draft that closed in April 2023.
8. There is support for a principles-based approach to support judgements about what information the auditor should use as evidence, and whether sufficient appropriate evidence has been obtained, recognising the nature and source of the information in the current business and audit environment. Stakeholders encouraged the IAASB to clearly articulate what auditors are expected to do differently under the proposed new standard, and to ensure clear direction to promote consistent interpretation by all.
9. Stakeholders did not think that the proposals had adequately addressed the impacts of technology on the audit. Expectations of the ED were high but, the IAASB agreed that the revised standard cannot solely address execution issues. ISA 500 is seen as only a part of the solution as part of a multi-pronged approach, including amending ISA 330 and enhanced non-authoritative guidance on the impacts of technology.
10. The IAASB discussions focussed on:
 - The need to address the link between ISA 500 *Audit Evidence* and ISA 330¹ and other ISAs. The approved project plan had a narrow focus, precluding revisions to ISA 330. Submissions raised the scope was perhaps too narrow.
 - Cautious support to add a conditional requirement to address the auditor's use of automated tools and techniques, with suitable application material.
 - Mostly push back against a suggestion to define "persuasiveness" in favour of just describing it. The discussion reflected that stakeholders are desiring the "silver bullet", but the answer is context specific. The IAASB cautioned against being too specific so as not to be seen to specify the amount of audit work that the auditor needs to do in order to obtain persuasive audit evidence.
 - The conditional nature of the requirement for accuracy and completeness, with various views on how best to emphasise this. There was also discussion

¹ ISA 330, The Auditor's Responses to Assessed Risks

whether the focus on internal sources would be a step backwards from what had been exposed.

- Agreement to remove the “stand back” requirement from ISA 500 due to the range of stand backs currently within the suite of ISAs.

Impact on the XRB: Greg is on the audit evidence Task Force. The timing of this project may be delayed. Many of the issues resonate with questions the XRB is considering related to audit evidence for service performance information, so this project will need to be monitored closely.

Strategy and Work Plan 2024-2027

11. The IAASB discussed the feedback received in response to its proposed strategy and work plan 2024-2027.
12. A key issue arising is the implications of technology and the way forward for the audit evidence project. Two options were explored:
 - Linear – complete a revision of ISA 500, then ISA 330 and then others.
 - Integrated– revise ISAs 500, 330 and 520 as a package together with technology focused modernisation of ISAs in the 500 series.
13. Most members supported the integrated approach. The implications are that the revised Audit Evidence standard may take longer to finalise and potentially risk being parked while the broader project is completed. Greg raised concerns about the implications of parking the revised standard. In addition, the need to develop further guidance on technology will need to be considered.
14. The IAASB intends to focus its resources and effort with 70/30 split, 70% to audit and review projects and 30% to sustainability and other assurance projects.
15. With respect to audit and review, the IAASB expects to progress 5 of 8 projects including, in addition to the projects discussed above:
 - a. Revisions to the standard on Interim Reviews. This is a project the XRB has been encouraging the IAASB to update for many years. Given resource constraints, the IAASB may look to outsource this project to NSS or others.
 - b. Materiality.
 - c. Post implementation review of ISA 540 (Revised) on the audit of estimates.
16. The following 3 projects would go onto a backup list: Using auditor’s experts, Other Information, and the post implementation review of ISA 315 (Revised).
17. On Sustainability assurance matters, the IAASB discussed the need to develop guidance to support the adoption of ISSA 5000 simultaneously with finalising the standard. This could pose significant resourcing challenges for the IAASB.
18. The last part of the meeting was a joint discussion between the IAASB and the IESBA to discuss respective strategies and work plans and explore ways to better co-ordinate and integrate work effort.
19. The opportunities for close co-ordination on the sustainability projects and on technology related matters were most obvious. In terms of sustainability there appears to be an area of common challenge in relation to the value chain and scope 3 emissions (both independence challenges and assurance challenges associated with extending beyond the traditional reporting boundary).

Impact on the XRB: The work plan of the IAASB directly impacts the standards of the XRB. There appears to be significant resourcing challenges and the IAASB will likely struggle to balance so many projects simultaneously over the 4-year period. The need for guidance to support the uptake of the sustainability assurance standard could subsume significant resource, given that many issues are still being explored and reporting and practice are still developing at pace.

2023/24 Prioritisation Plan (updated Sept)

Domestic Project	2023/2024 planned action	Resource	Priority	Key deliverable	Due date
Assurance engagements over greenhouse gas emission disclosures	Issue standard	Available	High	Standard	Issued Aug 23
	Issue implementation guidance			Guidance	H2 2023
XRB strategy for sustainability assurance	Monitor decision on scope of assurance. Engage with stakeholders on what assurance might look like for NZ. Develop project plan accordingly.	To manage	High	Outreach and engagement. Project plan	Oct 23 TBD
Monitor assurance of climate statement/GHG/impact of climate on financial statements and KAMs	First reporting Dec 23 – see who is assuring what and what can we learn	To manage	TBD	Possible report	June 2024
Audit of Service Performance Information	Issue revised standard	Available	High	Revised standard	Issued July 23
	Implementation guidance to support first time adoption	Available	Medium	Issue guidance	Oct 2024
Review of Service Performance Information	Develop review engagement ED – project plan approved in August. Key issues to be discussed in October	Available	Medium	Issue ED	April 2024
Technology	If appropriate develop technology project plan in conjunction with advisory group of practitioners	Constrain	TBD	Thought leadership	TBD
Value of audit	Monitor inspection findings	Available	High	Respond to FMA findings	Feb 2024
	Issued research on the perceptions of the value of audit. Report issued September 2023.	Commission		Report	Issued September 2023
Quality management implementation	Identify if additional implementation support needed	Available	Medium	TBD	Oct 2023
Commission research	Identify additional research topics	TBD	TBD	TBD	TBD
Update standard setting policies and convergence and harmonisation policy	Revise EG AU2 Overview of Auditing and Assurance Standard Setting Process Update harmonisation/convergence policy	Available	High	Revised policies	Dec 2023
Māori engagement	Learnings based on XRB board decision on treaty obligations	To manage	Medium	TBD	TBD
Digitisation of assurance standards	XRB initiative	To manage	High	Digitised standards	June 2024

IAASB

IAASB	2023/24 action	Resource	Priority	Key deliverable	Due date
Sustainability assurance	ED issued. XRB will adopt a low-profile engagement on the specifics of ED 5000, while exploring the possible options for sustainability assurance in New Zealand.	Available	High	XRB Submission	Dec 2023
Going Concern	Submission finalised. (Approval of a final standard is expected December 2024)	Available	Medium	XRB Submission	Issued Aug 2023
Audit Evidence	Final standard may be delayed	Available	Medium	Adopt in New Zealand	July 2024
Fraud	IAASB ED expected to be approved in December with exposure period H1 2024	Available	Medium	Submission	April 2024
Audits of Less Complex Entities	IAASB approved ISA for LCE standard in September 2023. Survey issued to obtain views on if and for which entities to adopt in New Zealand.	Available	Medium	Develop consultation doc on adoption of LCE standard for New Zealand	March 2024
Implications of PIE on ISAs	IAASB approved track 1 – approved pending PIOB approval and issue	Available	Low	Adopt in New Zealand	Oct 2023
	Track 2 ED expected Dec 2023	Available	Low	Submission	April 2024
Technology	Monitor	None	None	None	None
Participate in NSS meetings/regional groups/advisory groups/task forces/host international meetings	IAASB membership maintained Host sustainability assurance summit	To manage	High	Attend sustainability roundtable Event	Oct 2023

IESBA	2023/2024 action	Resource	Priority	Key deliverable	Due date
Sustainability reporting and assurance	IESBA ED ethics and independence for sustainability assurance to be approved in Dec 2023	Available	High	Submission	April 2024
Experts Project	IESBA ED expected to be approved in Dec 2023	Available	High	Submission	April 2024
Technology non-authoritative guidance	Monitor and raise awareness	None	Low	None	None
Tax planning and related services	IESBA approved exposure draft No action as outside mandate	None	None	None	None
Implementation of NAS and Fees	Monitoring and raise awareness	TBD	Low	None	TBD
Implementation of PIE definition	Monitoring and raise awareness	TBD	Low	None	TBD
Long association post implementation review	Monitoring and raise awareness	TBD	Medium	TBD	TBD
Participate in NSS meetings/regional groups/advisory groups/task forces/host international guests	Host Mark Babington, IESBA sustainability Task Force chair Host sustainability assurance summit	To manage	High	Events	Nov 2023

AGENDA ITEM NO.	5.4
Meeting date:	18 October 2023
Subject:	Summary of IESBA developing revisions to the Code
Date:	2 October 2023
Prepared By:	Anna Herlender

Background

1. The IESBA is developing revisions to the Code of Ethics covering:
 - (a) Ethical considerations for professional accountants when they provide sustainability-related professional services, including sustainability reporting,
 - (b) Ethics and independence standards for use and implementation by all sustainability assurance practitioners (professional accountants and other professionals performing sustainability assurance engagements),
 - (c) Use of experts: ethics and independence provisions for the use of an external expert in audit and assurance engagements; ethics considerations regarding the involvement of an expert in the preparation and presentation of financial and non-financial information; ethical considerations regarding the involvement of an expert in the provision of other services.
2. This paper includes summary of the developments considered during the recent IESBA's meeting (September 2023) that are relevant to the NZAuASB. All agenda papers for September meeting are available online here.

Ethical developments

3. The IESBA is considering:
 - how to communicate that the Code can be used by all preparers of sustainability information. They are considering drafting a guide to the code, Part 5, and additional communication outside the code
 - no separate section for sustainability reporting in the Code
 - changes to the current sections:
 - minimal changes to Part 1 (fundamental principles)
 - changes to Part 2 (professional accountants in business) to highlight the role of a PAIB in sustainability reporting, greenwashing, the value chain and the forward-looking nature of sustainability information. Many revisions are new or revised examples relevant to sustainability reporting.

- changes to Part 3 (professional accountants in public practice) – some changes mirrors changes to Part 2. The IESBA is considering new requirements in relation to the communication of non-compliance with laws and regulations to the sustainability assurance practitioner.
- including ethics for sustainability assurance practitioners in a new Part 5. Ethics requirements are proposed to be required for all sustainability engagements (as opposed to independence requirements that will be required for those sustainability engagements that meet specific criteria).
- the definitions of sustainability information, professional activity and professional services.

Independence developments

4. The IESBA is considering:

- The proposed **title** of the New Part 5: “International Ethics and Independence Standards for Sustainability Assurance”. The reasons:
 - To cover both ethics and independence
 - To be profession agnostic - no reference to professional accountants
 - Because will apply to all sustainability engagements, where as independence will only apply to engagements meeting certain criteria.
- **Numbering as 5000**. The reasons:
 - This would create a parallel with ISSA 5000
 - this would provide space for future standards between part 4B and Part 5
 - this would enable equivalent numbering to part 4A. New requirements will be with letters “a”, “b”, etc. not relevant requirements will be deleted, and the numbers will be left blank intentionally.
- **Scope**: Independence requirements of Part 5 apply to engagements:
 - a) reporting in accordance with a general purpose framework; and
 - (b)
 - (i) required to be provided in accordance with law or regulation, or
 - (ii) are publicly disclosed to support decision-making by investors or other stakeholders.
- Part 4B of the Code will set out International Independence Standards for other sustainability assurance engagements that are not within the scope of this Part. These include, for example:
 - A sustainability assurance engagement where the sustainability information on which the sustainability assurance practitioner expresses an opinion is reported solely in accordance with:
 - A framework designed to meet the information needs of specified users, or
 - Entity-developed criteria;
 - A sustainability assurance engagement for which the sustainability assurance report is a restricted use and distribution report.”

- **Quality management** – would be aligned with ED-5000: “Legal, regulatory or professional requirements that deal with the firm’s responsibilities to design, implement, and operate a system of quality management, are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.”
- **Engagement Team and Sustainability Assurance Team**
 - Independence requirements would apply to all sustainability assurance team members.
 - Engagement team – defined as those who perform assurance procedures from or outside the firm.
 - If another practitioner is used and the firm is able to direct, supervise and review their work, they are part of the engagement team.
 - Experts in sustainability reporting or assurance, performing assurance procedures are engagement team members.
 - Experts in technical or industry specific matters are assurance team members.
 - However, external experts are not part of engagement team or assurance team.
 - Quality reviewer is part of assurance team but not engagement team.
 - Another practitioner:
 - “An individual who performs assurance work relevant to a sustainability assurance engagement, and who is not under the direction, supervision and review of the sustainability assurance practitioner. The individual is not a member of the engagement team.*
 - In Part 5, the term “another practitioner” refers to individual practitioners and their firms.”*
- **Public Interest Entities:** those who are PIEs in accordance with part 4A.
- **Period during which independence is required:**
 - Engagement period; and
 - The period covered by the sustainability report prior to the start of the engagement period.
- **Another practitioner.** Explanation of the approach from the IESBA’s paper:
 - Instead of directly imposing independence requirements on another practitioner, the Code requires the firm to communicate with the other practitioner and obtain confirmation if they complied with Part 5 of the Code
 - the other practitioner and their firm need to be independent of the entity within the reporting boundary on whose sustainability information that practitioner expresses an opinion.
 - requiring that practitioner to monitor and maintain a database on all entities within all the possible value chains to be independent of those entities would not be proportionate or practicable. Such requirements could also unduly limit the firm’s ability to use the work of others.
 - “reason to believe principle” - notify the firm about any relationship the other practitioner is aware of with the sustainability assurance client that could create a

threat to the other practitioner's, or their firm's, independence for the purpose of the sustainability assurance engagement.

- **Fees:**
 - If the sustainability assurance is a separate engagement from the audit, this part applies in addition to part 4A.
 - Exception to rotation a firm after five years includes consultation with TCWG if there is no relevant body (to allow for the possibility that there is no designated regulatory or professional body yet)
- **Reporting boundary**
 - Definition: "Activities, operations, relationships or resources to be included in an entity's sustainability information in accordance with the applicable reporting framework."
 - "reason to believe" principle regarding entities within the reporting boundary but not within the assurance client.
- **Financial interest, the same for loans and guarantees, business relationships**
 - Application material added to explain threats regarding financial interests by the firm, network firm or member of an assurance team in an entity within the reporting boundary and examples of safeguards, "reason to believe" principle.
- **Long association**
 - If rotated due to familiarity threat, should not be allowed for audit team member, quality reviewer for audit or exert influence on the outcome of audit – for non-PIES.
 - For PIES, proposals add key audit partner into the mix.
- **Non assurance services**
 - Materiality concept link to relevant reporting framework
 - "reason to believe" principle for NAS within reporting boundary but outside the assurance client.
 - prohibit firms from providing sustainability data and information services to the sustainability assurance client if that service might be relevant to the sustainability information on which the firm expresses an opinion.
 - If the firm expresses an assurance conclusion only in relation to certain sustainability matters, for example, climate-related issues, and the firm also provided sustainability information services in relation to reporting on other matters (for example, DEI) that is not in the scope of the sustainability assurance engagement, the provision of such a service does not create a self-review threat.
 - "Valuation services" subsection extended to include forecasting and similar services; explained that it might relate to non-monetary items.

Use of experts

5. The IESBA's is considering:

- Requirements to be applied to all experts used in professional activity or professional services, regardless of if engaged or employed by the organization or firm

- Management's experts have been scoped out, because the information prepared by them would be treated as the client's information
- Proposed approach to evaluate specific interests, relationships and circumstances relative to the external expert's objectivity.
- Definition of expert – to refer to skills and knowledge but not experience; to refer to expertise other than accounting, auditing, assurance
- Differentiation between different experts: Expert performing procedures – engagement team, expert providing consultation but not performing work to be used in the engagement – assurance team (note that the consultation needs to be implemented), expert performing work to be used in the engagement but the work needs to be evaluated first – external expert
- Objectivity needs to be evaluated for all individuals within the expert's team
- Request disclosure of interests, relationships and circumstances, and then evaluate them. Plus request confirmation of other interests from expert and from the client and evaluate them; application material to clarify this expectations when agreeing terms and conditions with the expert; not expected that expert has a QM system as practitioner
- Use the work of others – for example those who provide datasets for general purposes - out of scope.

Exposure Draft

August 2023

Comments due: December 1, 2023

International Standard on Sustainability Assurance

**Proposed International Standard
on Sustainability Assurance
5000**

**General Requirements for
Sustainability Assurance
Engagements**

and

**Proposed Conforming and
Consequential Amendments to
Other IAASB Standards**

***This Exposure Draft is intended to be read
along with the separate Explanatory
Memorandum.***

IAASB

**International Auditing
and Assurance
Standards Board**

About the IAASB

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

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related 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 for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Foundation for Ethics and Audit (IFEA).

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ISA.



REQUEST FOR COMMENTS

This Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), was developed and approved by the International Auditing and Assurance Standards Board® (IAASB®). ED-5000 should be read along with the Explanatory Memorandum (EM) that accompanies it. This Exposure Draft and the accompanying EM may be downloaded from the [IAASB website](#), see [ED-5000 webpage](#). The approved text of ED-5000 is published in the English language.

The proposals in the Exposure Draft may be modified based on comments received before being issued in final form. **Comments are requested by December 1, 2023.** Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.

Use of Response Template

We encourage all respondents to submit their comments electronically using the [Response Template](#) provided. The template has been developed to facilitate responses to the questions in **Section 2** of the [EM](#). Please refer to page 3 of the EM for additional information about the use of the response template.

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**PROPOSED INTERNATIONAL STANDARD ON SUSTAINABILITY
ASSURANCE (ISSA) 5000
GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE
ENGAGEMENTS**

(Effective for assurance engagements on sustainability information reported for periods beginning on or after [Month] 15, [Year] or as at a specific date on or after [Month] 15, [Year].)

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Appendix 1: Sustainability Matters and Sustainability Information

Appendix 2: Illustrations of Assurance Reports on Sustainability Information

Introduction

1. This International Standard on Sustainability Assurance (ISSA) deals with assurance engagements on sustainability information.
2. This ISSA applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, in which case ISAE 3410 applies.¹
3. For purposes of this ISSA, sustainability information is information about sustainability matters. An entity's disclosures about such matters may relate to several different topics (e.g., climate, labor practices, biodiversity) and aspects of topics (e.g., risks and opportunities, governance, metrics and key performance indicators). Law or regulation or sustainability reporting frameworks may describe sustainability matters, topics or aspects of topics in different ways, and may also provide guidance for the entity in determining the sustainability information to be reported. (Ref: Para. A1, A15-A16, A32, Appendix 1)
4. The scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity or only part of that information. For example, in certain jurisdictions, law or regulation may require that only climate-related disclosures in an entity's sustainability information be subject to assurance. When the assurance engagement does not cover the entirety of the sustainability information, the term "sustainability information" is to be read as the information that is subject to the assurance engagement. Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is "other information" as defined in paragraph 17(ee). (Ref: Para. A2)
5. This ISSA is premised on the basis that: (Ref: Para. A3)
 - (a) The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and (Ref: Para. A4–A5, A44–A49)
 - (b) The practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1,² or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1. (Ref: Para. A6–A9, Para. A53–A58)
6. Quality management within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. When a practitioner performs a sustainability assurance engagement in accordance with this and other ISSAs, it is important to recognize that this ISSA includes requirements that reflect the premises described in paragraph 5. (Ref: Para. A6–A9)

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

² 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*

Scope of this ISSA

7. This ISSA deals with both reasonable and limited assurance engagements. Unless otherwise stated, each requirement of this ISSA applies to both reasonable and limited assurance engagements. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. (Ref: Para. A10)
8. This ISSA applies to assurance engagements for all types of sustainability information, regardless of the manner in which that information is presented. Paragraph 2 describes the applicability of this ISSA when the sustainability information includes a greenhouse gas (GHG) statement. (Ref: Para. A11–A12)
9. The *International Framework for Assurance Engagements* notes that an assurance engagement may be either an attestation engagement or a direct engagement. This ISSA deals only with attestation engagements. Therefore, references in this ISSA to "assurance engagement" or "engagement" mean an attestation engagement.

*Relationship with ISAE 3000 (Revised)*³

10. This ISSA is an overarching standard that includes requirements and application material for all elements of a sustainability assurance engagement. Accordingly, the practitioner is not required to apply ISAE 3000 (Revised) when performing the engagement.

Relationship with the Audited Financial Statements

11. Certain information about sustainability matters may be required to be included in the entity's financial statements in accordance with the applicable financial reporting framework. When such information is included in the entity's financial statements subject to audit, the International Standards on Auditing apply.
12. Sustainability information also may be presented together with the entity's audited financial statements, for example, as a part of the entity's annual report or in a separate document or documents accompanying the annual report. In these circumstances, the audited financial statements are considered other information for purposes of this ISSA.

Scalability

13. This ISSA is intended for assurance engagements on sustainability information of all entities, regardless of size or complexity. However, the requirements of this ISSA are intended to be applied in the context of the nature and circumstances of the engagement.

Effective Date

14. This ISSA is effective for assurance engagements on sustainability information reported:
 - (a) For periods beginning on or after [Month] 15, [Year]; or
 - (b) As at a specific date on or after [Month] 15, [Year].

³ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

Objectives

15. In conducting a sustainability assurance engagement, the objectives of the practitioner are:
 - (a) To obtain reasonable assurance or limited assurance, as applicable, about whether the sustainability information is free from material misstatement;
 - (b) To express a conclusion on the sustainability information through a written report that conveys a reasonable assurance or a limited assurance conclusion, as applicable, and describes the basis for the conclusion; and
 - (c) To communicate further as required by this ISSA and any other relevant ISSA.
16. In all cases when reasonable assurance or limited assurance, as applicable, cannot be obtained and a qualified conclusion in the practitioner's assurance report is insufficient in the circumstances for purposes of reporting to the intended users, this ISSA requires the practitioner to disclaim a conclusion or withdraw from the engagement, where withdrawal is possible under applicable law or regulation.

Definitions

17. For purposes of the ISSAs, the following terms have the meanings attributed below:
 - (a) Analytical procedures – Evaluations of sustainability information through analysis of plausible relationships among both quantitative and qualitative data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.
 - (b) Appropriate party(ies) – Management or those charged with governance, as appropriate, or the engaging party, if different.
 - (c) 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. (Ref: Para. A13)
 - (d) Assurance engagement – 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 about the sustainability information. Each assurance engagement is either a:
 - (i) Reasonable assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation, including presentation and disclosure, of the sustainability matters against the applicable criteria.
 - (ii) Limited assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the sustainability information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared

with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. 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 more than inconsequential.

- (e) Assurance skills and techniques – Planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from the expertise in sustainability matters or their evaluation or measurement.
- (f) Attestation engagement – An assurance engagement in which a party other than the practitioner measures or evaluates the sustainability matters against the applicable criteria.
- (g) Comparative information – The sustainability information presented for one or more prior periods.
- (h) Criteria – The benchmarks used to measure or evaluate the sustainability matters. The “applicable criteria” are the criteria used for the particular engagement and comprise either framework criteria, entity-developed criteria or both. Framework criteria are either fair presentation criteria or compliance criteria. (Ref: Para. A14, A167)

The term “fair presentation criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework and: (Ref: A454-A455)

- (i) 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
- (ii) 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 (h)(i) or (h)(ii) above.

- (i) Disclosure(s) – Specific sustainability information related to an aspect of a topic. (Ref: Para. A15-A16)
- (j) 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.
- (k) Engagement leader – The partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement leader” should be read as referring to its public sector equivalents where relevant. (Ref: Para. A17-A18)

- (l) Engagement risk – The risk that the practitioner expresses an inappropriate conclusion when the sustainability information is materially misstated. (Ref: Para. A19–A21R)
- (m) Engaging party – Management, those charged with governance, or another party, that engages the practitioner to perform the assurance engagement.
- (n) Engagement quality review – An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the assurance report.
- (o) Engagement quality reviewer – A partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.
- (p) 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. (Ref: Para. A22)
- (q) Entity – The legal entity, economic entity, or the identifiable portion of a legal or economic entity, or combination of legal or other entities or portions of those entities, to which the sustainability information relates. (Ref: Para. A23)
- (r) Evidence – Information, to which procedures have been applied, that the practitioner uses to draw conclusions that form the basis for the practitioner’s assurance conclusion and report. Sufficiency of evidence is the measure of the quantity of evidence. Appropriateness of evidence is the measure of the quality of evidence.
- (s) Firm – A sole practitioner, partnership or corporation or other entity of individual practitioners. “Firm” should be read as referring to its public sector equivalents where relevant. (Ref: Para. A24)
- (t) 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.
- (u) Further procedures – Procedures, including tests of controls and substantive procedures, performed in response to disclosures where material misstatements are likely to arise (limited assurance) and assessed risks of material misstatement (reasonable assurance).
- (v) Historical financial information – Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
- (w) 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. (Ref: Para. A25-A27)
- (x) Internal audit function – A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity’s governance, risk management and internal control processes.
- (y) Management – The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner–manager.

- (z) Management's expert – An individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the entity to assist the entity in preparing the sustainability information.
- (aa) Misstatement – A difference between the disclosure(s) and the appropriate measurement or evaluation of the sustainability matters in accordance with the applicable criteria. Misstatements can arise from error or fraud, may be qualitative or quantitative, and include omitted information or information that obscures the presentation of the disclosures. (Ref: Para. A28)
- (bb) Misstatement of the other information – A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information).
- (cc) Network – A larger structure:
 - (i) That is aimed at cooperation, and
 - (ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality management policies or procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.
- (dd) Network firm – A firm or entity that belongs to the firm's network.
- (ee) Other information – Information not subject to the assurance engagement included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon.
- (ff) Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement. (Ref: Para. A29)
- (gg) Performance materiality – The amount or amounts set by the practitioner at less than the amount or amounts determined to be material for a quantitative disclosure to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that disclosure is material.
- (hh) Personnel – Partners and staff in the firm.
- (ii) Practitioner – 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.
- (jj) Practitioner's expert – An individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the practitioner in obtaining sufficient appropriate evidence. A practitioner's expert may be either a practitioner's internal expert (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm), or a practitioner's external expert.
- (kk) 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.

- (ll) 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.
- (mm) Professional standards – International Standards on Sustainability Assurance (ISSAs) and relevant ethical requirements.
- (nn) Relevant ethical requirements – Principles of professional ethics and ethical requirements that are applicable to practitioners when undertaking assurance engagements on sustainability information. For professional accountants, relevant ethical requirements ordinarily comprise the provisions of the IESBA Code related to assurance engagements, together with national requirements that are more restrictive. For other practitioners who are not professional accountants, relevant ethical requirements comprise the ethical requirements in relevant law, regulation or professional requirements related to assurance engagements that are at least as demanding as the IESBA Code.
- (oo) Reporting boundary – Activities, operations, relationships or resources to be included in the entity’s sustainability information in accordance with the applicable criteria. (Ref: Para. A30–A31)
- (pp) Risk of material misstatement – The risk that the sustainability information is materially misstated prior to the engagement.
- (qq) Risk procedures – The procedures designed and performed to:
 - (i) In a limited assurance engagement, identify disclosures where material misstatements are likely to arise, whether due to fraud or error; and
 - (ii) In a reasonable assurance engagement, identify and assess the risks of material misstatement, whether due to fraud or error, of the disclosures at the assertion level.
- (rr) Staff – Professionals, other than partners, including any experts the firm employs.
- (ss) Substantive procedures – Procedures designed to detect material misstatements. Substantive procedures comprise tests of details and analytical procedures.
- (tt) Sustainability competence – Competence in the sustainability matters that are the subject of the sustainability assurance engagement and in their measurement or evaluation.
- (uu) Sustainability information – Information about sustainability matters. Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. (Ref: Para. A32)
- (vv) Sustainability matters – Environmental, social, economic and cultural matters, including:
 - (i) The impacts of an entity's activities, products and services on the environment, society, economy or culture, or the impacts on the entity, and
 - (ii) The entity’s policies, performance, plans, goals and governance relating to such matters.

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

- (ww) System of internal control – The system designed, implemented and maintained by those charged with governance, management and other entity personnel to provide reasonable

assurance about the achievement of an entity's objectives with regard to sustainable business activities and the reliability of sustainability reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations related to sustainability matters. The term "controls" refers to policies or procedures that an entity establishes to achieve the control objectives of management or those charged with governance, relating to any aspects of one or more of the components of the system of internal control.

- (xx) Those charged with governance – The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the sustainability reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner–manager.
- (yy) Uncorrected misstatements – Misstatements that the practitioner has accumulated during the assurance engagement and that have not been corrected.

Requirements

Conduct of an Assurance Engagement in Accordance with the ISSAs

Complying with Standards that are Relevant to the Engagement

- 18. The practitioner shall comply with this ISSA and any other ISSAs relevant to the engagement.
- 19. The practitioner shall not represent compliance with this or any other ISSAs unless the practitioner has complied with the requirements of this ISSA and any other ISSAs relevant to the engagement. (Ref: Para. A33–A34)

Text of an ISSA

- 20. The practitioner shall have an understanding of the entire text of an ISSA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A35–A40)

Complying with Relevant Requirements (Ref: Para. A41-A42)

- 21. The practitioner shall comply with each requirement of this ISSA and any other relevant ISSAs unless, in the circumstances of the assurance engagement, the requirement is not relevant because it is conditional and the condition does not exist. Requirements that apply to only limited assurance or reasonable assurance engagements have the letter "L" (limited assurance) or "R" (reasonable assurance), respectively, after the paragraph number. When a requirement applies to both limited and reasonable engagements, but in a differential manner, such requirements have been presented in a columnar format with the "L" (limited assurance) and "R" (reasonable assurance) designations.
- 22. In exceptional circumstances, the practitioner may judge it necessary to depart from a relevant requirement in an ISSA. In such circumstances, the practitioner shall perform alternative procedures to achieve the aim of that requirement. The need for the practitioner to depart from a relevant requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the assurance engagement, that procedure would be ineffective in achieving the aim of the requirement.

Documentation of a Departure from a Relevant Requirement

23. 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. A43)

Failure to Achieve an Objective

24. 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 63.

Acceptance and Continuance of the Assurance Engagement

25. The practitioner shall accept or continue the engagement only when:
- (a) The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied; (Ref: Para. A44–A49)
 - (b) The practitioner has determined that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including having sufficient time, to perform the engagement; and
 - (c) The basis upon which the engagement is to be performed has been agreed, by:
 - (i) Determining that the preconditions for an assurance engagement are present (see also paragraphs 69-70); and
 - (ii) Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities.
26. If the engaging party imposes a limitation on the scope of the practitioner's work in the terms of a proposed engagement such that the practitioner believes the limitation will result in the practitioner disclaiming a conclusion on the sustainability information, the practitioner shall not accept such an engagement as an assurance engagement, unless required by law or regulation to do so.
27. The engagement leader shall determine that the firm's policies or procedures for the acceptance and continuance of client relationships and assurance engagements have been followed and that conclusions reached in this regard are appropriate in accepting the engagement in accordance with paragraph 25. (Ref: Para. A50-A52)
28. If the engagement leader obtains information that may have caused the firm to decline the engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, the engagement leader shall communicate that information promptly to the firm, so that the firm and the engagement leader can take the necessary action.

Firm-level Quality Management

29. The engagement leader shall be a member of a firm that applies the ISQMs, or other professional requirements, or requirements in law or regulation, that are at least as demanding as the ISQMs. (Ref: Para. A53-A58)

Engagement-level Quality Management

Overall Responsibility for Managing and Achieving Quality

30. The engagement leader shall 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. (Ref: Para. A59-A63)
31. If the engagement leader assigns the design or performance of procedures, tasks or actions related to a requirement of this ISSA to other members of the engagement team to assist the engagement leader in complying with the requirements of this ISSA, the engagement leader shall continue to take overall responsibility for managing and achieving quality on the engagement through direction and supervision of those members of the engagement team, and review of their work. (Ref: Para. A60, A64)

Characteristics of the Engagement Leader

32. The engagement leader shall have: (Ref: Para. A65-A67)
- (a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application;
 - (b) An understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the assurance engagement; and
 - (c) Sustainability competence sufficient to accept responsibility for the conclusions reached on the engagement.

Relevant Ethical Requirements, Including Those Related to Independence

33. The practitioner shall comply with relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the assurance engagement. (Ref: Para. A44–A49)
34. The engagement leader shall take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the engagement, and the firm's related policies or procedures, including those that address: (Ref: Para. A68-A69)
- (a) Identifying, evaluating and addressing threats to compliance with relevant ethical requirements, including those related to independence;
 - (b) Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches; and
 - (c) The responsibilities of members of the engagement team when they become aware of an instance of non-compliance with laws and regulations by the entity.

35. If matters come to the engagement leader's attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement leader shall evaluate the threat through complying with the firm's policies or procedures, using relevant information from the firm, the engagement team or other sources, and take appropriate action. (Ref: Para. A69-A70)
36. Throughout the engagement, the engagement leader shall remain alert, through observation and making inquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement leader's attention through the firm's system of quality management or otherwise that indicate that members of the engagement team have breached relevant ethical requirements, the engagement leader, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A70)

Assurance Skills and Techniques, Professional Skepticism and Professional Judgment

37. The practitioner shall apply assurance skills and techniques as part of an iterative, systematic engagement process.
38. The practitioner shall plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that cause the sustainability information to be materially misstated. (Ref: Para. A71-A76)
39. The practitioner shall exercise professional judgment in planning and performing the assurance engagement, including determining the nature, timing and extent of procedures. (Ref: Para. A77-A79)

Engagement Resources

40. The engagement leader shall 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. (Ref: Para. A80-A81)
41. The engagement leader shall determine that members of the engagement team, and any practitioner's external experts, collectively have the appropriate sustainability competence, competence and capabilities in assurance skills and techniques, and sufficient time, to perform the engagement. (Ref: Para. A82-A86)
42. If the practitioner intends to use the work of a practitioner's external expert or a firm other than the practitioner's firm, the engagement leader shall determine whether the practitioner will be able to be sufficiently and appropriately involved in such work. (Ref: Para. A87-A91)
43. If, as a result of complying with the requirements in paragraphs 40-42, the engagement leader determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement, the engagement leader shall take appropriate action, including communicating with appropriate individuals in the firm about the need to assign or make available additional or alternative resources to the engagement. (Ref: Para. A92-A94)
44. The engagement leader shall take responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the engagement. (Ref: Para. A95)

Direction, Supervision and Review

45. The engagement leader shall take responsibility for the direction and supervision of the members of the engagement team and the review of their work. (Ref: Para. A96-A101)

46. The engagement leader shall determine that the nature, timing and extent of direction, supervision and review is: (Ref: Para. A102-A103)
 - (a) Planned and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements; and
 - (b) Responsive to the nature and circumstances of the engagement and the resources assigned or made available to the engagement team by the firm.
47. The engagement leader shall review engagement documentation at appropriate points in time during the engagement, including documentation relating to: (Ref: Para. A104-A106, A144)
 - (a) Significant matters;
 - (b) Significant judgments, including those relating to difficult or contentious matters identified during the engagement, and the conclusions reached; and
 - (c) Other matters that, in the engagement leader's professional judgment, are relevant to the engagement leader's responsibilities.
48. The engagement leader shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities. (Ref: Para. A107)

Using the Work of a Practitioner's External Expert

49. If the practitioner plans to use the work of a practitioner's external expert, the practitioner shall: (Ref: Para. A108-A110)
 - (a) Evaluate whether the expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. (Ref: Para. A111-A112)
 - (b) When evaluating objectivity, inquire regarding interests and relationships that may create a threat to that expert's objectivity; (Ref: Para. A113)
 - (c) Obtain 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; and (Ref: Para. A114)
 - (d) Agree with the expert on the nature, scope and objectives of that expert's work. (Ref: Para. A114-A115)
 - (e) Evaluate the adequacy of the expert's work for the practitioner's purposes. (Ref: Para. A116)
50. If the practitioner determines that the work of the practitioner's external expert is not adequate for the practitioner's purposes, the practitioner shall:
 - (a) Agree with that expert on the nature and extent of further work to be performed; or
 - (b) Perform additional procedures appropriate to the circumstances.

Using the Work of Another Practitioner

51. If the practitioner intends to use the work of another practitioner, the practitioner shall: (Ref: Para. A117-A118)
 - (a) Evaluate whether that practitioner is independent and has the necessary competence and capabilities for the practitioner's purposes; (Ref: Para. A119-A120)

- (b) When evaluating that practitioner's independence, inquire of the other practitioner about threats to compliance with relevant ethical requirements, including those related to independence;
 - (c) Evaluate whether the nature, scope and objectives of that practitioner's work are appropriate for the practitioner's purposes; and (Ref: Para. A121)
 - (d) Determine whether the other practitioner's work is adequate for the practitioner's purposes.
52. In making the determination in accordance with paragraph 51(d), the practitioner shall, to the extent necessary in the circumstances, communicate with the other practitioner about the findings from the other practitioner's work. (Ref: Para. A122)
53. If the practitioner has communicated with another practitioner in accordance with paragraph 52, the practitioner shall evaluate whether such communications are adequate for the practitioners' purposes. If not, the practitioner shall consider the implications for the engagement. (Ref: Para. A123)
54. The practitioner shall determine whether, and the extent to which, it is necessary to review additional documentation of the work performed by another practitioner. (Ref: Para. A124)

Using the Work of the Internal Audit Function

55. If the practitioner plans to use the work of the internal audit function, the practitioner shall: (Ref: Para. A126-A128)
- (a) Evaluate the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors;
 - (b) Evaluate the level of competence of the internal audit function, including in sustainability matters and applicable criteria;
 - (c) Evaluate whether the internal audit function applies a systematic and disciplined approach, including a system of quality control;
 - (d) Determine whether, and to what extent, to use specific work of the internal audit function; and
 - (e) Determine whether that work is adequate for the practitioner's purposes.

Consultation

56. The engagement leader shall take responsibility for the engagement team undertaking consultation on:
- (a) Difficult or contentious matters and matters on which the firm's policies or procedures require consultation; and
 - (b) Other matters that, in the engagement leader's professional judgment, require consultation.

Engagement Quality Review

57. For those engagements for which an engagement quality review is required in accordance with ISQM 1⁴ or the firm's policies or procedures, the engagement leader shall discuss significant

⁴ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

matters and significant judgments arising during the engagement, including those identified during the engagement quality review, with the engagement quality reviewer.

Monitoring and Remediation

58. The engagement leader shall: (Ref: Para. A129-A130)
- (a) Consider information from the firm's monitoring and remediation process, as communicated by the firm, including, as applicable, information from the monitoring and remediation process of the network and across the network firms; and
 - (b) Determine whether the information may affect the engagement and, if so, take appropriate action.

Fraud and Non-Compliance with Law or Regulation

59. 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. A131)
60. The practitioner shall remain alert to the possibility that procedures performed during the engagement may bring instances of noncompliance or suspected noncompliance with law or regulation to the practitioner's attention. (Ref: Para. A132-136)
61. In the absence of identified or suspected noncompliance, the practitioner is not required to perform procedures regarding the entity's compliance with laws and regulations, other than those set out in paragraphs 60 and 101.

Communication with Management, Those Charged with Governance and Others

62. The practitioner shall determine whether, pursuant to the terms of the engagement and other engagement circumstances, any significant matters have come to the attention of the practitioner to be communicated with management, those charged with governance or others. (Ref: Para. A137-A140)

Documentation

Overarching Documentation Requirements

Form, Content and Extent of Engagement Documentation

63. 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. A141-A143)
- (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. A144-A146)
64. In documenting the nature, timing and extent of procedures performed, the practitioner shall record: (Ref: Para. A147-A148)

- (a) The identifying characteristics of the specific items or matters tested;
 - (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.
65. 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. A149)

Assembly of the Final Engagement File

66. 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. A150-A152)
67. In circumstances other than those envisaged in paragraph 192, 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.

Documentation Related to Quality Management

68. The practitioner shall include in the engagement documentation: (Ref: Para. A153)
- (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.

Preconditions for an Assurance Engagement

Determining Whether the Preconditions are Present

69. To provide an appropriate basis for determining whether the preconditions for an assurance engagement are present (see also paragraph 25), the practitioner shall obtain a preliminary knowledge of the engagement circumstances, including: (Ref: Para. A154-A155)
- (a) The sustainability information expected to be reported; and (Ref: Para. A156-A157)
 - (b) Whether the scope of the proposed assurance engagement encompasses all or part of the sustainability information in (a). (Ref: Para. A158-A159)

70. Based on the preliminary knowledge of the engagement circumstances obtained in accordance with paragraph 69 and discussion with the appropriate party(ies), the practitioner shall evaluate whether:
- (a) The roles and responsibilities of management, those charged with governance and the engaging party, if different, are suitable in the circumstances. In doing so, the practitioner shall also evaluate whether management, or those charged with governance, when appropriate, have a reasonable basis for the sustainability information; and (Ref: Para. A160-A163)
 - (b) The engagement exhibits all of the characteristics in paragraphs 71-74.

Appropriate Sustainability Matters

71. The practitioner shall evaluate whether the sustainability matters within the scope of the engagement are appropriate. In doing so, the practitioner shall consider whether those sustainability matters are identifiable and capable of consistent measurement or evaluation against the applicable criteria, such that the resulting sustainability information can be subjected to procedures for obtaining sufficient appropriate evidence. (Ref: Para. A164-A165)

Suitability and Availability of Criteria

72. The practitioner shall evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances and will be available to the intended users. In doing so, the practitioner shall:
- (a) Evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement; (Ref: Para. A166)
 - (b) Identify the sources of the criteria, including whether they are framework criteria, entity–developed criteria or a combination of both; (Ref: Para. A167-A171)
 - (c) Evaluate whether the criteria exhibit the following characteristics: (Ref: Para. A172-A178)
 - (i) Relevance; (Ref: Para. A179-A180)
 - (ii) Completeness; (Ref: Para. A181)
 - (iii) Reliability; (Ref: Para. A182)
 - (iv) Neutrality; (Ref: Para. A183-A184) and
 - (v) Understandability; and (Ref: Para. A185)
 - (d) Evaluate whether and how the criteria will be made available to the intended users. (Ref: Para. A186)

Evidence to Support the Practitioner's Conclusion and Form of Conclusion

73. The practitioner shall determine whether:
- (a) The practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion; and (Ref: Para. A187-A190L)
 - (b) The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report.

Rational Purpose

74. The practitioner shall determine whether the engagement exhibits a rational purpose. In doing so, the practitioner shall determine whether: (Ref: Para. A191-A192)
- (a) In the case of a limited assurance engagement, the practitioner expects to be able to obtain a meaningful level of assurance; (Ref: Para. A193L-A195L)
 - (b) The engagement as a whole will be useful and not misleading to intended users; and
 - (c) The scope of the assurance engagement is appropriate, including when the scope of the assurance engagement excludes part of the sustainability information expected to be reported. (Ref: Para. A196-A201)

Deciding Whether to Accept or Continue the Assurance Engagement

75. If the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement, unless required by law or regulation to do so. However, an engagement accepted under such circumstances does not comply with this ISSA. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with this ISSA or any other ISSAs.

Preconditions Not Present After Acceptance

76. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner shall discuss the matter with the appropriate party(ies), and determine whether the matter can be resolved to the practitioner's satisfaction. If the matter cannot be resolved to the practitioner's satisfaction, the practitioner shall:
- (a) Withdraw from the engagement, if that is possible under applicable law or regulation; or
 - (b) If withdrawal is not possible under applicable law or regulation, continue with the engagement and express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances. (Ref: Para. A202)

Assurance Report Prescribed by Law or Regulation

77. If law or regulation prescribes the layout or wording of the assurance report that is different from the requirements of the ISSAs, the practitioner shall evaluate:
- (a) Whether intended users may misunderstand the practitioner's conclusion; and
 - (b) If so, whether additional explanation in the assurance report can mitigate the possible misunderstanding.

If the practitioner concludes that additional explanation in the assurance report cannot mitigate the possible misunderstanding, the practitioner shall not accept the assurance engagement, unless required by law or regulation to do so. An assurance engagement conducted in accordance with such law or regulation does not comply with this ISSA. Accordingly, the practitioner shall not include any reference in the assurance report to the assurance engagement having been conducted in accordance with this ISSA.

Terms of the Assurance Engagement

Agreeing the Terms of the Assurance Engagement

78. The practitioner shall agree the terms of the assurance engagement with the engaging party. The agreed terms shall be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation, and shall include: (Ref: Para. A203-A206)
- (a) Matters related to the objective and scope of the assurance engagement, including:
 - (i) The objective of the assurance engagement;
 - (ii) The sustainability information within the scope of the assurance engagement, and the sustainability information that is not within the scope of the assurance engagement;
 - (iii) The reporting boundary(ies) within the scope of the assurance engagement;
 - (iv) Whether the engagement is a limited assurance engagement, reasonable assurance engagement or, a combination of both;
 - (v) The applicable criteria; and
 - (vi) That the assurance engagement will be conducted in accordance with ISSA 5000 *General Requirements for Sustainability Assurance Engagements*.
 - (b) The responsibilities of the practitioner;
 - (c) The responsibilities of management or those charged with governance, as appropriate for:
 - (i) The preparation of the sustainability information in accordance with the applicable criteria, including, where relevant, its fair presentation;
 - (ii) When applicable, identifying, selecting or developing suitable criteria;
 - (iii) Referring to or describing in its sustainability information, the applicable criteria it has used and, when it is not readily apparent from the engagement circumstances, who developed them;
 - (iv) Designing, implementing and maintaining a system of internal control that the entity determines is necessary to enable the preparation of sustainability information in accordance with the applicable criteria that is free from material misstatement, whether due to fraud or error;
 - (v) Providing the practitioner with:
 - a. Access to all information of which management is aware that is relevant to the preparation of the sustainability information;
 - b. Additional information that the assurance practitioner may request for the purpose of the assurance engagement; and
 - c. Unrestricted access to persons within the entity, from whom the practitioner determines it necessary to obtain evidence;
 - (d) Reference to the expected form and content of the report or reports to be issued by the practitioner and a statement that there may be modifications to that report in certain circumstances; and

- (e) An acknowledgement that management agrees to provide written representations at the conclusion of the assurance engagement.
79. For recurring assurance engagements, the practitioner shall evaluate whether the circumstances require the terms of the assurance engagement to be revised or there is a need to remind the appropriate party(ies) of the existing terms.

Changing the Terms of the Assurance Engagement

80. The practitioner shall not agree to a change in the terms of the assurance engagement, including from a reasonable assurance engagement to a limited assurance engagement (i.e., to a lower level of assurance), when there is no reasonable justification for doing so. If the practitioner is unable to agree to a request to change in the terms of the assurance engagement and is not permitted by the appropriate party(ies) to continue the assurance engagement under the original terms, the practitioner shall: (Ref: Para. A207–A208)
- (a) Withdraw from the assurance engagement, when possible, under applicable law or regulation; and
 - (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
81. If the terms of the assurance engagement are changed:
- (a) The practitioner and the appropriate party(ies) shall agree on and record the new terms of the assurance engagement in an engagement letter or other suitable form of written agreement; and
 - (b) The practitioner shall not disregard evidence that was obtained prior to the change.

Evidence

Designing and Performing Procedures to Obtain Sufficient Appropriate Evidence

82. For the purpose of obtaining sufficient appropriate evidence, the practitioner shall design and perform procedures: (Ref: Para. A209–A210)
- (a) In a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory; and (Ref: Para. A211–A212)
 - (b) The nature, timing and extent of which are appropriate in the circumstances to provide evidence to meet the intended purpose of those procedures. (Ref: Para. A213–A228)

Information Intended to be Used as Evidence

83. When designing and performing procedures, the practitioner shall evaluate the relevance and reliability of information intended to be used as evidence, including information obtained from sources external to the entity. (Ref: Para. A229–A246)
84. When using information produced by the entity, the practitioner shall evaluate whether the information is sufficiently reliable for the practitioner's purposes, including, as necessary in the circumstances: (Ref: A247-A248)
- (a) Obtaining evidence about the accuracy and completeness of the information; and
 - (b) Evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

Work Performed by a Management's Expert

85. If information intended to be used as evidence has been prepared by a management's expert, as part of the practitioner's evaluation in accordance with paragraph 83, the practitioner shall, to the extent necessary, having regard to the significance of that expert's work for the practitioner's purposes: (Ref: Para. A249)
- (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A250-A251)
 - (b) Obtain an understanding of the work performed by that expert; and (Ref: Para. A252)
 - (c) Obtain an understanding about how the information prepared by that expert has been used by management in the preparation of the sustainability information. (Ref: Para. A253-A254)

Doubts About the Relevance and Reliability of Information Intended to be Used as Evidence

86. If conditions identified during the assurance engagement 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 shall investigate further and determine the effect on the rest of the evidence obtained. (Ref: Para. A255-A257)
87. If the practitioner has doubts about the relevance or reliability of information intended to be used as evidence, the practitioner shall: (Ref: Para. A258)
- (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.

Planning

Planning Activities

88. The practitioner shall plan the assurance engagement so that it will be performed in an effective manner, including setting the scope, timing and direction of the assurance engagement. In doing so, the engagement leader shall consider information obtained in the acceptance and continuance process. (Ref: Para. A259-A265)
89. The practitioner shall determine the nature, timing and extent of planned procedures that are required to be carried out in order to achieve the objectives of this ISSA. (Ref: Para. A266-A269)
90. The engagement leader and other key members of the engagement team shall be involved in planning the assurance engagement, including participating in the discussion among the engagement team members.

Materiality

91. For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, the practitioner shall: (Ref: Para. A270-A277, A282)
- (a) Consider materiality for qualitative disclosures; and (Ref: Para. A278)
 - (b) Determine materiality for quantitative disclosures. (Ref: Para. A279-A281)

92. For quantitative disclosures, the practitioner shall determine performance materiality as applicable in the circumstances. (Ref: Para. A283-A285)

Documentation

93. The practitioner shall include in the engagement documentation:
- (a) The factors relevant to the practitioner’s consideration of materiality for qualitative disclosures, and the determination of materiality for quantitative disclosures, in accordance with paragraph 91; and
 - (b) When applicable, the basis for the practitioner’s determination of performance materiality in accordance with paragraph 92.

Risk Procedures

Designing and Performing Risk Procedures

Limited Assurance	Reasonable Assurance
<p>94L. The practitioner shall design and perform risk procedures sufficient to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise and thereby provide a basis for designing further procedures to focus on those disclosures. (Ref: Para. A286-A291)</p>	<p>94R. The practitioner shall design and perform risk procedures sufficient to: (Ref: Para. A286-A289, A291, A353R)</p> <ul style="list-style-type: none"> (a) Identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures; and (b) Design and perform further procedures.

95. When designing and performing risk procedures in accordance with paragraphs 94L and 94R, the practitioner shall consider information from the practitioner’s procedures regarding acceptance and continuance of the client relationship or the sustainability assurance engagement. (Ref: Para. A292)
96. 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, 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. A293-A294)

Understanding the Sustainability Matters and the Sustainability Information

97. The practitioner shall obtain an understanding of the sustainability matters and the sustainability information, including the characteristics of events or conditions that could give rise to material misstatement of the disclosures. (Ref: Para. A295–A298)

Understanding the Applicable Criteria

98. The practitioner shall evaluate whether the entity’s policies or procedures to identify or develop, evaluate the suitability of, and apply the applicable criteria are: (Ref: Ref: Para. A299-A301)
- (a) Appropriate for the circumstances of the entity;

- (b) Consistent with the applicable framework criteria, if relevant; and
- (c) Consistent with the criteria used in the relevant industry and in prior periods.

Understanding the Entity and Its Environment

99. The practitioner shall obtain an understanding of the entity and its environment, including:
- (a) The nature of the entity’s operations, the entity’s legal and organizational structure, ownership and governance, and business model; (Ref: Para. A302-A304)
 - (b) The reporting boundary and activities within the reporting boundary; and (Ref: Para. A305)
 - (c) Goals, targets, or strategic objectives related to the sustainability information and measures used to assess the entity’s performance or determine management compensation. (Ref: Para. A306)

Understanding the Legal and Regulatory Framework

100. The practitioner shall obtain an understanding of: (Ref: Para. A307-A309)
- (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.

Inquiries and Discussion with Appropriate Parties

101. The practitioner shall make inquiries of appropriate parties and, when appropriate, others within the entity regarding whether: (Ref: Para. A310-A311)
- (a) They have knowledge of any actual, suspected, or alleged fraud or 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.

Understanding Components of the Entity’s System of Internal Control

Limited Assurance	Reasonable Assurance
<p>102L. The practitioner shall obtain an understanding of the following components of the entity’s system of internal control relevant to the sustainability matters and the preparation of the sustainability information: (Ref: Para. A312-A317)</p> <ul style="list-style-type: none"> (a) The control environment; (Ref: Para. A318L, A320-A321) (b) The results of the entity’s risk assessment process; and (Ref: Para. A322, A326). 	<p>102R. The practitioner shall obtain an understanding of the following components of the entity’s system of internal control relevant to the sustainability matters and the preparation of the sustainability information: (Ref: Para. A312-A314, A316-A317)</p> <ul style="list-style-type: none"> (a) The control environment; (Ref: Para. A319R-A321) (b) The entity’s risk assessment process; (Ref: Para. A322-A326)

Limited Assurance	Reasonable Assurance
(c) The information system and communication. (Ref: Para. A329-A332)	(c) The entity's process to monitor the system of internal control; (Ref: Para. A327R-A332R) (d) The information system and communication; and (Ref: Para. A333-A336) (e) Control activities. (Ref: Para. A337-A339R)

The Control Environment

103R. Based on the practitioner's understanding of the control environment in accordance with paragraph 102R, the practitioner shall evaluate whether: (Ref: Para. A319R-A321)

- (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior;
- (b) 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
- (c) Control deficiencies identified in the control environment undermine the other components of the system of internal control.

The Entity's Risk Assessment Process

104R. The practitioner's understanding of the entity's risk assessment process in accordance with paragraph 102R shall include: (Ref: Para. A322-A326)

- (a) Understanding the entity's process for:
 - (i) Identifying risks relevant to sustainability information reporting objectives;
 - (ii) Assessing the significance of those risks, including the likelihood of their occurrence; and
 - (iii) Addressing those risks; and
- (b) Based on the understanding in (a), evaluating whether the entity's risk assessment process is appropriate to the entity's circumstances.

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

105R. Based on the practitioner's understanding of the entity's process to monitor the system of internal control in accordance with paragraph 102R, the practitioner shall evaluate whether the entity's process is appropriate to the entity's circumstances. (Ref: Para. A327R-A332R)

The Information System and Communication

106. Based on the practitioner's understanding of the information system and communication in accordance with paragraphs 102L or 102R, the practitioner shall evaluate whether the entity's information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria. (Ref: Para. A333-A336)

Control Activities

Limited Assurance	Reasonable Assurance
<p>107L. If the practitioner plans to obtain evidence by testing the operating effectiveness of controls, the practitioner shall obtain an understanding of: (Ref: Para. A337)</p> <ul style="list-style-type: none"> (a) The controls the practitioner plans to test; and (b) The entity's general IT controls that address risks arising from the use of IT related to the controls identified in (a). 	<p>107R. The practitioner's understanding of control activities in accordance with paragraph 102R shall include identifying: (Ref: Para. A337-A339R)</p> <ul style="list-style-type: none"> (a) Controls for which the practitioner plans to obtain evidence by testing their operating effectiveness; (b) The entity's general IT controls that address risks arising from the use of IT related to the controls identified in (a); and (c) Other controls that the practitioner judges are necessary to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to those assessed risks.

Design and Implementation of Controls

Limited Assurance	Reasonable Assurance
<p>108L. The practitioner shall obtain an understanding of each control identified in accordance with paragraph 107L by: (Ref: Para. A340-A342, A344-A345)</p> <ul style="list-style-type: none"> (a) Evaluating whether the control is designed effectively to accomplish the control objective, or effectively designed to support the operation of other controls; and (b) Determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel. 	<p>108R. The practitioner shall obtain an understanding of each control identified in accordance with paragraph 107R by: (Ref: Para. A340-A345)</p> <ul style="list-style-type: none"> (a) Evaluating whether the control is designed effectively to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls; and (b) Determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.

Identifying Control Deficiencies

Limited Assurance	Reasonable Assurance
109L. Based on the practitioner's understanding of the components of the entity's system of internal control, the practitioner shall consider whether one or more control deficiencies have been identified. (Ref: Para. A346-A348)	109R. Based on the practitioner's evaluation of each of the components of the entity's system of internal control, the practitioner shall determine whether one or more control deficiencies have been identified. (Ref: Para. A346-A348)

Identifying Disclosures where Material Misstatements are Likely to Arise (Limited Assurance) or Identifying and Assessing the Risks of Material Misstatement (Reasonable Assurance)

Limited Assurance	Reasonable Assurance
110L. The practitioner shall identify disclosures where material misstatements are likely to arise. (Ref: Para. A352L, A354L-A355)	110R. The practitioner shall identify and assess risks of material misstatement at the assertion level for the disclosures. (Ref: Para. A349R-A351R, A353R, A355)

Evaluating the Evidence Obtained from the Risk Procedures

Limited Assurance	Reasonable Assurance
111L. The practitioner shall determine whether the evidence obtained from the risk procedures provides an appropriate basis for the identification of disclosures where material misstatements are likely to arise. If not, the practitioner shall perform additional risk procedures until evidence has been obtained to provide such a basis. (Ref: Para. A357L)	111R. The practitioner shall determine whether the evidence obtained from the risk procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the practitioner shall perform additional risk procedures until evidence has been obtained to provide such a basis. (Ref: Para. A356R)
112L. If the practitioner obtains new information that is inconsistent with the evidence upon which the practitioner originally based the identification of the disclosures where material misstatements are likely to arise, the practitioner shall revise, if necessary, the identification of disclosures where material misstatements are likely to arise.	112R. If the practitioner obtains new information that is inconsistent with the evidence on which the practitioner originally based the identification and assessments of the risks of material misstatement, the practitioner shall revise, if necessary, the identification or assessment of the risks of material misstatement.

Documentation

113. The practitioner shall include in the engagement documentation:

- (a) The engagement team discussion in accordance with paragraph 96, and the significant decisions reached;

- (b) Key elements of the practitioner’s understanding, inquiries and discussion in accordance with paragraphs 97-107;
- (c) The evaluation of the design of identified controls, and determination of whether such controls have been implemented, in accordance with paragraph 108L, if applicable, and paragraph 108R; and
- (d) Disclosures identified by the practitioner where material misstatements are likely to arise (limited assurance) or the identified and assessed risks of material misstatement of the disclosures (reasonable assurance), in accordance with paragraphs 110L and 110R.

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures

Limited Assurance	Reasonable Assurance
<p>114L. The practitioner shall design and perform further procedures whose nature, timing and extent are focused on the disclosures where material misstatements, whether due to fraud or error, are likely to arise. (Ref: Para. A358-A362L)</p>	<p>114R. 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 assertion level. (Ref: Para. A358-A361)</p>
<p>115L. In designing and performing further procedures, the practitioner shall consider the reasons for the identification of the disclosures where material misstatements are likely to arise. (Ref: Para. A362L, A363L, A365-A366)</p>	<p>115R. In designing and performing further procedures, the practitioner shall: (Ref: Para. A364R, A365-A366)</p> <ul style="list-style-type: none"> (a) Consider the reasons for the assessment given to the risks of material misstatement at the assertion level; (b) Consider whether the practitioner intends to obtain evidence about the operating effectiveness of controls in determining the nature, timing and extent of other procedures; and (c) Obtain more persuasive evidence the higher the practitioner’s assessment of risk.

Overall Responses

Limited Assurance	Reasonable Assurance
<p>116L. The practitioner shall design and implement overall responses if the practitioner identifies: (Ref: Para. A367-A368)</p> <ul style="list-style-type: none"> (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 law or regulation; or (c) Material misstatements that are likely to arise pervasively throughout the sustainability information. 	<p>116R. The practitioner shall design and implement overall responses to address the risks of material misstatement if: (Ref: Para. A367-A368)</p> <ul style="list-style-type: none"> (a) The practitioner's evaluation of the control environment indicates that: <ul style="list-style-type: none"> (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 law or regulation; or (c) The practitioner identifies risks of material misstatement pervasively throughout the sustainability information.

117. The practitioner shall respond appropriately to fraud or non-compliance with law or regulation, whether actual or suspected, identified during the engagement, by obtaining: (Ref: Para. A369-A370)

- (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.

118. 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 procedures and the reliability of written representations, and take appropriate action. (Ref: Para. A371)

Tests of Controls

119. If the practitioner intends to obtain evidence about the operating effectiveness of controls identified in accordance with paragraphs 107L or 107R, the practitioner shall design and perform tests of controls by: (Ref: Para. A372-A373)
- (a) Performing inquiry and other procedures to obtain evidence about the operating effectiveness of the controls, including:
 - (i) How the controls were applied at relevant times during the period to which the sustainability information relates;
 - (ii) The consistency with which they were applied; and
 - (iii) By whom or by what means they were applied.
 - (b) Determining whether the controls to be tested depend upon other controls and, if so, whether it is necessary to obtain evidence supporting the effective operation of those indirect controls.
120. The practitioner shall test controls for the appropriate period for which the practitioner intends to obtain evidence about the operating effectiveness of those controls, subject to paragraph 121.
121. If the practitioner obtains evidence about the operating effectiveness of controls during an interim period and intends to extend the conclusions of those tests of controls for the remaining period, the practitioner shall obtain evidence about the operating effectiveness of those controls for the period subsequent to the interim period.
122. If the practitioner plans to use evidence from a previous sustainability assurance engagement about the operating effectiveness of controls, the practitioner shall establish the continuing relevance of the evidence by obtaining evidence about whether significant changes in those controls have occurred subsequent to the previous engagement. The practitioner shall obtain this evidence by performing inquiry, combined with observation or inspection, to confirm the understanding of those specific controls, and (Ref: Para. A374-A375)
- (a) If there have not been changes that affect the continuing relevance of the evidence from the previous engagement, the practitioner shall test the controls at least once in every third engagement, and shall test some controls in each engagement.
 - (b) If there have been changes that affect the continuing relevance of the evidence from the previous engagement, test the controls in the current engagement.
- 123R. If the practitioner plans to obtain evidence about the operating effectiveness of controls over a risk of material misstatement at the upper end of the spectrum of risk, the practitioner shall test those controls in the current period.
124. When evaluating the operating effectiveness of controls, the practitioner shall evaluate whether misstatements detected through performing other procedures indicate that controls are not operating effectively. The absence of misstatements detected by other procedures, however, does not provide evidence that controls being tested are effective.
125. If deviations from controls that the practitioner tests are detected, the practitioner shall make specific inquiries to understand these matters and their potential consequences and shall determine whether:
- (a) The tests of controls that have been performed provide sufficient appropriate evidence about the operating effectiveness of those controls;

- (b) Additional tests of controls are necessary; or
- (c) The potential risks of material misstatement (reasonable assurance) or disclosures where material misstatements are likely to arise (limited assurance) need to be addressed by performing substantive procedures.

Substantive Procedures

Limited Assurance	Reasonable Assurance
126L. Paragraph 114L requires the practitioner to design and perform further procedures whose nature, timing and extent are focused on the disclosures where material misstatements, whether due to fraud or error, are likely to arise. (Ref: Para. A377L)	126R. Paragraph 114R requires the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement at the assertion level. Those further procedures shall include 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. (Ref: Para. A349R-A351R)
	127R. Irrespective of the assessed risks of material misstatement, the practitioner shall consider the need to design and perform substantive procedures for disclosures that, in the practitioner's judgment, are important to the information needs of intended users. (Ref: Para. A376R)

128R. The practitioner shall consider whether external confirmation procedures are to be performed. (Ref: Para. A378-A379)

129. If substantive procedures are performed at an interim date and the practitioner intends to extend the conclusions of those substantive procedures for the remaining period, the practitioner shall perform: (Ref: Para. A380-A381)

- (a) Substantive procedures, combined with tests of controls for the period subsequent to the interim period; or
- (b) If the practitioner determines that it is sufficient, further substantive procedures only, that provide a reasonable basis for extending the conclusions to the period subsequent to the interim period.

Analytical Procedures

Limited Assurance	Reasonable Assurance
<p>130L. If designing and performing analytical procedures, the practitioner shall: (Ref: Para. A382-A383)</p> <ul style="list-style-type: none"> (a) Determine the suitability of particular analytical procedures, considering the reasons for the identification of the disclosures where material misstatements are likely to arise; and (b) Develop an expectation about recorded quantities or ratios. (Ref: Para. A384L) 	<p>130R. If designing and performing analytical procedures, the practitioner shall (Ref: Para. A382-A383):</p> <ul style="list-style-type: none"> (a) Determine the suitability of particular analytical procedures for given assertions, considering the reasons for the assessment of risks of material misstatement and evidence from other procedures, if any, for these assertions; and (b) Develop an expectation about recorded quantities or ratios that is sufficiently precise to identify possible material misstatements.
<p>131L. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from the expected result, the practitioner shall make inquiries of management about such differences. The practitioner shall consider the responses to these inquiries to determine whether additional procedures are necessary in the circumstances.</p>	<p>131R. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the practitioner shall investigate such differences by</p> <ul style="list-style-type: none"> (a) Inquiring of management and obtaining additional evidence relevant to management's responses; and (b) Performing other procedures as necessary in the circumstances.

Sampling

132. If the practitioner uses sampling as a means for selecting items for testing, the practitioner shall: (Ref: Para. A385)
- (a) Consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn;
 - (b) Determine a sample size sufficient to reduce sampling risk to an acceptably low level; and
 - (c) Select the sample, perform procedures on the items selected, and evaluate the results.

Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement

133L. If the practitioner becomes aware of a matter(s) that causes the practitioner to believe the sustainability information may be materially misstated, the practitioner shall design and perform additional procedures to obtain further evidence until the practitioner is able to: (Ref: Para. A386L-A389L)

- (a) Conclude that the matter(s) is not likely to cause the sustainability information to be materially misstated; or
- (b) Determine that the matter(s) causes the sustainability information to be materially misstated.

Estimates and Forward-Looking Information

Limited Assurance	Reasonable Assurance
<p>134L. If designing and performing further procedures on estimates or forward-looking information the practitioner shall: (Ref: Para. A390-A392)</p> <ul style="list-style-type: none"> (a) Evaluate whether: <ul style="list-style-type: none"> (i) Management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information; and (ii) The methods for developing estimates or forward-looking information are appropriate and have been applied consistently, and (iii) Changes, if any, in reported estimates or forward-looking information, or changes from the prior period in the method used for developing estimates or forward-looking information, are appropriate in the circumstances; and (b) Consider whether other procedures are necessary in the circumstances. 	<p>134R. In responding to an assessed risk of material misstatement relating to disclosures involving estimates or forward-looking information, the practitioner shall undertake one or more of the following: (Ref: Para. A390-A392)</p> <ul style="list-style-type: none"> (a) Test how management developed the estimate or forward-looking information and the related disclosure(s), and the information on which the estimate or forward-looking information is based. In doing so, the practitioner shall evaluate whether: <ul style="list-style-type: none"> (i) The method has been appropriately selected and applied, and any changes from prior periods are appropriate; (Ref: Para. A393R, A396) (ii) The assumptions used, including any changes from prior periods, are appropriate; (Ref: Para. A394R-A388R, A396) (iii) The data, including any changes from prior periods, are appropriate; (Ref: Para. A395R, A396) (b) Develop a point estimate or a range to evaluate management’s estimate or develop a point or a range to evaluate management’s forward-

Limited Assurance	Reasonable Assurance
	<p>looking information. For this purpose, the practitioner shall:</p> <ul style="list-style-type: none"> (i) Evaluate whether the methods, assumptions or data used are appropriate in the context of the criteria. (ii) When the practitioner develops a range: <ul style="list-style-type: none"> a. Determine that the range includes only amounts that are supported by sufficient evidence and have been evaluated by the practitioner to be reasonable; and b. Design and perform further procedures to obtain sufficient appropriate evidence regarding the assessed risk of material misstatement relating to the disclosures in the sustainability information that describe the uncertainty. (c) Obtain evidence from events occurring up to the date of the practitioner's report.

The Entity's Process for Assembling the Sustainability Information

Limited Assurance	Reasonable Assurance
<p>135L. The practitioner's procedures shall include the following procedures related to the entity's process for assembling the sustainability information: (Ref: Para. A397)</p> <ul style="list-style-type: none"> (a) Agreeing or reconciling the sustainability information with the underlying records; and (b) Obtaining, through inquiry of management, an understanding of 	<p>135R. The practitioner's procedures shall include the following procedures related to the entity's process for assembling the sustainability information: (Ref: Para. A397)</p> <ul style="list-style-type: none"> (a) Agreeing or reconciling the sustainability information with the underlying records; and (b) Obtaining evidence about material adjustments made during the course

Limited Assurance	Reasonable Assurance
material adjustments made during the course of preparing the sustainability information and considering whether additional procedures are necessary in the circumstances.	of preparing the sustainability information.

Documentation

136. The practitioner shall include in the engagement documentation:

- (a) The overall responses in accordance with paragraphs 116L and 116R 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

Accumulation of Identified Misstatements

137. The practitioner shall accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: Para. A398-A403)

138. The practitioner shall: (Ref: Para. A404-A407)

- (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.

Consideration of Identified Misstatements as the Engagement Progresses

139. The practitioner shall determine whether the approach to the engagement needs to be revised if: (Ref: Para. A408)

- (a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or
- (b) The misstatements accumulated during the engagement may, in the aggregate, result in the sustainability information being materially misstated.

Communicating and Correcting Misstatements

140. The practitioner shall communicate to management, on a timely basis, all misstatements accumulated during the assurance engagement, and shall request management to correct those misstatements. (Ref: Para. A409)
141. If, at the practitioner's request, management has examined the sustainability information and corrected misstatements that were detected, the practitioner shall perform additional procedures with respect to the work performed by management to determine whether material misstatements remain.
142. If management refuses to correct some or all of the misstatements communicated by the practitioner, the practitioner shall obtain an understanding of management's reasons for not doing so and shall consider that understanding when forming the practitioner's conclusion. (Ref: Para. A410)

Evaluating the Effect of Uncorrected Misstatements

143. Prior to evaluating the effect of uncorrected misstatements, the practitioner shall consider whether the results of procedures performed and evidence obtained indicate that materiality needs to be revised.
144. The practitioner shall determine whether uncorrected misstatements are material, individually or in the aggregate. In making this determination, the practitioner shall consider the size and nature of the misstatements, and the particular circumstances of their occurrence. (Ref: Para. A411-A423)

Evaluating the Description of Applicable Criteria

145. The practitioner shall evaluate whether the sustainability information adequately references or describes the applicable criteria and the sources of those criteria. (Ref: Para. A424-A426)

Subsequent Events

146. The practitioner shall: (Ref: Para. A427-A429L)
 - (a) Perform procedures to identify events occurring up to the date of the assurance report that may have an effect on the sustainability information and the assurance report, and
 - (b) Evaluate the sufficiency and appropriateness of evidence obtained about whether such events are appropriately reflected in that sustainability information in accordance with the applicable criteria.
147. The practitioner shall respond appropriately to facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report. (Ref: Para. A430)

Written Representations from Management and Those Charged with Governance

148. The practitioner shall request from management and, where appropriate, those charged with governance a written representation: (Ref: Para. A431-A432)
 - (a) That they have fulfilled their responsibility for the preparation of the sustainability information, including comparative information where appropriate, in accordance with the applicable criteria, as set out in the terms of the engagement;

- (b) That they have provided the practitioner with all relevant information and access as agreed in the terms of the engagement and reflected all relevant matters in the sustainability information;
 - (c) Whether they believe the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the sustainability information. A summary of such items shall be included in, or attached to, the written representation;
 - (d) Whether they believe that significant assumptions used in making estimates and preparing forward-looking information are reasonable;
 - (e) That they have communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial of which they are aware;
 - (f) Whether they have disclosed to the practitioner their knowledge of actual, suspected or alleged fraud or non-compliance with law or regulation where the fraud or non-compliance could have a material effect on the sustainability information; and
 - (g) That they adjusted the sustainability information for or disclosed all events occurring subsequent to the date of the sustainability information and for which the applicable criteria require adjustment or disclosure.
149. If, in addition to the required representations, the practitioner determines that it is necessary to obtain one or more written representations to support other evidence relevant to the sustainability information, the practitioner shall request them.
150. When written representations relate to matters that are material to the sustainability information, the practitioner shall:
- (a) Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written); and
 - (b) Consider whether those making the representations can be expected to be well-informed on those matters.
151. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance report.
152. If one or more of the requested written representations are not provided or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the practitioner shall:
- (a) Discuss the matter with management and, where appropriate those charged with governance;
 - (b) Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and
 - (c) Take appropriate actions, including determining the possible effect on the conclusion in the assurance report.
153. The practitioner shall disclaim a conclusion on the sustainability information or withdraw from the engagement (if withdrawal is possible under applicable law or regulation) if:

- (a) The practitioner concludes that there is sufficient doubt about the integrity of the person(s) providing the written representations required by paragraphs 148(a) and (b) that written representations in these regards are not reliable; or
- (b) The entity does not provide the written representations required by paragraphs 148(a) and (b).

Other Information

Obtaining the Other Information

154. The practitioner shall: (Ref: Para. A433-A436)

- (a) Identify the other information by determining, through discussion with management, the document or documents expected to be issued that will contain the sustainability information and the assurance report thereon, and the entity's planned manner and timing of the issuance of such document(s); and
- (b) Make arrangements with management to obtain in a timely manner prior to the date of the assurance report, the final version of such document(s).

Reading and Considering the Other Information

155. The practitioner shall read the other information obtained prior to the date of the assurance report and, in doing so shall: (Ref: Para. A437-A438)

- (a) Consider whether there is a material inconsistency between the other information and the sustainability information;
- (b) Consider whether there is a material inconsistency between the other information and the practitioner's knowledge obtained during the assurance engagement, in the context of evidence obtained and conclusions reached in the engagement; and
- (c) Remain alert for indications that the other information not related to the sustainability information or the practitioner's knowledge obtained during the engagement appears to be materially misstated.

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated

156. If the practitioner identifies that a material inconsistency appears to exist or becomes aware that the other information appears to be materially misstated, the practitioner shall discuss the matter with management and, if necessary, perform other procedures to conclude whether:

- (a) A material misstatement of the other information exists;
- (b) A material misstatement of the sustainability information exists; or
- (c) The practitioner's understanding of the entity and its environment needs to be updated.

Responding When the Practitioner Concludes That a Material Misstatement of the Other Information Exists

157. If the practitioner concludes that a material misstatement of the other information exists, the practitioner shall request management to correct the other information. If management: (Ref: Para. A439-A440)

- (a) Agrees to make the correction, the practitioner shall determine that the correction is made; or
 - (b) Refuses to make the correction, the practitioner shall communicate the matter to those charged with governance and request that the correction be made.
158. If the practitioner concludes that a material misstatement exists in the other information and it is not corrected after communicating with those charged with governance, the practitioner shall take appropriate action, including: (Ref: Para. A439-A440)
- (a) Considering the implications for the assurance report and communicating with those charged with governance about how the practitioner plans to address the material misstatement in the assurance report; or (Ref: Para. A441)
 - (b) If withdrawal is possible under applicable law or regulation, withdrawing from the engagement. (Ref: Para. A442)

Responding When a Material Misstatement of the Sustainability Information Exists or the Practitioner's Understanding of the Entity and Its Environment Needs to Be Updated

159. If, as a result of performing the procedures in paragraph 155, the practitioner concludes that a material misstatement of the sustainability information exists, or the practitioner's understanding of the entity and its environment needs to be updated, the practitioner shall respond appropriately. (Ref: Para. A443)

Forming the Assurance Conclusion

Evaluating the Evidence Obtained

160. The practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained, including evidence from the work performed by a practitioner's external expert, another practitioner or internal audit function, and, if necessary in the circumstances, attempt to obtain further evidence. In making this evaluation, the practitioner shall: (Ref: Para. A444-A447)
- (a) Evaluate whether the evidence obtained meets the intended purpose of the procedures; and
 - (b) Consider all evidence obtained, including evidence that is consistent or inconsistent with other evidence, and regardless of whether it appears to corroborate or to contradict the disclosures.
161. 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.
162. If the practitioner obtains evidence that is inconsistent with other evidence, the practitioner shall: (Ref: Para. A448-A452)
- (a) Determine what modifications or additions to procedures are necessary to understand and address the inconsistency; and
 - (b) Consider the effect, if any, on other aspects of the assurance engagement.

Concluding

163. The practitioner shall form a conclusion about whether the sustainability information is free from material misstatement. In forming that conclusion, the practitioner shall consider the practitioner's evaluation in paragraph 160 regarding the sufficiency and appropriateness of evidence obtained and the determination in paragraph 144 of whether uncorrected misstatements are material, individually or in the aggregate. (Ref: Para. A453)
164. When the principles of fair presentation are embodied in the applicable criteria, the evaluation required by paragraph 163 shall also include consideration of: (Ref: Para. A454-A455)
- (a) The overall presentation, structure, and content of the sustainability information; and
 - (b) When appropriate in the context of the criteria, the wording of the practitioner's conclusion, or other engagement circumstances, whether the sustainability information represents the sustainability matters in a manner that achieves fair presentation.

Scope Limitation

165. If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the practitioner shall either: (Ref: Para. A456-A457)
- (a) Express a qualified conclusion;
 - (b) Disclaim a conclusion; or
 - (c) Withdraw from the engagement, if withdrawal is possible under applicable law or regulation, as appropriate.

Taking Overall Responsibility for Managing and Achieving Quality

166. Prior to dating the assurance report, the engagement leader shall: (Ref: Para. A458-A460)
- (a) Take responsibility for determining whether relevant ethical requirements, including independence, have been fulfilled.
 - (b) Determine, through review of engagement documentation and discussion with the engagement team, that sufficient appropriate evidence has been obtained to support the conclusions reached and for the assurance report to be issued.
 - (c) Review the sustainability information and the assurance report, to determine that the report to be issued will be appropriate in the circumstances.
 - (d) Determine that:
 - (i) The engagement leader's involvement has been sufficient and appropriate throughout the engagement such that the engagement leader has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement; and
 - (ii) The nature and circumstances of the engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with the requirements of this ISSA.
 - (e) If the engagement is subject to an engagement quality review, determine that the engagement quality review has been completed.

Documentation

167. The practitioner shall include in the engagement documentation:

- (a) The basis for the engagement leader's determination in accordance with paragraph 166(b) that sufficient appropriate evidence has been obtained, including:
 - (i) The determination in accordance with paragraphs 49(e), 51(d) and 55(e) that the work of a practitioner's external expert, another practitioner or the internal audit function is adequate for the practitioner's purposes;
 - (ii) 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 162); and (Ref: Para. A461)
- (b) The basis for the engagement leader's determination in accordance with paragraph 166(d) that the engagement leader's involvement has been sufficient and appropriate throughout the engagement. (Ref: Para. A462)

Preparing the Assurance Report

168. The assurance report shall be in writing and shall contain a clear expression of the practitioner's reasonable assurance opinion or limited assurance conclusion about the sustainability information. (Ref: Para. A463-A464)

169. The practitioner's conclusion shall be clearly separated from information or explanations that are not intended to affect the practitioner's conclusion, including any:

- (a) Emphasis of Matter paragraphs;
- (b) Other Matter paragraphs;
- (c) Findings related to particular aspects of the engagement;
- (d) Recommendations; or
- (e) Additional information included in the assurance report.

The wording used shall make it clear that an Emphasis of Matter, Other Matter, findings, recommendations or additional information is not intended to detract from the practitioner's conclusion. (Ref: Para. A463-A464)

Assurance Report Content

170. The assurance report shall include at a minimum the following basic elements: (Ref: Para. A465, A488-A490)

- (a) A title that clearly indicates the report is an independent practitioner's limited or reasonable assurance report. (Ref: Para. A466)
- (b) An addressee. (Ref: Para. A467)
- (c) The practitioner's conclusion in the first section of the assurance report, which: (Ref: Para. A468-A477)
 - (i) Includes a heading reflecting the type of conclusion provided, either:
 - a. For unmodified conclusions, "Reasonable Assurance Opinion," "Limited Assurance Conclusion," or an appropriate heading for an assurance report for both a reasonable assurance and limited assurance engagement; or

- b. For modified conclusions, the heading in a. above shall be prefixed with “Qualified,” “Adverse,” or “Disclaimer of” as appropriate, and, for an assurance report for both a reasonable and limited assurance engagement, clear identification of which opinion(s) or conclusion(s) are modified;
- (ii) Identifies the entity whose sustainability information has been subject to the assurance engagement;
- (iii) Identifies or describes the level of assurance, either reasonable or limited or different levels of assurance for different parts of the sustainability information, obtained by the practitioner; (Ref: Para. A468)
- (iv) Identifies and describes the sustainability information, including, if appropriate, the sustainability matters and how that information is reported; (Ref: Para. A469)
- (v) Specifies the date of, or period or periods covered by the sustainability information.
- (vi) Expresses a conclusion, which: (Ref: Para. A470L-A472)
 - a. In a reasonable assurance engagement, shall be expressed in a positive form, that the sustainability information is prepared or fairly presented, in all material respects, in accordance with the applicable criteria; or
 - b. In a limited assurance engagement, shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe that the sustainability information is not prepared or not fairly presented, in all material respects, in accordance with the applicable criteria.
- (vii) Identifies the applicable criteria, whether framework criteria, entity-developed criteria or both, and, for entity-developed criteria, where it is located; (Ref: A473-A476)
- (viii) The conclusion in paragraph 170(c)(vi) shall be phrased in terms of: (Ref: Para. A470L-A472)
 - a. The sustainability information and the applicable criteria; or
 - b. A statement made by the appropriate party(ies); and
- (ix) When appropriate, the conclusion shall inform the intended users of the context in which the practitioner’s conclusion is to be read. (Ref: Para. A477)
- (d) The basis for conclusion directly following the Conclusion section, with the heading “Basis for Opinion” for a reasonable assurance report, “Basis for Conclusion” for a limited assurance report, or an appropriate heading for an assurance report for both a limited assurance and reasonable assurance engagement that:
 - (i) States that the engagement was conducted in accordance with ISSA 5000 *General Requirements for Sustainability Assurance Engagements*; (Ref: Para. A478)
 - (ii) For a limited assurance engagement, states that:

- a. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
 - b. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.
- (iii) Refers to the section of the assurance report that describes the practitioner's responsibilities in accordance with this ISSA (see paragraph 170(h));
- (iv) Includes a statement that the practitioner is independent of the entity in accordance with the relevant ethical requirements related to the assurance engagement, and has fulfilled the practitioner's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code;
- (v) States that the firm of which the practitioner is a member applies ISQM 1, or other professional requirements, or requirements in law or regulation. If other professional requirements are applied, the statement shall identify those professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQM 1.
- (vi) States whether the practitioner believes that the evidence the practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner's conclusion; and
- (vii) If the practitioner expresses a modified conclusion, provides a description of the matter(s) giving rise to the modification.
- (e) Where applicable, a section with a heading "Other Information," containing the matters in accordance with paragraph 182.
- (f) A section with the heading "Responsibilities for the Sustainability Information" that:
- (i) States that management or those charged with governance, as appropriate, is responsible for: (Ref: Para. A479-A480)
 - a. The preparation and, if applicable, fair presentation of the sustainability information in accordance with the applicable criteria; and; (Ref: Para. A481)
 - b. Designing, implementing and maintaining such internal controls that the entity determines is necessary to enable the preparation of sustainability information in accordance with the applicable criteria that is free from material misstatement, whether due to fraud or error; and
 - (ii) If those responsible for oversight of the process to prepare the sustainability information are different from those who fulfill the responsibilities described in (f)(i), identifies those responsible for oversight. (Ref: Para. A480)
- (g) If applicable, a section with the heading "Inherent Limitations in Preparing the Sustainability Information" that describes any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria; (Ref: Para. A420 and A499)
- (h) A section with the heading "Practitioner's Responsibilities" that states that: (Ref: Para. A479)

- (i) The objective of the practitioner is to plan and perform the assurance engagement to obtain limited or reasonable assurance, as applicable, about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes a conclusion (for limited assurance) or opinion (for reasonable assurance).
- (ii) Misstatements can arise from fraud or error, and:
 - a. Are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information; or
 - b. If materiality is defined or described differently in the applicable criteria, include such definition or description.
- (iii) The practitioner exercises professional judgment and maintains professional skepticism throughout the engagement.
- (iv) The practitioner performs risk procedures, including obtaining:
 - a. For a limited assurance engagement: an understanding of internal controls relevant to the engagement to identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control;⁵ or
 - b. For a reasonable assurance engagement: an understanding of internal controls relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.⁶
- (v) The practitioner designs and performs procedures:
 - a. For a limited assurance engagement: responsive to disclosures in the sustainability information where material misstatements are likely to arise, or
 - b. For a reasonable assurance engagement: responsive to the assessed risks of material misstatement of the disclosures in the sustainability information.
- (vi) The risk of not detecting a material misstatement due to fraud is higher than for one due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- (i) For a limited assurance engagement, a section, with the heading "Summary of Work Performed," that contains an informative summary of the work performed as a basis for the practitioner's conclusion. This section shall describe the nature, timing and extent of procedures performed sufficiently to enable users to understand the limited assurance the practitioner has obtained. (Ref: Para. A482-A486L)
- (j) The practitioner's signature.
- (k) The location in the jurisdiction where the engagement leader practices.

⁵ If the limited assurance engagement includes a conclusion on the effectiveness of internal control, remove the words "but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control."

⁶ If the reasonable assurance engagement includes an opinion on the effectiveness of internal control, remove the words "but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

- (l) The date of the assurance report. The assurance report shall be dated no earlier than the date on which: (Ref: Para. A487)
 - (i) The practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the sustainability information; and
 - (ii) When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality review is complete.

Name of the Engagement Leader in the Assurance Report

171. When the assurance report on sustainability information is for a listed entity, the name of the engagement leader shall be included, unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the practitioner intends not to include the name of the engagement leader in the assurance report, the practitioner shall discuss this intention with those charged with governance to inform them of the practitioner's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A491-A493)

Reference to a Practitioner's Expert in the Assurance Report

172. If the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report shall not imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert. (Ref: Para. A84, A87, A494-A495)

Other Reporting Responsibilities

173. If the practitioner addresses other reporting responsibilities in the assurance report on the sustainability information that are in addition to the practitioner's responsibilities under this ISSA, these other reporting responsibilities shall be addressed in a separate section in the assurance report with a heading "Report on Other Legal and Regulatory Requirements" or otherwise as appropriate to the content of the section. If these other reporting responsibilities address the same report elements as those presented under the reporting responsibilities required by this ISSA, the other reporting responsibilities may be presented in the same section as the related report elements required by this ISSA (Ref: Para A496-A497)
174. If other reporting responsibilities are presented in the same section as the related report elements required by this ISSA, the practitioner's report shall clearly differentiate the other reporting responsibilities from the reporting that is required by this ISSA. (Ref: Para. A498)
175. If the assurance report contains a separate section that addresses other reporting responsibilities, the requirements of paragraph 170 shall be included under a section with a heading "[Limited, Reasonable or Limited and Reasonable] Assurance Report on the Sustainability Information." The "Report on Other Legal and Regulatory Requirements" shall follow the "[Limited, Reasonable or Limited and Reasonable] Assurance Report on the Sustainability Information." (Ref: Para. A498)
176. If the practitioner is required by law or regulation to use a specific layout or wording of the assurance report, the assurance report shall refer to this ISSA only if the assurance report includes, at a minimum, each of the elements identified in paragraphs 170 and 171.

Engagements Conducted in Accordance with Both ISSA 5000 and Other Assurance Standards

177. A practitioner may be required to conduct an assurance engagement in accordance with the assurance standards of a specific jurisdiction (the “other assurance standards”), and has additionally complied with this ISSA in the conduct of the engagement. If this is the case, the assurance report may refer to this ISSA in addition to the other assurance standards, but the practitioner shall do so only if:

- (a) There is no conflict between the requirements in the other assurance standards and those in this ISSA that would lead the practitioner:
 - (i) to reach a different conclusion, or
 - (ii) not to include an Emphasis of Matter paragraph or Other Matter paragraph that, in the particular circumstances, is required by this ISSA; and
- (b) The assurance report includes, at a minimum, each of the elements set out in paragraphs 170 and 171 when the practitioner uses the layout or wording specified by the other assurance standards. The assurance report shall identify such other assurance standards, including the jurisdiction of origin of the other assurance standards.

Unmodified Conclusion

Limited Assurance	Reasonable Assurance
<p>178L. The practitioner shall express an unmodified limited assurance conclusion when the practitioner concludes, that, based on the procedures performed and evidence obtained, no matter(s) has come to the attention of the practitioner that causes the practitioner to believe that:</p> <ul style="list-style-type: none"> (a) In the case of compliance criteria, the sustainability information is not prepared, in all material respects, in accordance with the applicable criteria; or (b) In the case of fair presentation criteria, the sustainability information is not fairly presented, in all material respects, in accordance with the applicable criteria. 	<p>178R. The practitioner shall express an unmodified reasonable assurance conclusion when the practitioner concludes, that:</p> <ul style="list-style-type: none"> (a) In the case of compliance criteria, the sustainability information is prepared, in all material respects, in accordance with the applicable criteria; or (b) In the case of fair presentation criteria, the sustainability information is fairly presented, in all material respects, in accordance with the applicable criteria.

Emphasis of Matter Paragraph and Other Matter Paragraph

179. If the practitioner considers it necessary to: (Ref: Para. A499-A502)

- (a) 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); or

- (b) 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), and

this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner's conclusion is not modified in respect of the matter.

- 180. If the applicable criteria are designed for a specific purpose, the practitioner shall include an Emphasis of Matter paragraph that alerts readers to this fact, and that, as a result, the sustainability information may not be suitable for another purpose. (Ref: Para. A503-A504)

Other Information

- 181. If the practitioner has obtained the other information by the date of the assurance report, the assurance report shall include a separate section in accordance with paragraph 170(e), except when the practitioner disclaims a conclusion, in which case an "Other Information" section is not included. (Ref: Para. A505)

- 182. When the assurance report is required to include an Other Information section in accordance with paragraph 181, this section shall include:

- (a) A statement that management or those charged with governance, as appropriate, is responsible for the other information;
- (b) An identification of other information obtained by the practitioner prior to the date of the assurance report;
- (c) A statement that the practitioner's conclusion does not cover the other information and, accordingly, that the practitioner does not provide a conclusion thereon;
- (d) A description of the practitioner's responsibilities relating to reading, considering, and reporting on other information as required by this ISSA; and
- (e) Either:
 - (i) A statement that the practitioner has nothing to report with respect to the other information; or
 - (ii) If the practitioner has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

Modified Conclusion

- 183. The practitioner shall express a modified conclusion in the following circumstances:

- (a) When, in the practitioner's professional judgment, a scope limitation exists, and the effect of the matter could be material. In such cases, the practitioner shall express a qualified conclusion or a disclaimer of conclusion. (Ref: Para. A506, A512L-A514)
- (b) When, in the practitioner's professional judgment, the sustainability information is materially misstated. In such cases, the practitioner shall express a qualified conclusion or adverse conclusion. (Ref: Para. A507-A509, A512L-A514)

184. The practitioner shall express a qualified conclusion when, in the practitioner's professional judgment, the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion shall be expressed as being "except for" the effects, or possible effects, of the matter to which the qualification relates. (Ref: Para. A506, A510-A511)
185. If the practitioner expresses a modified conclusion because of a scope limitation, but is also aware of a matter(s) that causes the sustainability information to be materially misstated, the practitioner shall include in the assurance report a clear description of both the scope limitation and the matter(s) that causes that the sustainability information to be materially misstated. (Ref: Para. A506)
186. If a statement made by management, or those charged with governance, as appropriate, in the sustainability information has identified and properly described that the sustainability information is materially misstated, the practitioner shall either:
- (a) Express a qualified conclusion or adverse conclusion phrased in terms of the sustainability information and the applicable criteria; or
 - (b) If specifically required by the terms of the engagement to phrase the conclusion in terms of a statement made by the appropriate party(ies), express an unqualified conclusion, but include an Emphasis of Matter paragraph in the assurance report referring to the statement made by the appropriate party(ies), that identifies and properly describes that the sustainability information is materially misstated.

Comparative Information

187. The practitioner shall determine whether the applicable criteria (or law or regulation) require comparative information to be included in the sustainability information and, if so, whether that comparative information is appropriately presented.
188. In determining whether the comparative information is appropriately presented, the practitioner shall evaluate whether: (Ref: Para. A515-A520)
- (a) The comparative information is consistent with the disclosures presented in the prior period and, if not, any inconsistencies are addressed in accordance with the applicable criteria; and
 - (b) The criteria for measurement or evaluation of the sustainability information reflected in the comparative information are consistent with those applied in the current period or, if there have been changes, whether they have been properly applied and adequately disclosed.
189. If the comparative information is not referred to in the practitioner's assurance conclusion and was not subject to an assurance engagement in the prior period, the practitioner shall state that fact in an Other Matter paragraph.
190. If the comparative information is not referred to in the practitioner's conclusion and was subject to an assurance engagement in the prior period, the practitioner shall state in an Other Matter paragraph:
- (a) If the assurance engagement for the prior period had a different level of assurance or a different engagement scope than the current period, that fact and what those differences were; or

- (b) If the assurance engagement for the prior period was conducted by a predecessor practitioner:
 - (i) That fact;
 - (ii) The type of conclusion provided by the predecessor practitioner;
 - (iii) If the conclusion was modified, the reasons for any modification; and
 - (iv) The date of that report.
191. Irrespective of whether the practitioner's conclusion refers to the comparative information, if the practitioner becomes aware that there may be a material misstatement of the comparative information presented the practitioner shall: (Ref: Para. A520)
- (a) Discuss the matter with management and perform procedures appropriate in the circumstances;
 - (b) Consider the effect on the assurance report; and
 - (c) If the comparative information presented contains a material misstatement, and the comparative information has not been restated:
 - (i) When the practitioner's conclusion refers to the comparative information, the practitioner shall express a qualified conclusion or an adverse conclusion in the assurance report; or
 - (ii) When the practitioner's conclusion does not refer to the comparative information, the practitioner shall include an Other Matter paragraph in the assurance report describing the circumstances affecting the comparative information.

Documentation

Matters Arising After the Date of the Assurance Report

192. 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. A521)
- (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.

* * *

Application and Other Explanatory Material

Introduction

Sustainability Information (Ref: Para 3-4)

- A1. Sustainability information may be described in different ways in law or regulation, sustainability reporting frameworks, or other sources. Such information is often intended to give insight into sustainability-related risks and opportunities for users to understand and evaluate the impacts of sustainability matters on the entity or the entity's actual or potential impacts, positive or negative, on people or the environment.
- A2. As described in paragraph 69, in connection with the acceptance and continuance of the assurance engagement, the practitioner is required to obtain a preliminary knowledge about the sustainability information expected to be reported, and whether the scope of the engagement encompasses all or part of that sustainability information.

Premises in this ISSA (Ref: Para. 5-6)

- A3. Law, regulation or professional requirements in a jurisdiction may specify relevant ethical requirements or requirements relating to quality management to be applied in the conduct of assurance engagements, and may provide guidance about what constitutes "at least as demanding" as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm's responsibility for its system of quality management.

Ethical Requirements (Ref: Para. 5(a))

- A4. As explained in paragraph A44, the IESBA Code sets out the fundamental principles of ethics that establish the standards of behavior expected of an assurance practitioner and establishes the International Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Paragraph A45 describes the conceptual framework in the IESBA Code that an assurance practitioner is required to apply when addressing threats to compliance with the fundamental principles. Paragraphs A46-A47 describe matters that may give rise to potential threats to compliance and that may affect or influence the practitioner's independence.
- A5. Paragraph A48 explains that other professional requirements, or requirements imposed by law or regulation, addressing compliance with relevant ethical requirements are at least as demanding as the provisions of the IESBA Code related to assurance engagements when they address the matters referred to in the relevant sections of the IESBA Code and impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements.

Quality Management (Ref: Para. 5(b) and 6)

- A6. As explained in paragraph A53, this ISSA has been written in the context of a range of measures taken to ensure the quality of assurance engagements. Such measures include a system of quality management implemented across the firm.
- A7. Paragraph A54 explains the responsibilities of the firm to design, implement and operate a system of quality management for assurance engagements, and describes the components addressed by such a system that is designed in accordance with the requirements of ISQM 1.
- A8. As explained in paragraph A56, other professional requirements, or requirements in law or regulation that deal with the firm's responsibilities to design, implement, and operate a system or

processes related to quality management, are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm that achieve the objective of ISQM 1.

- A9. In accordance with ISQM 1, the objective of the firm is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:
- (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
 - (b) Engagement reports issued by the firm or engagement leaders are appropriate in the circumstances.

Scope of this ISSA

Reasonable and Limited Assurance Engagements (Ref: Para. 7)

- A10. When the disclosures relate to a number of topics and aspects of topics, separate conclusions may be provided on each aspect. Each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement. References in the ISSAs to the conclusion in the assurance report include each conclusion when separate conclusions are provided.

Types and Presentation of Sustainability Information (Ref: Para. 8)

- A11. The sustainability information presented by an entity may be limited to certain matters, such as metrics, targets or key performance indicators. Alternatively, the sustainability information may include more comprehensive disclosures about many different topics or aspects of topics as required by the sustainability reporting framework or by law or regulation, or that the entity chooses to present in accordance with the applicable criteria.
- A12. Sustainability information may be presented in different ways, for example, in a separate sustainability report issued by the entity, as part of the entity's annual report (e.g., a separately identified report within the annual report, or presented as part of the management report or management commentary) or in an integrated report. Depending on the applicable criteria, the sustainability information may be for a single entity, or may include information for entities that are part of a group or other entities in the reporting entity's value chain.

Definitions

Assertions (Ref: Para. 17(c))

- A13. Assertions are used by practitioners to consider the different types of potential misstatements that may occur when identifying and assessing, and responding to, the risks of material misstatement. Examples of assertions are provided in paragraph A353R.

Criteria (Ref: Para. 17(h))

- A14. The applicable criteria, particularly framework criteria, may include guidance about the sustainability information to be presented. The criteria also may define metrics or other terms to support the evaluation or measurement of the sustainability matters, as well as the measurement or evaluation basis to be used.

Disclosure(s) (Ref: Para. 17(i))

- A15. Appendix 1 explains the relationship between sustainability matters, sustainability information and the related disclosures.
- A16. The term “disclosure(s)” as used in this ISSA is not intended to have the same meaning as “financial statement disclosures” as defined or described in financial reporting frameworks. Rather, the term “disclosure(s)” is used in the context of sustainability reporting and sustainability assurance engagements to refer to specific sustainability information related to an aspect of a topic.

Engagement Leader (Ref: Para. 17(k))

- A17. The individual appointed as the engagement leader may be a partner or another senior staff member in the firm (e.g., a director or principal). Whether the individual is permitted to be an engagement leader in accordance with this ISSA depends on how the firm assigns responsibilities, and whether law, regulation or professional requirements include requirements that specify who may be permitted to accept responsibility for the engagement (e.g., law, regulation or professional requirements may include requirements for the professional licensing of engagement leaders, including requirements regarding their professional education and continuing professional development).
- A18. The term engagement leader in this ISSA is the equivalent of “engagement partner” in ISQM 1.⁷

Engagement Risk (Ref: Para. 17(l))

- A19. Engagement risk does not refer to, or include, the practitioner’s business risks, such as loss from litigation, adverse publicity, or other events arising in connection with particular sustainability matters.
- A20. In general, engagement risk can be represented by the following components:
- (a) Risks that the practitioner does not directly influence, which consist of:
 - (i) The susceptibility of the sustainability information to a material misstatement before consideration of any related controls applied by the entity (inherent risk); and
 - (ii) The risk that a material misstatement that occurs in the sustainability information will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control (control risk); and
 - (b) The risk that the practitioner does directly influence, which is the risk that the procedures performed by the practitioner will not detect a material misstatement (detection risk).
- A21R. Reducing engagement risk to zero is very rarely attainable or cost-beneficial. Therefore, reasonable assurance is less than absolute assurance due to factors such as the following:
- The use of selective testing.
 - The inherent limitations of internal control.
 - The fact that much of the evidence available to the practitioner is persuasive rather than conclusive.

⁷ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 16(c)

- The use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence.
- In some cases, the characteristics of the sustainability matters (e.g., forward-looking information).

Engagement Team (Ref: Para. 17(p))

A22. The engagement team includes personnel, which includes any internal experts, and may include individuals from other firms within or outside of the practitioner firm's network when such individuals perform procedures on the engagement and the practitioner is able to direct and supervise them and review their work. As explained in paragraph A91, when another firm performs assurance work and the practitioner is unable to direct, supervise and review that work, such firms and the individuals from those firms who performed that assurance work are not members of the engagement team and are referred to in this ISSA as "another practitioner."

Entity (Ref: Para. 17(q))

A23. An example of an identifiable portion of a legal or economic entity is a single factory or other form of facility, such as a landfill site.

Firm (Ref: Para. 17(s))

A24. The legal nature of the organization performing the assurance engagement may take many forms and may not be described as a firm.

Intended Users (Ref: Para. 17(w))

A25. Examples of intended users include shareholders, investors, lenders and other creditors who may use sustainability information to make resource allocation decisions. Other intended users who may be interested in the impact of the organization include consumers, taxpayers, employees, competitors, prudential authorities, central banks and bodies in charge of financial stability oversight, those granting public contracts, partners, suppliers, community, indigenous peoples, government, regulators, and interest groups.

A26. In some cases, there may be intended users other than those to whom the assurance report is addressed. 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.

A27. In some cases, specific users (for example, lenders) may request the appropriate party(ies) to arrange for an assurance engagement to be performed on sustainability information that has been prepared using criteria that are designed for a specific purpose. When engagements use criteria that are designed for a specific purpose, paragraph 180 requires a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report (see paragraph A504).

Misstatement (Ref: Para. 17(aa))

A28. Paragraph A401 provides examples of where or how misstatements in sustainability information may arise. Paragraph A406 provides examples of misstatements due to fraud in sustainability information.

Partner (Ref: Para. 17(ff))

A29. As noted in paragraph A24, the entity performing the assurance engagement may not be described as a firm. Therefore, the individual with authority to bind the organization with respect to the performance of the engagement may not carry the title of partner.

Reporting Boundary (Ref: Para. 17(oo))

A30. Although the entity’s sustainability information and financial statements may relate to the same reporting entity, the reporting boundary for sustainability information may differ from the boundary for purposes of preparing financial statements. For example, the reporting boundary may include activities, operations, relationships or resources up and down the entity’s value chain. An entity’s supply chain is part of the value chain.

A31. The reporting boundary is determined by the applicable criteria. In some cases, framework criteria may specify the reporting boundary. In other circumstances, the reporting boundary may be determined by the entity, in which case the reporting boundary will be part of the entity-developed criteria. The reporting boundary may vary for different topics and aspects of topics (e.g., some key performance indicators may have different boundaries from other key performance indicators because of the nature of the sustainability matters).

Sustainability Information (Ref: Para. 17(uu))

A32. As explained in paragraph 3, sustainability information relates to information about sustainability matters and may cover a number of topics and aspects of those topics. Examples of topics and aspects of topics include the following:

Topics	Aspects of the Topics
<ul style="list-style-type: none"> • 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. • 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. 	<ul style="list-style-type: none"> • Governance. • Strategy and business model. • Risks and opportunities. • Risk management or mitigation. • Innovation to address risks and opportunities. • Metrics and key performance indicators. • Targets. • Internal control over monitoring and managing risk. • Scenario analysis. • Impact analysis, including magnitude of impact.

<ul style="list-style-type: none">• Economic impacts, such as government assistance, tax strategy, anti-competitive behavior, anti-corruption and market presence.	
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Conduct of an Assurance Engagement in Accordance with the ISSAs

Complying with Standards that are Relevant to the Engagement (Ref: Para. 19)

- A33. In some cases, another ISSA is also relevant to the engagement. Another ISSA is relevant to the engagement when the ISSA is in effect, the subject matter of the ISSA is relevant to the engagement, and the circumstances addressed by the ISSA exist.
- A34. The ISAs⁸ and ISREs⁹ have been written for audits and reviews of historical financial information, respectively, and do not apply to other assurance engagements. They may, however, provide guidance in relation to the engagement process for practitioners undertaking a sustainability assurance engagement in accordance with this ISSA.

Text of an ISSA (Ref: Para. 20)

- A35. ISSAs contain the objectives of the practitioner in following the ISSA, and requirements designed to enable the practitioner to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the ISSA, and definitions.
- A36. The objectives in an ISSA provide the context in which the requirements of the ISSA are set, and are intended to assist in:
- (a) Understanding what is to be accomplished; and
 - (b) Deciding whether more needs to be done to achieve the objectives.

The proper application of the requirements of an ISSA by the practitioner is expected to provide a sufficient basis for the practitioner's achievement of the objectives. However, because the circumstances of assurance engagements vary widely, and all such circumstances cannot be anticipated in the ISSA, the practitioner is responsible for determining the procedures necessary to fulfill the requirements of relevant ISSAs, and to achieve the objectives stated therein. In the circumstances of an engagement, there may be particular matters that require the practitioner to perform procedures in addition to those required by relevant ISSAs to meet the objectives specified in those ISSAs.

- A37. The requirements of ISSAs are expressed as "shall."
- A38. Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. In particular, it may:
- Explain more precisely what a requirement means or is intended to cover.
 - Include examples that may be appropriate in the circumstances.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in an ISSA. Where appropriate, additional considerations specific to public sector entities or smaller or less complex entities are included

⁸ ISA, *International Standards on Auditing*

⁹ ISRE, *International Standards on Related Services*

within the application and other explanatory material. These additional considerations assist in the application of the requirements in the ISSAs. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in an ISSA.

- A39. Definitions are provided in an ISSA to assist in the consistent application and interpretation of the ISSA and are not intended to override definitions that may be established for other purposes, whether by laws, regulations or otherwise.
- A40. Appendices form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related ISSA or within the title and introduction of the appendix itself.

Complying with Relevant Requirements (Ref: Para. 21-22)

- A41. Although some procedures are required only for reasonable assurance engagements, they may nonetheless be appropriate in some limited assurance engagements.
- A42. The requirements of this ISSA and any other relevant ISSAs are designed to enable the practitioner to achieve the objectives specified in the ISSA, and thereby the overall objectives of the practitioner. Accordingly, other than in exceptional circumstances, the practitioner is required to comply with each requirement that is relevant in the circumstances of the assurance engagement.

Documentation of a Departure from a Relevant Requirement (Ref: Para. 23)

- A43. The engagement documentation requirements apply only to requirements that are relevant in the circumstances. A requirement is not relevant only in the cases when the requirement is conditional and the condition does not exist (for example, the requirement to modify the practitioner's conclusion when there is an inability to obtain sufficient appropriate evidence, and there is no such inability).

Acceptance and Continuance of the Assurance Engagement

Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 25(a), 33-36)

- A44. The IESBA Code sets out the fundamental principles of ethics that establish the standards of behavior expected of an assurance practitioner and establishes the International Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The IESBA Code also specifies the required approach for a professional accountant to comply with the fundamental principles and, when applicable, the International Independence Standards. Law or regulation in a jurisdiction may also contain provisions addressing ethical requirements, including independence, such as privacy laws affecting the confidentiality of information.
- A45. The IESBA Code provides a conceptual framework which an assurance practitioner is required to apply when addressing threats to compliance with the fundamental principles, including:
- (a) Identifying threats to compliance with the fundamental principles. Threats fall into one or more of the following categories:
 - (i) Self-interest;
 - (ii) Self-review;
 - (iii) Advocacy;

(iv) Familiarity; and

(v) Intimidation;

(b) Evaluating whether the threats identified are at an acceptable level; and

(c) If the identified threats to compliance with the fundamental principles are not at an acceptable level, 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.

A46. The IESBA Code sets out requirements and application material on various topics that may give rise to potential threats to compliance, 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.

A47. The IESBA Code defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional skepticism. The International Independence Standards in the IESBA Code address various 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.
- Reports that include a restriction on use and distribution.

A48. Other professional requirements, or requirements imposed by law or regulation, addressing compliance with relevant ethical requirements are at least as demanding as the provisions of the IESBA Code related to assurance engagements when they address the matters referred to in the

relevant sections of the IESBA Code and impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements. Paragraphs A45-A47 describe matters addressed in the IESBA Code that may assist practitioners in determining whether other professional requirements, or requirements imposed by law or regulation, address the matters in, and therefore are at least as demanding as, the provisions of the IESBA Code.

Considerations Specific to Public Sector Entities (Ref: Para. 25, 33)

A49. Statutory measures may provide safeguards for the independence of public sector practitioners. However, public sector practitioners or firms carrying out public sector assurance engagements may, depending on the terms of the mandate in a particular jurisdiction, need to adapt their approach to promote compliance with paragraph 33. This may include, where the public sector mandate does not permit withdrawal from the engagement, disclosure through a public report of circumstances that have arisen that would, if they were in the private sector, lead the practitioner to withdraw.

Engagement Leader Responsibilities for Acceptance and Continuance (Ref: Para. 27)

A50. Under ISQM 1, for acceptance and continuance decisions, the firm is required to make judgments about the firm's ability to perform the engagement in accordance with professional requirements and applicable legal and regulatory requirements. The engagement leader may use the information considered by the firm in this regard in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and engagements are appropriate. If the engagement leader has concerns regarding the appropriateness of the conclusions reached, the engagement leader may discuss the basis for those conclusions with those involved in the acceptance and continuance process.

A51. If the engagement leader is directly involved throughout the firm's acceptance and continuance process, the engagement leader will be aware of the information obtained or used by the firm in reaching the related conclusions. Such direct involvement may also provide a basis for the engagement leader's determination that the firm's policies or procedures have been followed and that the conclusions reached are appropriate.

A52. When the firm is obligated by law or regulation to accept or continue an assurance engagement, the engagement leader may take into account information obtained by the firm about the nature and circumstances of the engagement.

Firm-level Quality Management (Ref: Para. 29)

A53. This ISSA has been written in the context of a range of measures taken to support the quality of sustainability assurance engagements. Such measures include:

- Competency requirements, such as education and experience, and ongoing continuing professional development as well as life-long learning requirements.
- A system of quality management implemented across the firm i.e., ISQM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding.
- When applicable, performance of engagement quality reviews in accordance with ISQM 2.
- A comprehensive Code of Ethics, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

A54. ISQM 1 deals with the firm's responsibilities to design, implement and operate a system of quality management for assurance engagements. It sets out 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, including certain specified responses. The specified responses in ISQM 1 include the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. ISQM 2¹⁰ deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.

A55. A system of quality management addresses the following eight components:

- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources;
- (g) Information and communication; and
- (h) The monitoring and remediation process.

Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management.

A56. Other professional requirements, or requirements in law or regulation, that deal with the firm's responsibilities to design, implement, and operate a system of quality management, are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.

A57. A firm's system of quality management includes 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.
- Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.

A58. Ordinarily, the engagement team may depend on the firm's system of quality management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

¹⁰ ISQM 2, *Engagement Quality Reviews*

For example, the engagement team may depend on the firm's system of quality management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Independence through the accumulation and communication of relevant independence information.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and assurance engagements.
- Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

Engagement-level Quality Management

Overall Responsibility for Managing and Achieving Quality (Ref: Para. 30-31)

A59. Taking overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement may be demonstrated by the engagement leader in various ways, including:

- Involvement in the acceptance and continuance process to be able to determine that the firm's policies or procedures for the acceptance and continuance of client relationships and assurance engagements have been followed;
- The engagement being planned and performed (including appropriate direction and supervision of engagement team members) in accordance with professional standards or requirements and applicable legal and regulatory requirements;
- Reviews being performed in accordance with the firm's policies or procedures and reviewing the engagement documentation on or before the date of the assurance report;
- Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner's objectives, and that the engagement was performed in accordance with this ISSA and relevant legal and regulatory requirements; and
- Appropriate consultation being undertaken by the engagement team on difficult or contentious matters.

A60. The engagement leader remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ISSA. The term "the engagement leader shall take responsibility for..." is used for those requirements that 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. For requirements in this ISSA that state "the engagement leader shall...", this ISSA expressly intends that the requirement or responsibility be fulfilled by the engagement leader. In such circumstances, the engagement leader may obtain information from the firm or other members of the engagement team in fulfilling the requirement.

A61. ISQM 1 requires the firm to establish quality objectives that address the firm's governance and leadership that supports the design, implementation and operation of the system of quality management. The engagement leader's responsibility for managing and achieving quality is supported by a firm culture that demonstrates a commitment to quality. A culture that demonstrates a commitment to quality is further shaped and reinforced by the engagement team members as they demonstrate expected behaviors when performing the engagement.

- A62. The actions of the engagement leader, and appropriate messages to the other members of the engagement team, emphasize the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:
- (a) Performing work that complies with professional standards and relevant legal and regulatory requirements.
 - (b) Complying with the firm's policies or procedures as applicable.
 - (c) Issuing a report for the engagement that is appropriate in the circumstances.
 - (d) The engagement team's ability to raise concerns without fear of reprisals.
- A63. Being sufficiently and appropriately involved throughout the engagement when procedures, tasks or actions have been assigned to other members of the engagement team may be demonstrated by the engagement leader in different ways, including:
- Informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and to provide any other necessary instructions and relevant information.
 - Direction and supervision of the assignees.
 - Review of the assignees' work to evaluate the conclusions reached, in addition to the requirements in paragraphs 45-48.

Application of Firm Policies or Procedures by Members of the Engagement Team (Ref: Para. 31)

- A64. Within the context of the firm's system of quality management, engagement team members from the firm are responsible for implementing the firm's policies or procedures that are applicable to the engagement. As engagement team members from another firm are neither partners nor staff of the engagement leader's firm, they may not be subject to the firm's system of quality management or the firm's policies or procedures. Further, the policies or procedures of another firm may not be similar to that of the engagement leader's firm. For example, policies or procedures regarding direction, supervision and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language or culture than that of the engagement leader's firm. Accordingly, if the engagement team includes individuals who are from another firm, different actions may need to be taken by the firm or the engagement leader to implement the firm's policies or procedures in respect of the work of those individuals. For example, individuals who are not personnel may not be able to complete independence declarations directly on the firm's independence systems. The firm's policies or procedures may state that such individuals can provide evidence of their independence in other ways, such as written confirmation.

Characteristics of the Engagement Leader (Ref: Para. 32)

- A65. ISQM 1 requires the firm to establish quality objectives that engagement team members are assigned to each engagement, including an engagement leader, who have appropriate competence and capabilities to consistently perform quality engagements.
- A66. Paragraph 32 requires the engagement leader to have sufficient sustainability competence, in addition to having competence in assurance skills and techniques, to be able to:
- (a) Ask appropriate questions of a practitioner's expert and evaluate whether the answers are judged to be reasonable in the engagement circumstances;
 - (b) Evaluate a practitioner's expert's work and, to the extent necessary, integrate it with the

work of the engagement team as a whole; and

(c) Take responsibility for the conclusions reached on the engagement.

A67. 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 conclusions reached on the engagement is a matter of professional judgment, and may involve consideration of factors such as:

- The judgment involved in evaluating whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances;
- The judgment involved in determining whether the sustainability information in the scope of the assurance engagement is appropriate;
- The nature and complexity of the sustainability matters;
- The extent to which the sustainability matters are capable of precise measurement or whether there is a high degree of measurement uncertainty that may need significant knowledge and judgment;
- The engagement leader's and engagement team's competence and previous experience in relation to sustainability matters.

Relevant Ethical Requirements, Including Those Related to Independence

Engagement Leader Responsibilities for Relevant Ethical Requirements (Ref: Para. 33-36)

A68. Open and robust communication between the members of the engagement team about relevant ethical requirements may also assist in:

- Drawing the attention of engagement team members to relevant ethical requirements that may be of particular significance to the assurance engagement; and
- Keeping the engagement leader informed about matters relevant to the engagement team's understanding and fulfillment of relevant ethical requirements and the firm's related policies or procedures.

A69. In accordance with ISQM 1, the firm's responses to address the quality risks in relation to relevant ethical requirements, including those related to independence for engagement team members, include policies or procedures for identifying, evaluating and addressing threats to compliance with the relevant ethical requirements.

A70. Appropriate actions the firm may take to address threats to compliance with relevant ethical requirements may include, for example:

- Following the firm's policies or procedures regarding breaches of relevant ethical requirements, including communicating to or consulting with the appropriate individuals so that appropriate action can be taken, including as applicable, disciplinary action(s).
- Communicating with those charged with governance.
- Communicating with regulatory authorities or professional bodies. In some circumstances, communication with regulatory authorities may be required by law or regulation.
- Seeking legal advice.

- Withdrawing from the assurance engagement, when withdrawal is possible under applicable law or regulation.

Assurance Skills and Techniques, Professional Skepticism and Professional Judgment

Professional Skepticism (Ref: Para. 38)

A71. Professional skepticism is an attitude that includes being alert to, for example:

- Evidence that is inconsistent with other evidence obtained.
- Information that calls into question the reliability of responses to inquiries or information intended to be used as evidence.
- Circumstances that suggest the need for procedures in addition to those required by relevant ISSAs.
- Conditions that may indicate likely misstatement.
- Conditions that may indicate possible fraud.

A72. Professional skepticism is necessary for the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of responses to inquiries and information intended to be used as evidence. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances. Maintaining professional skepticism throughout the engagement is necessary if the practitioner is for example, to reduce the risks of:

- Overlooking unusual circumstances.
- Overgeneralizing when drawing conclusions from observations.
- Using inappropriate assumptions in determining the nature timing, and extent of the procedures, and evaluating the results thereof.

A73 Unless the engagement involves assurance about whether documents are genuine, the practitioner may accept records and documents as genuine unless the practitioner has reason to believe the contrary. Nevertheless, the practitioner is required by paragraph 83 of this ISSA to consider the reliability of information intended to be used as evidence.

A74. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism.

A75. Impediments to the exercise of professional skepticism at the engagement level may include, but are not limited to:

- Budget constraints, which may discourage the use of sufficiently experienced or technically qualified resources, including experts, when needed.
- Tight deadlines, which may negatively affect the behavior of those who perform the work as well as those who direct, supervise and review.
- Lack of cooperation or undue pressures imposed by management, which may negatively affect the engagement team's ability to resolve complex or contentious issues.
- Insufficient understanding of the entity and its environment, its system of internal control and the applicable criteria.

- Difficulties in obtaining access to records, facilities, certain employees, customers, vendors or others, which may cause the engagement team to bias the selection of sources of evidence and seek evidence from sources that are more easily accessible.
- Overreliance on automated tools and techniques, which may result in the engagement team not critically assessing evidence.
- When there is no one generally accepted way in which to measure or evaluate the sustainability matters and report the sustainability information, which may result in practitioners being less willing to question management's approach.
- Complexity of the engagement. The larger, more complex and more diverse the entity (e.g., the greater its geographical spread, and the more dependent it is on a long and diverse supply chain), the more challenging it may be to understand and evaluate:
 - Whether the sustainability matters are appropriate in the engagement circumstances, and
 - How much prominence should be given to each disclosure in the context of the sustainability information as a whole.

A76. Possible actions that the engagement team may take to mitigate impediments to the exercise of professional skepticism at the engagement level may include:

- Remaining alert to changes in the nature or circumstances of the engagement that necessitate requesting additional or different resources for the engagement.
- Explicitly alerting the engagement team to instances or situations when vulnerability to unconscious or conscious biases may be greater (e.g., areas involving greater judgment).
- Changing the composition of the engagement team, for example, requesting that more experienced individuals with greater skills or knowledge or specific expertise are assigned to the engagement.
- Involving more experienced members of the engagement team in more complex areas of the engagement or when dealing with members of management who are difficult or challenging to interact with.
- Involving members of the engagement team with specialized skills and knowledge or a practitioner's expert to assist the engagement team with complex or subjective areas of the engagement.
- Involving appropriate resources to perform procedures to obtain evidence about disclosures related to entities across the entity's organizational boundary and value chain.
- Modifying the nature, timing and extent of direction, supervision or review, for example, by more in-person oversight on a more frequent basis or more in-depth reviews of certain working papers.
- Communicating with those charged with governance when management imposes undue pressure or the engagement team experiences difficulties in obtaining access to records, facilities, certain employees, customers, vendors or others from whom evidence may be sought.

Professional Judgment (Ref: Para. 39)

A77. Professional judgment is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and the ISSAs, and the informed

decisions required throughout the engagement, cannot be made without the application of relevant training, knowledge, and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:

- The presence of the preconditions for an assurance engagement.
- Materiality and engagement risk.
- The nature, timing and extent of procedures used to meet the requirements of this ISSA and any other relevant ISSAs and to obtain evidence, including where, and to what extent, it is necessary to perform procedures at entities across the entity's organizational boundary and value chain.
- Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the objectives of this ISSA and any other relevant ISSAs. In particular, in the case of a limited assurance engagement, professional judgment is required in evaluating whether a meaningful level of assurance has been obtained.
- The appropriate conclusions to draw based on the evidence obtained.
- The actions to take in exercising professional skepticism.
- Whether the engagement leader's involvement throughout the engagement has been sufficient and appropriate 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.

A78. The distinguishing feature of the professional judgment expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments.

A79. The exercise of professional judgment is based on the facts and circumstances that are known by the practitioner. It needs to be exercised throughout the engagement and be appropriately documented. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's assurance report. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Engagement Resources (Ref: Para. 40)

A80. Resources include human, technological and intellectual resources. Human resources include members of the engagement team and, when applicable, a practitioner's external expert. Technological resources include technological tools that may allow the practitioner to manage the engagement more effectively and efficiently. Intellectual resources include, for example, assurance methodologies, implementation tools, assurance guides, model programs, templates, checklists or forms.

A81. In determining whether sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, the engagement leader ordinarily may depend on the firm's related policies or procedures (including resources). For example, based on information communicated by the firm, the engagement leader may be able to depend on the firm's technological development, implementation and maintenance programs when using firm-approved technology to perform procedures.

Competence and Capabilities of the Engagement Team (Ref: Para. 41)

A82. When determining that the engagement team has the appropriate sustainability competence and competence and capabilities in assurance skills and techniques, the engagement leader may take into consideration such matters as the team's:

- Understanding of, and practical experience with, sustainability assurance engagements of a similar nature and complexity through appropriate training and participation.
- Understanding of professional requirements and applicable legal and regulatory requirements applicable to the engagement.
- Expertise in the sustainability matters relevant to the engagement.
- Expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the engagement.
- Knowledge of relevant industries in which the entity operates.
- Knowledge of laws, regulations or business practices relevant to the entity's operations in a particular jurisdiction.
- Ability to exercise professional skepticism and professional judgment.
- Understanding of the firm's policies or procedures.

A83. Sustainability assurance engagements may be performed on a wide range of sustainability matters that require specialized skills and knowledge beyond those possessed by the engagement leader and other members of the engagement team and for which the work of a practitioner's expert is used. A practitioner's expert may be either a practitioner's internal expert (who is a member of the engagement team), or a practitioner's external expert. A practitioner's expert may be needed to assist the practitioner in one or more areas.

Examples:

- Obtaining an understanding of the entity and its environment, including its internal control.
- Performing risk procedures.
- Responding to risks, including (in a reasonable assurance engagement) determining and implementing overall responses to assessed risks of misstatement of the sustainability information.
- Evaluating the sufficiency and appropriateness of evidence obtained in forming a conclusion on the sustainability information.

A84. Considerations when deciding whether to use a practitioner's expert may include:

- Whether management has used a management's expert in preparing the sustainability information (see paragraph A85).
- The nature and significance of the sustainability information, including its complexity.
- The identified disclosures where material misstatements are likely to arise (limited assurance) or the assessed risks of material misstatement (reasonable assurance).
- The expected nature of procedures to respond to identified risks, including: the practitioner's knowledge of and experience with the work of experts in relation to such matters; and the availability of alternative sources of evidence.

A85. When management has used a management's expert in preparing the sustainability information, the practitioner's decision on whether to use a practitioner's expert may also be influenced by such factors as:

- The nature, scope and objectives of the management's expert's work.
- Whether the management's expert is employed by the entity, or is a party engaged by it to provide relevant services.
- The extent to which management can exercise control or influence over the work of the management's expert.
- The management's expert's competence and capabilities.
- Whether the management's expert is subject to technical performance standards or other professional or industry requirements.
- Any controls within the entity over the management's expert's work.

A86. The more complex the engagement, including its geographical spread and the extent to which information is derived from the entity's value chain, the more necessary it may be to consider how the work of practitioner's experts or other practitioner(s) is to be integrated across the engagement.

Involvement in the Work of a Practitioner's External Expert or a Firm Other than the Practitioner's Firm
(Ref: Para. 42)

A87. Paragraph 30 requires the engagement leader to be sufficiently and appropriately involved throughout the engagement. Such involvement extends to using the work of a practitioner's external expert.

A88. A practitioner's external expert is not part of the engagement team. Accordingly, paragraph 49 specifies the requirements and conditions for the practitioner to be able to use the work of a practitioner's external expert.

A89. In certain circumstances, a firm other than the practitioner's firm may be engaged to perform, or may have performed, work on sustainability information that is relevant to the practitioner's engagement. For example, that firm may have conducted a separate assurance engagement on the entity's greenhouse gas emissions, removals and storage and that information is included in the sustainability information subject to the assurance engagement.

A90. When the practitioner considers that the work of a firm other than the practitioner's firm is relevant to the practitioner's assurance engagement, and such work has not yet been performed, the practitioner ordinarily plans to be sufficiently involved in that work. As explained in paragraph A22, if the practitioner is able to direct, supervise and review such work, the individuals (or as applicable, the other firm) performing that work are members of the engagement team and the requirements applicable to the engagement team, including those related to relevant ethical requirements in paragraphs 33-36, and those related to direction, supervision and review in paragraphs 45-48, apply.

A91. In other circumstances, the work of a firm other than the practitioner's firm may have already been completed, or the practitioner may be unable to direct, supervise and review the work to be performed by that other firm. This may be because the practitioner's access to the work of another practitioner is restricted by law or regulation, or the work that has been performed by that other firm relates to an entity that is part of the supply chain outside of the organizational boundary of the entity subject to the practitioner's engagement, and neither the entity's management nor the

practitioner have any rights of access to that other firm's assurance work. In such circumstances, when the practitioner nevertheless considers that the work of that other firm is relevant to the practitioner's assurance engagement and intends to use that work, that firm is another practitioner as explained in paragraph A22, and the requirements in paragraphs 51-54 apply.

Insufficient or Inappropriate Resources Assigned or Made Available (Ref: Para. 43)

- A92. The engagement leader's determination of whether additional engagement-level resources are required is a matter of professional judgment and is influenced by the requirements of this ISSA and the nature and circumstances of the engagement. In certain circumstances, the engagement leader may determine that the firm's responses to quality risks are ineffective in the context of the specific engagement, including that certain resources assigned or made available to the engagement team are insufficient. In those circumstances, the engagement leader is required to take appropriate action, including communicating such information to the appropriate individuals in the firm. For example, if an assurance software program provided by the firm has not incorporated new or revised procedures related to sustainability disclosures required by new or revised framework criteria, timely communication of such information to the firm enables the firm to take steps to update and reissue the software promptly or to provide an alternative resource that enables the engagement team to comply with the new regulation in the performance of the engagement.
- A93. When the sustainability information includes information for entities that are part of a group or other entities in the entity's value chain (which sustainability reporting frameworks may refer to as "consolidated sustainability information"), the engagement may involve performing work across multiple entities and jurisdictions. In these circumstances, the engagement's leader's determination about whether the resources assigned or made available are sufficient and appropriate may include considering whether there is a need to involve another practitioner (or practitioners) with knowledge and experience of the laws, regulations, language or culture in certain jurisdictions.
- A94. If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include:
- Changing the planned approach to the nature, timing and extent of direction, supervision and review (see also paragraph 46).
 - Discussing an extension to the entity's reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation.
 - Following the firm's policies or procedures for resolving differences of opinion if the engagement leader does not obtain the necessary resources for the engagement.
 - Following the firm's policies or procedures for withdrawing from the engagement, when withdrawal is possible under applicable law or regulation.

Using the Resources Assigned or Made Available (Ref: Para. 44)

- A95. The firm's policies or procedures may include required considerations or responsibilities for the engagement team when using firm-approved technological tools to perform procedures and may require the involvement of individuals with specialized skills or expertise in evaluating or analyzing the output. The engagement team may be required, in accordance with the firm's policies or procedures, to use the firm's assurance methodology and specific tools and guidance. The

engagement team may also consider whether the use of other intellectual resources is appropriate and relevant based on the nature and circumstances of the engagement, for example, an industry specific assurance methodology or related guides and performance aids.

Direction, Supervision and Review

Engagement Leader's Responsibility for Direction, Supervision and Review (Ref: Para. 45)

- A96. ISQM 1 requires that direction, supervision and review is planned and performed on the basis that the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members.
- A97. Direction and supervision of the engagement team and the review of their work are firm-level responses that are implemented at the engagement level, of which the nature, timing and extent may be further tailored by the engagement leader in managing the quality of the engagement. Accordingly, the approach to direction, supervision and review will vary from one engagement to the next, taking into account the nature and circumstances of the engagement. The approach will ordinarily include a combination of addressing the firm's policies or procedures and engagement specific responses.
- A98. When an engagement is not carried out entirely by the engagement leader, or when the nature and circumstances of the engagement are more complex (e.g., when there are members of the engagement team spread across multiple jurisdictions), it may be necessary for the engagement leader to assign direction, supervision, and review to other members of the engagement team. However, as part of the engagement leader's overall responsibility for managing and achieving quality on the engagement and to be sufficiently and appropriately involved, the engagement leader is required to determine that the nature, timing and extent of direction, supervision and review is undertaken in accordance with paragraph 46. In such circumstances, personnel or members of the engagement team may provide information to the engagement leader to enable the engagement leader to make the determination required by paragraph 46.

Direction

- A99. Direction of the engagement team may involve informing the members of the engagement team of their responsibilities, such as:
- Contributing to the management and achievement of quality at the engagement level through their personal conduct, communication and actions.
 - Maintaining a questioning mind and being aware of unconscious or conscious biases in exercising professional skepticism when gathering and evaluating evidence.
 - Addressing threats to the achievement of quality, and the engagement team's expected response. For example, budget constraints or resource constraints should not result in the engagement team members modifying planned procedures or failing to perform planned procedures.
 - Fulfilling relevant ethical requirements.
 - Understanding the objectives of the work to be performed and the detailed instructions regarding the nature, timing and extent of planned assurance procedures.
 - The responsibilities of respective engagement team members to perform procedures and of more experienced engagement team members to direct, supervise and review the work of less experienced engagement team members.

Supervision

A100. Supervision may include matters such as:

- Tracking the progress of the engagement, which includes monitoring:
 - The progress against the engagement plan;
 - Whether the objective of work performed has been achieved; and
 - The ongoing adequacy of assigned resources.
- Taking appropriate action to address issues arising during the engagement, including for example, reassigning planned procedures to more experienced engagement team members when issues are more complex than initially anticipated.
- Identifying matters for consultation or consideration by more experienced engagement team members during the engagement.
- Providing coaching and on-the-job training to help engagement team members develop skills or competencies.
- Creating an environment where engagement team members raise concerns without fear of reprisals.

Review

A101. Review of the engagement team's work consists of consideration of whether, for example:

- The work has been performed in accordance with the firm's policies or procedures, professional requirements and applicable legal and regulatory requirements.
- Significant matters have been raised for further consideration.
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented.
- There is a need to revise the nature, timing and extent of work performed.
- The work performed supports the conclusions reached and is appropriately documented.
- The evidence obtained is sufficient and appropriate to provide a basis for the practitioner's conclusion.
- The objectives of the procedures have been achieved.

Determining the Nature, Timing & Extent of Direction, Supervision and Review (Ref. Para. 46)

A102. The approach to the direction and supervision of the members of the engagement team and the review of their work provides support for the engagement leader in fulfilling the requirements of this ISSA, and in concluding that the engagement leader has been sufficiently and appropriately involved throughout the engagement in accordance with paragraph 166(d)(i).

A103. The approach to direction, supervision and review may be tailored depending on, for example:

- The engagement team member's previous experience with the entity and the subject matter.
- The complexity of the engagement.
- The assessed risks of material misstatement (in a reasonable assurance engagement).

- The competence and capabilities of the individual engagement team members performing the work.
- The manner in which the reviews of the work performed are expected to take place (remote or in-person).
- The structure of the engagement team and the location of engagement team members.
- Whether engagement team members are from the practitioner's firm, another network firm, or another practitioner.

Review of Engagement Documentation (Ref. Para. 47)

A104. Timely review of engagement documentation by the engagement leader at appropriate stages throughout the engagement enables significant matters to be resolved to the engagement leader's satisfaction on or before the date of the practitioner's report. The engagement leader need not review all engagement documentation.

A105. The engagement leader exercises professional judgment in identifying significant judgments made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgments. Significant judgments may include matters related to planning and performing the engagement, as well as the conclusions reached by the engagement team.

Examples of significant judgments:

- Whether the scope of the sustainability information expected to be reported and the scope of the assurance engagement are appropriate.
- Whether the engagement exhibits a rational purpose, including, in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance.
- The suitability of the applicable criteria.
- Planning the engagement, such as matters related to materiality.
- The composition of the engagement team, including:
 - Personnel with expertise in one or more sustainability matters addressed in the engagement.
 - The use of personnel from service delivery centers.
- The decision to involve a practitioner's expert, including the decision to involve an external expert.
- The decision to use work of another practitioner, including the relevance of that work to the engagement.
- The engagement team's consideration of information obtained in the acceptance and continuance process and proposed responses to that information.
- The engagement team's risk procedures, including situations when the identification of risks of material misstatement (in a reasonable assurance engagement) or disclosures where material misstatements are likely to arise (in a limited assurance engagement) requires significant judgment by the engagement team.
- Results of the procedures performed by the engagement team on areas of the

engagement involving significant management judgment.

- The engagement team's evaluation of the work performed by a practitioner's external expert or another practitioner, and conclusions drawn therefrom.
- When the sustainability information includes information for more than one entity (e.g., information for entities that are part of a group or other entities in the reporting entity's value chain):
 - The proposed approach to the engagement for addressing where, and by whom, evidence needs to be obtained.
 - Decisions about the involvement of other practitioners, including how to direct and supervise them and review their work, including, for example, when, in a reasonable assurance engagement, another practitioner performs work on areas of higher assessed risk of material misstatement of the sustainability information.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- The evaluation of matters that may affect the assurance report, including modification of the practitioner's conclusion.

A106. The engagement leader exercises professional judgment in determining other matters to review, for example based on:

- The nature and circumstances of the engagement.
- Which engagement team member performed the work.
- Matters relating to recent inspection findings.
- The requirements of the firm's policies or procedures.

Review of Formal Written Communications (Ref: Para. 48)

A107. The engagement leader uses professional judgment in determining which written communications to review, taking into account the nature and circumstances of the engagement. For example, it may not be necessary for the engagement leader to review communications between the engagement team and management in the ordinary course of the engagement.

Using the Work of a Practitioner's External Expert (Ref: Para. 49)

A108. The practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's external expert. Nonetheless, if the practitioner using the work of a practitioner's external expert, having followed this ISSA, concludes that the work of that expert is adequate for the practitioner's purposes, the practitioner may accept that expert's findings or conclusions in the expert's field as appropriate evidence.

A109. The nature, timing and extent of procedures to fulfill the requirement in paragraph 49 will vary depending on the circumstances. Relevant considerations may include:

- The significance of that expert's work in the context of the engagement (see also paragraphs A110-A111).
- The nature of the disclosure(s) to which that expert's work relates.

- The risks of material misstatement of the sustainability information (in a reasonable assurance engagement) or the disclosures where material misstatements are likely to arise (in a limited assurance engagement) to which that expert's work relates.
- The practitioner's knowledge of and experience with previous work performed by that expert.

A110. When the work of a practitioner's external expert is to be used, it may be appropriate to perform some of the procedures required by paragraph 49 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner's external expert will be fully integrated with the work of other assurance personnel and when the work of the practitioner's external expert is to be used in the early stages of the engagement, for example during initial planning and risk procedures.

A111. The competence, capabilities and objectivity of a practitioner's external expert are factors that significantly affect whether the work of the practitioner's external expert will be adequate for the practitioner's purposes. Information regarding the competence, capabilities and objectivity of a practitioner's external expert may come from a variety of sources.

Examples:

- Personal experience with previous work of that expert.
- Discussions with that expert.
- Discussions with other practitioners or others who are familiar with that expert's work.
- Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
- Understanding whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body.
- Published papers or books written by that expert.

A112. The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the practitioner's external expert and the significance of the expert's work in the context of the engagement. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level, for example, if a proposed practitioner's external expert is an individual who has played a significant role in preparing the sustainability information.

A113. When evaluating the objectivity of a practitioner's external expert, it may be relevant to:

- Inquire also of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the expert that may affect that expert's objectivity.
- Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the expert include:
 - Financial interests.
 - Business and personal relationships.

- Provision of other services by that expert.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external expert about any interests or relationships with the entity or engaging party of which that expert is aware.

A114. Having a sufficient understanding of the field of expertise of the practitioner's external expert enables the practitioner to:

- (a) Agree with the practitioner's expert on the nature, scope (including materiality to be applied) and objectives of that expert's work for the practitioner's purposes;
- (b) Understand what assumptions, data and methods, including models as applicable, are used by the practitioner's expert, and whether they are generally accepted within that expert's field and appropriate in the circumstances of the engagement; and
- (c) Evaluate the adequacy of that expert's work for the practitioner's purposes.

A115. It may be appropriate for the practitioner's agreement with the practitioner's external expert to also include matters such as the following:

- The respective roles and responsibilities of the practitioner and that expert.
- The nature, timing and extent of communication between the practitioner and that expert, including the form of any report to be provided by that expert.
- The need for the expert to observe confidentiality requirements.

A116. The following matters may be relevant when evaluating the adequacy of a practitioner's external expert's work for the practitioner's purpose:

- The relevance and reasonableness of the findings or conclusions from that expert's work, and their consistency with other evidence.
- If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances.
- If that expert's work involves the use of source data that is significant to the work, the relevance, completeness, and accuracy of that source data.

Using the Work of Another Practitioner (Ref: Para. 51-54)

A117. In planning and performing the engagement, the practitioner may intend to use the work of another practitioner. The practitioner exercises professional judgment in determining whether the work of another practitioner is relevant to and is appropriate for purposes of the engagement, and the nature and extent to which the work of another practitioner can be used in the circumstances. The extent of the practitioner's procedures to evaluate the work of another practitioner in accordance with paragraph 51 is influenced by:

- The overall significance of the work to the practitioner's engagement. For example, the greater the significance to the overall sustainability information of the disclosures for which the practitioner intends to obtain evidence from using the work of another practitioner, the more extensive the practitioner's procedures are likely to be, including communication with another practitioner and determining it is necessary to review additional documentation of the work of that practitioner in accordance with paragraph 54; and
- The ability of the practitioner to obtain access to another practitioner and their work, for example, when the work of another practitioner relates to information outside of the entity's

organizational boundary, the further down the entity's value chain that information resides the less likely it is that the entity's management or the practitioner will be able to influence access to the work of another practitioner. Paragraph A125 explains circumstances in which a limitation on scope may arise in relation to using the work of another practitioner.

A118. While paragraphs A108-A116 provide guidance for using the work of a practitioner's external expert, they may also be helpful when using the work of another practitioner, in particular, the considerations described in paragraphs A109 and A116.

A119. Relevant ethical requirements will ordinarily specify the independence requirements applicable to the work of another practitioner. The extent to which another practitioner's policies or procedures support the independence of the other practitioner and the level of competence of the other practitioner are particularly important in determining whether to use and, if so, the nature and extent of the use of the work of another practitioner that is appropriate in the circumstances. Inquiring of another practitioner regarding their policies or procedures that address independence, and competence and capabilities, may assist the practitioner in evaluating whether another practitioner is independent and has the necessary competence for the practitioner's purposes.

A120. The sources described in paragraph A111 related to the work of a practitioner's expert may also be relevant when evaluating the competence and capabilities of 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, for example, those addressing professional training or recruitment, or that require the use of common methodologies and related implementation tools.

A121. Evaluating whether the nature, scope and objectives of another practitioner's work are appropriate for the practitioner's purposes may include obtaining an understanding of:

- The nature of the engagement and whether it exhibits a rational purpose;
- The applicable criteria;
- The scope of the engagement, including materiality;
- Whether the engagement is a limited or reasonable assurance engagement; and
- Whether the work performed has been supported by firm-level policies or procedures designed to address quality management.

A122. Relevant matters that the engagement team may request another practitioner to communicate include:

- Whether the other practitioner has complied with ethical requirements that are relevant to the engagement, including independence and professional competence.
- Information on instances of non-compliance with law or regulation that could give rise to a material misstatement of the sustainability information.
- A list of uncorrected misstatements identified by the other practitioner during the engagement that are not clearly trivial.
- Indicators of possible bias in the preparation of relevant information.
- Description of any identified significant deficiencies in internal control identified by the other practitioner during the engagement.

- Other significant matters that the other practitioner has communicated or expects to communicate to the entity, including fraud or suspected fraud.
- Any other matters that may be relevant to the sustainability information, or that the other practitioner wishes to draw to the attention of the engagement team, including exceptions noted in any written representations that the other practitioner requested from the entity.
- The other practitioner's overall findings, conclusion or opinion.

A123. If the practitioner determines that another practitioner's communications are not adequate for the practitioners' purposes, the practitioner may consider whether, for example:

- Further information can be obtained from the other practitioner (e.g., through further discussions or meetings);
- Review of additional documentation of the other practitioner may provide the practitioner with further information;
- Additional procedures may need to be performed by the engagement team; or
- There are any concerns about the other practitioner's competence or capabilities.

A124. The practitioner's determination whether to review additional documentation of the other practitioner may include consideration of:

- The nature, timing and extent of the work performed by the other practitioner;
- The competence and capabilities of the other practitioner; and
- The significant judgments made by, and the findings or conclusions of, the other practitioner about matters that are material to the sustainability information.

A125. A scope limitation exists when the practitioner is unable to:

- (a) Obtain evidence from the work of another practitioner that is adequate for the practitioner's purposes, and
- (b) Obtain, through alternative means, sufficient appropriate evidence over the disclosures for which the practitioner intended to use the work of another practitioner as evidence.

In such circumstances, the practitioner considers the implications for the engagement and the assurance report in accordance with paragraph 165.

Using the Work of the Internal Audit Function (Ref: Para. 55)

A126. In determining whether the work of the internal audit function can be used for purposes of the engagement, a first consideration is whether the planned nature and scope of the work of the internal audit function that has been performed, or is planned to be performed, is relevant to the practitioner's approach to the engagement.

A127. The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors and the level of competence of the function are particularly important in determining whether to use and, if so, the nature and extent of the use of the work of the function that is appropriate in the circumstances.

A128. Factors that may affect the practitioner's evaluation of whether the internal audit function applies a systematic and disciplined approach include the following:

- The existence, adequacy and use of documented internal audit procedures or guidance covering such areas as risk assessments, work programs, documentation and reporting,

the nature and extent of which is commensurate with the size and circumstances of an entity.

- Whether the internal audit function has appropriate quality control policies and procedures, for example, policies and procedures that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

Monitoring and Remediation (Ref: Para. 58)

A129. In considering information communicated by the firm through its monitoring and remediation process and how it may affect the engagement, the engagement leader may consider the remedial actions designed and implemented by the firm to address identified deficiencies and, to the extent relevant to the nature and circumstances of the engagement, communicate accordingly to the engagement team. The engagement leader may also determine whether additional remedial actions are needed at the engagement level. For example, the engagement leader may determine that:

- A practitioner's expert is needed; or
- The nature, timing and extent of direction, supervision and review needs to be enhanced in an area of the engagement where deficiencies have been identified.

If an identified deficiency does not affect the quality of the engagement (e.g., if it relates to a technological resource that the engagement team did not use) then no further action may be needed.

A130. A deficiency in the firm's system of quality management does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

Fraud and Non-Compliance with Laws and Regulations

Fraud (Ref: Para. 59)

A131. Maintaining professional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information intended to be used as evidence and the controls over its preparation and maintenance where relevant. Due to the characteristics of fraud, the practitioner's professional skepticism is particularly important when considering material misstatement due to fraud, which may include omission of information and/or deliberate bias. Paragraph A296 provides examples of material misstatements due to fraud in sustainability information. Paragraphs 116L, 116R and 117-118 address the practitioner's required responses to identified or suspected fraud.

Non-Compliance with Laws and Regulations (Ref: Para. 60)

A132. Relevant ethical requirements may include a requirement to report identified or suspected non-compliance with laws and regulations to an appropriate level of management or those charged with governance. In some jurisdictions, law or regulation may restrict the practitioner's communication of certain matters with the responsible party, management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that

might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity. In these circumstances, the issues considered by the practitioner may be complex and the practitioner may consider it appropriate to obtain legal advice.

A133. Law, regulation or relevant ethical requirements may:

- (a) Require the practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity, and
- (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

A134. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:

- (a) Law, regulation or relevant ethical requirements require the practitioner to do so;
- (b) The practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements; or
- (c) Law, regulation or relevant ethical requirements provide the practitioner with the right to do so.

A135. The reporting of identified or suspected non-compliance with laws and regulations in accordance with law, regulation or relevant ethical requirements may include non-compliance with laws and regulations that the practitioner comes across or is made aware of when performing the engagement but which may not affect the sustainability information. Under this ISSA, the practitioner is not expected to have a level of understanding of laws and regulations beyond those affecting the sustainability information. However, law, regulation or relevant ethical requirements may expect the practitioner to apply knowledge, professional judgment and expertise in responding to such non-compliance. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

A136. In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the practitioner's duty of confidentiality under law, regulation, or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.

Communication with Management, Those Charged with Governance and Others (Ref: Para. 62)

A137. Significant matters that may be appropriate to communicate with management, those charged with governance or others include:

- Identified or suspected fraud or non-compliance with law or regulation.
- Identified deficiencies in internal control.
- Management bias in the preparation of the sustainability information.
- Significant matters discussed or subject to correspondence with management.
- Material misstatements of the sustainability information or other information that management has refused to correct.
- Significant difficulties encountered during the engagement.

A138. Significant matters discussed, or subject to correspondence with management, may include such matters as:

- Significant events or transactions that occurred during the year.
- Concerns about management's use of work of an expert or information obtained from external sources.
- Significant matters on which there was disagreement with management.

A139. Significant difficulties encountered during the engagement may include such matters as:

- Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the practitioner to perform procedures.
- An unreasonably brief time within which to complete the engagement.
- Extensive unexpected effort required to obtain sufficient appropriate evidence.
- The unavailability of expected information.
- Restrictions imposed on the practitioner by management.

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the practitioner's assurance conclusion.

Considerations Specific to Public Sector Entities

A140. A public sector practitioner may be obliged to report on identified or suspected non-compliance to the legislature or other governing body or to report them in the practitioner's report.

Documentation

Overarching Documentation Requirements

Form, Content and Extent of Engagement Documentation (Ref: Para. 63-65)

A141. A practitioner experienced in sustainability assurance refers to an individual (whether internal or external to the firm) who has practical experience in sustainability assurance, and a reasonable understanding of:

- (a) Assurance processes;
- (b) ISSAs and applicable legal and regulatory requirements;
- (c) The business environment in which the entity operates; and
- (d) Assurance and sustainability reporting matters relevant to the entity's industry.

A142. 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. Engagement documentation prepared after the assurance engagement work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.

A143. The form, content and extent of engagement documentation depend on factors such as:

- The size and complexity of the entity.

- The scope of the assurance engagement and nature of the procedures to be performed. For example, the extent of engagement documentation would ordinarily be less.
 - For a limited assurance engagement compared to a reasonable assurance engagement.
 - (When the scope of the assurance engagement includes only certain parts, rather than all, of the sustainability information).
- The extent of disclosures where material misstatements are likely to arise (in a limited assurance engagement) or the identified and assessed risks of material misstatement (in a reasonable assurance engagement).
- The significance of the evidence obtained.
- The nature and extent of exceptions identified.
- The need to document a conclusion or the basis for a conclusion not self-evident from the engagement documentation of the work performed or evidence obtained.
- The assurance methodology and tools used.

A144. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:

- Matters that give rise to higher assessed risks (in a reasonable assurance engagement).
- Results of procedures indicating that the sustainability information could be materially misstated or, in a reasonable assurance engagement, a need to revise the practitioner's previous assessment of the risks of material misstatement and the practitioner's responses to those risks.
- Circumstances that cause the practitioner significant difficulty in applying necessary procedures.
- Findings that could result in a modification to the assurance conclusion or the inclusion of an Emphasis of Matter paragraph in the assurance report.

A145. An important factor in determining the form, content and extent of engagement documentation of significant matters is the extent of professional judgment exercised in performing the work and evaluating the results. Engagement documentation of the professional judgments made, when significant, serves to explain the practitioner's conclusions and to reinforce the quality of the judgment.

A146. Circumstances in which it is appropriate to prepare engagement documentation relating to the use of professional judgment, include matters and judgments that are significant to:

- The rationale for the practitioner's conclusion when a requirement provides that the practitioner "shall consider" certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the practitioner's conclusion on the reasonableness of judgments (for example, the reasonableness of significant estimates).
- The basis for the practitioner's conclusions about the authenticity of a document when further investigation is undertaken in response to conditions identified during the assurance engagement that caused the practitioner to believe that the document may not be authentic.

A147. It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (e.g., through a checklist) compliance with matters for which compliance is demonstrated by documents included within the assurance engagement file.

A148. The requirement to document who reviewed the work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what work was reviewed, who reviewed such work, and when it was reviewed.

A149. Documentation of discussions of significant matters with management, those charged with governance, and others is not limited to records prepared by the practitioner but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the practitioner. Others with whom the practitioner may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity.

Assembly of the Final Engagement File (Ref: Para. 66)

A150. ISQM 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as ISQM 1) requires firms to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report. An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.

A151. The completion of the assembly of the final engagement file after the date of the assurance report is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the engagement documentation during the final assembly process if they are administrative in nature. Examples of such changes include:

- Deleting or discarding superseded documentation.
- Sorting, collating and cross-referencing working papers.
- Signing off on completion checklists relating to the file assembly process.
- Documenting evidence that the practitioner has obtained, discussed and agreed with the relevant members of the engagement team before the date of the assurance report.

A152. ISQM 1 requires firms to establish a quality objective that addresses the maintenance and retention of engagement documentation to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. The retention period for assurance engagements ordinarily is no shorter than five years from the date of the assurance report.

Documentation Related to Quality Management (Ref: Para. 68)

A153. When dealing with circumstances that may pose risks to achieving quality on the engagement, the exercise of professional skepticism, and the engagement documentation of the practitioner's consideration thereof, may be important. For example, if the engagement leader obtains information that may have caused the firm to decline the engagement (see paragraph 28), the engagement documentation may include explanations of how the engagement team dealt with the circumstance.

Preconditions for an Assurance Engagement

Determining Whether the Preconditions are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances (Ref: Para. 69)

A154. The practitioner's preliminary knowledge of the engagement circumstances, as defined in paragraph 17(j), may be different in nature and less in extent than the understanding required for performing the engagement, and may include:

- Whether there are different levels of assurance for different disclosures, for example:
 - Limited assurance on disclosures related to the social topic and reasonable assurance on disclosures related to the environmental topic.
 - Limited assurance on disclosures about risks and opportunities related to the social topic, and reasonable assurance on the process to prepare the disclosures related to the social topic.
- How the applicable criteria were selected or developed.
- If the sustainability information within the scope of the assurance engagement is not all of the sustainability information expected to be reported, the reasons why.
- How the sustainability information is to be presented, for example, included in a regulatory filing or in a standalone report.
- Other matters, for example, events, transactions, conditions and practices, that may have a significant effect on the assurance engagement.

A155. When obtaining the preliminary knowledge of the engagement circumstances, the practitioner may become aware of matters that may be relevant to determining whether the preconditions for an assurance engagement are present, such as:

- The sustainability matter is complex and diverse, and the disclosures are more qualitative than quantitative, or more forward-looking than historical.
- The entity's process to prepare the sustainability information or other components of the entity's system of internal control relevant to the preparation of the sustainability information do not appear to be fully developed.
- The criteria comprise only aspects of a framework (i.e., not the entire framework), have been selected from numerous frameworks, or include entity-developed criteria.
- The sustainability information expected to be reported only covers a part of the information that could reasonably be reported in the circumstances.
- The proposed scope of the assurance engagement is limited to certain sustainability matters and has been determined by management or those charged with governance (i.e., there may be management bias in selecting the sustainability matters within the scope of the assurance engagement).

Obtaining a Preliminary Knowledge of the Sustainability Information Expected to be Reported (Ref: Para. 69(a))

A156. In obtaining a preliminary knowledge of the sustainability information expected to be reported, the practitioner may consider whether the topics and aspects of topics to be reported, and the reporting boundaries, have been or will be determined by management through an appropriate process.

A157. The entity's process to identify and select topics and aspects of topics to be reported may be established by management or applied pursuant to the requirements of a sustainability reporting framework. Such a process may often be referred to as the "process to identify reporting topics," "materiality assessment," or "materiality process", among other terms. However, the concept of materiality in this regard is not the same as the practitioner's materiality. For the purposes of this ISSA, materiality refers only to a threshold of significance to user decision-making considered by the practitioner in relation to potential and identified misstatements, in the circumstances of the engagement (see paragraph 91).

Obtaining a Preliminary Knowledge of the Scope of the Proposed Assurance Engagement (Ref: Para. 69(b))

A158. The scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity (e.g., the entity's sustainability report), or only part of it (e.g., it may be limited to specific disclosures such as assurance on key performance indicators for product recycling rates). Also, the scope of the proposed assurance engagement may encompass the reporting boundary covered by the sustainability information to be reported, or only certain jurisdictions, entities, operations or facilities within the reporting boundary.

A159. The reporting boundary within the scope of the assurance engagement may be established by law, regulation or professional requirements, or it may be determined by the appropriate party(ies). In obtaining a preliminary knowledge of the scope of the assurance engagement, the practitioner may consider whether the reporting boundary(ies):

- Relates to the entity, multiple entities, the entity's value chain(s), specific jurisdictions, activities, operations, locations or facilities.
- Extends beyond the operational control of the entity.
- Is established in framework criteria or entity-developed criteria.
- Is consistent between different topics, aspects of topics or disclosures, and if inconsistent, whether such inconsistency is appropriate based on the applicable criteria.

Suitability of the Roles and Responsibilities (Ref: Para. 70(a))

A160. The three parties for an assurance engagement are:

- (a) The engaging party;
- (b) The practitioner, and
- (c) The intended users.

A161. If the engagement does not have at least three parties, it is unable to satisfy all of the elements of an assurance engagement under the *International Framework for Assurance Engagements*. The practitioner's responses may include:

- Asking the engaging party to change the terms of engagement to reflect a three-party relationship.
- Conducting the engagement as a consulting engagement.
- Performing an agreed-upon procedures engagement or declining the engagement.

Reasonable Basis for the Sustainability Information (Ref: Para. 70(a))

A162. In evaluating whether management or those charged with governance, as appropriate, have a reasonable basis for the sustainability information, the practitioner may consider whether they have a formal process with robust controls to enable the preparation of the sustainability information that is free from material misstatement. What constitutes a reasonable basis will depend on the nature of the sustainability matters addressed by the sustainability information and other engagement circumstances.

A163. If the practitioner becomes aware that there are deficiencies in management's process to prepare the sustainability information that is not within the proposed scope of the assurance engagement and is therefore other information, this may indicate that management or those charged with governance, as appropriate, does not have a reasonable basis for reporting this information. In these circumstances, the implications of the requirements in this standard for other information (see paragraphs 156-158) will have an impact on the practitioner's acceptance of the proposed engagement.

Appropriate Sustainability Matters (Ref: Para. 71))

A164. Whether the sustainability matters within the scope of the engagement are appropriate is not affected by the level of assurance, that is, if a sustainability matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa. Therefore, inappropriate sustainability matters for a reasonable assurance engagement cannot be overcome by changing the engagement to a limited assurance engagement.

A165. In evaluating whether the sustainability matters are appropriate, and whether sufficient appropriate evidence can be obtained, the practitioner may consider matters such as the characteristics of the sustainability matters (i.e., the degree to which they are qualitative versus quantitative, factual versus judgmental, historical versus forward-looking, and relate to a point in time or cover a period) and the reporting boundary.

Suitability and Availability of Criteria (Ref: Para. 72)

Suitable Criteria for Only Some of the Sustainability Matters (Ref: Para. 72(a))

A166. If suitable criteria are unavailable for all of the sustainability information subject to the assurance engagement, but the practitioner can identify one or more disclosures in the sustainability information for which the criteria are suitable, then an assurance engagement may be performed with respect to those disclosures.

Sources of the Criteria (Ref: Para. 72(b))

A167. Criteria may be:

- (a) Framework criteria, that is:
 - (i) Embodied in law or regulation;
 - (ii) Issued by authorized or recognized bodies of experts that follow a transparent due process;
 - (iii) Developed collectively by a group that does not follow a transparent due process;
 - (iv) Published in scholarly journals or books; or
 - (v) Developed for sale on a proprietary basis;
- (b) Entity-developed criteria; or

(c) A combination of framework criteria and entity-developed criteria.

A168. In evaluating the sources of the criteria, the practitioner may consider whether the entity identified and selected criteria from one or more frameworks or developed some or all of the criteria.

A169. When criteria are selected from multiple frameworks or entity-developed criteria are to be used, the practitioner's evaluation of the suitability of the criteria may be more extensive and the practitioner may need to consider subjectivity or opportunity for management bias in selecting or developing the criteria.

A170. Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary. However, if the framework criteria establish principles and concepts regarding the measurement or evaluation of the sustainability matters, but lack the specificity needed in the circumstances of the entity to be relevant or complete, those criteria may not be suitable on their own. In such cases, the criteria may need to be supplemented by additional framework or entity-developed criteria in order to:

- Be sufficiently prescriptive about the scope of the sustainability matters to be addressed in the sustainability information.
- Address the entity's industry or jurisdictions in which the entity operates, or other factors pertinent to the sustainability information to be reported.
- Avoid vague descriptions of expectations or judgments.

A171. The practitioner may consider the process followed by the entity to identify framework criteria or develop entity-developed criteria, including whether that process:

- Addresses the purpose of the sustainability information.
- Is transparent.
- Involves engagement with intended users or their representatives in identifying their information needs for decision-making.
- Evaluates the suitability of the criteria, including how the criteria will be applied in the entity's circumstances.
- Provides appropriate reasons for using the criteria.
- Considers if the criteria are appropriately specific regarding how the sustainability matters should be measured or evaluated.

Characteristics of Suitable Criteria (Ref: Para. 72(c))

A172. Suitable criteria are required for reasonably consistent measurement or evaluation of the sustainability matters within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same sustainability matters there may be different criteria that will yield a different outcome. Suitable criteria exhibit the following characteristics:

- (a) **Relevance:** Relevant criteria result in sustainability information that assists decision-making by the intended users;
- (b) **Completeness:** Criteria are complete when sustainability information prepared in

accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of intended users made on the basis of that sustainability information. Complete criteria include, where relevant, benchmarks for presentation and disclosure;

- (c) Reliability: Reliable criteria allow reasonably consistent measurement or evaluation of the sustainability matters, when used in similar circumstances by different practitioners;
- (d) Neutrality: Neutral criteria result in sustainability information that is free from bias as appropriate in the engagement circumstances; and
- (e) Understandability: Understandable criteria result in sustainability information that can be understood by the intended users.

A173. The relative importance of each characteristic of the criteria to a particular engagement is a matter of professional judgment.

A174. If the criteria are unsuitable, this cannot be overcome by changing the level of assurance. That is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa.

Specific Considerations for Determining the Suitability of Criteria for Qualitative Information

A175. In some circumstances, the practitioner may determine that the criteria for qualitative information are unsuitable. For example, not all the characteristics for suitable criteria are exhibited because the criteria lack specificity or criteria for the qualitative information do not exist. In such circumstances, the practitioner may consider:

- Requesting that the entity develop suitable criteria.
- Requesting that the entity not report the information that would result from applying the unsuitable criteria, but if the entity decides to report that information, clearly identifying the information as other information that is not within the scope of the assurance engagement, and performing procedures in accordance with paragraphs 154-159.
- Whether the information may be misleading, and the impact on acceptance and continuance of the engagement.
- The impact on the assurance conclusion.

Specific Considerations for Determining the Suitability of Criteria for Processes, Systems and Controls

A176. If sustainability information on processes, systems and controls is subject to the assurance engagement, the practitioner may consider whether the criteria encompass the following:

- (a) If the assurance conclusion covers the description of the entity's process, systems or controls:
 - (i) The control objectives and controls designed to achieve those objectives;
 - (ii) The procedures and records, within both information technology and manual systems, by which the sustainability matters, and significant events and conditions, relevant to the sustainability information are recorded, processed, corrected as necessary, and transferred to the sustainability information reported.
- (b) If the assurance conclusion covers the suitability of the design of the processes, systems or controls:

- (i) Identification of the risks that threaten achievement of the control objectives stated in the description of the processes, systems or controls; and
 - (ii) Whether the controls identified in that description would, if operated as described, provide reasonable assurance about the achievement of the control objectives.
- (c) If the assurance conclusion covers the operating effectiveness of the processes, systems or controls whether the controls were consistently applied as designed throughout the specified period. *Specific Considerations for Determining the Suitability of Criteria for Performance*

A177. In evaluating whether the criteria to evaluate the entity's performance are suitable, the practitioner may consider whether the criteria encompass:

- (a) Measures or benchmarks used to set the targets, key performance indicators, commitments or other goals against which performance is to be measured; and
- (b) Methods of measurement or evaluation of the entity's performance.

Specific Considerations for Determining the Suitability of Criteria for Forward-Looking Sustainability Information

A178. In evaluating whether the criteria to be applied in preparing the entity's forward-looking information are suitable, the practitioner may consider whether the criteria encompass:

- (a) The basis of the assumptions to be made and the nature, sources and extent of uncertainty inherent in those assumptions; and
- (b) The measurement or evaluation methods to be used for the forward-looking sustainability information to be prepared on the basis of the assumptions in (a).

Relevance of the Criteria (Ref: Para. 72(c)(i))

A179. In evaluating whether the criteria are relevant, the practitioner may consider whether the criteria:

- (a) Result in sustainability information that assists decision-making by the intended users.
- (b) Were developed through a process, by the entity or an external party, that focused on identifying or evaluating whether the sustainability information assists decision making by the intended users, including the general types of decisions that intended users are expected to make based on the purpose of the sustainability information.
- (c) Address the inherent level of measurement or evaluation uncertainty in applying the criteria in the circumstances of the engagement, including whether the sustainability information that is subject to high inherent measurement or evaluation uncertainty will be accompanied by disclosures that make the nature and extent of the uncertainty clear.
- (d) Specify the level of disaggregation or aggregation of the information or include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.
- (e) Are consistent with those generally recognized to be appropriate in the context of the entity's industry or sector or there are justifiable reasons not to use such criteria (e.g., the entity develops more relevant criteria).
- (f) Permit omissions of sustainability disclosures only in circumstances when it is appropriate to do so. For example, the criteria may allow the entity to exclude certain disclosures if:
 - (i) The reporting processes have not yet fully matured, such that the information is

incomplete or unavailable, and the criteria require the entity to disclose this fact and its reasons for omitting the disclosures.

- (ii) That disclosure is not applicable to the entity's circumstances.
 - (iii) There are legal constraints preventing the disclosure.
 - (iv) In extremely rare circumstances, the sustainability information is confidential, or the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of doing so, such as information that might prejudice an investigation into an actual, or suspected, illegal act.
- (g) Are specific to the topics and aspects of the topics, that will result in information that assists decision-making by the intended users, such as whether the criteria for:
- (i) Processes, systems or controls includes, for example, control objectives to evaluate the suitability of their design (see also paragraph A176);
 - (ii) Performance includes the targets, key performance indicators, commitments or goals against which performance is measured and methods of measurement or evaluation of that performance (see also paragraph A177);
 - (iii) Forward-looking information includes the basis for evaluating the reasonableness of the underlying assumptions and methods of preparation based on those assumptions (see also paragraph A178); or
 - (iv) Historical information includes methods of measurement or evaluation of the entity's activities.

A180. The information needs of the intended users may relate to:

- (a) The impact of sustainability matters on the entity, which may be referred to as financial materiality;
- (b) The impacts of the entity on sustainability matters, which may be referred to as impact materiality; or
- (c) Both impacts, which may be described by the applicable criteria as "double materiality" in the context of identifying topics or aspects of topics to be included in the sustainability information (see paragraph A157).

Completeness of the Criteria (Ref: Para. 72(c)(ii))

A181. In evaluating the completeness of the criteria, including entity-developed criteria to interpret or supplement any framework criteria used, the practitioner may consider whether they address:

- Topics or aspects of topics that could reasonably be expected to affect decisions of intended users, or cannot be as readily measured or evaluated as other topics or aspects of topics.
- The basis for significant judgments in preparing the sustainability information.
- The source of significant inherent uncertainties in applying the criteria.
- The reporting boundary(ies).

Reliability of the Criteria (Ref: Para. 72(c)(iii))

A182. In evaluating whether the criteria are reliable, the practitioner may consider:

- Whether the measurement or evaluation of the sustainability matters can be undertaken with the necessary degree of precision to be relevant in the engagement circumstances.
- Whether the criteria are based on definitions with little or no ambiguity.
- Whether applying the criteria allows for reasonably consistent measurement or evaluation of the sustainability matters when used in similar circumstances by different parties.
- The sources of the criteria and the process used to develop them.

Neutrality of the Criteria (Ref: Para. 72(c)(iv))

A183. In evaluating whether the criteria are neutral, the practitioner may consider whether the criteria:

- Require a balanced disclosure of both favorable and unfavorable information and are not subject to management bias by excluding any topics or aspects of topics only on the basis that they may reflect poorly on the entity.
- Do not result in information that is misleading to the intended users in the interpretation of the sustainability information.
- Are consistent between reporting periods, unless there is a reasonable basis for the change.
- Address how the information is presented and disclosed, to reduce the opportunity for management bias.
- Are entity-developed (e.g., may be subject to management bias).

A184. When the criteria are not consistent with previous reporting periods, the practitioner may consider whether:

- The entity has a reasonable basis for the change, for example, the entity may be developing and improving its process to prepare the sustainability information and the entity-developed criteria may have been changed to reflect more appropriate or modern approaches, data or methods.
- The basis for the change is sufficiently disclosed and explained in the sustainability information.
- The criteria are different from those commonly used in the entity's industry or sector, as this may be an indicator of management bias.
- The change results in information that is always positive (e.g., management changes the criteria year on year so that the outcome looks more positive).

Understandability of the Criteria (Ref: Para. 72(c)(v))

A185. In evaluating whether the criteria are understandable, the practitioner may consider whether the criteria:

- Are clear and unambiguous.
- Will enable the intended users to identify readily the main points being made and to infer appropriately whether they affect their decision-making.
- Will result in a presentation that does not obscure relevant information.
- Will result in clear presentation of the sustainability information in a way that effectively summarizes and draws attention to key features of the information reported.

- Will result in the sustainability information being coherent, easy to follow, clear and logical.
- Will result in sustainability information that can be readily located, for example, the information may be difficult to locate if it is spread across different reports, webpages or included by reference.
- Will result in sustainability information that is appropriately balanced between conciseness to be understandable and relevance.
- Will result in logical and comparable time periods, whether those be:
 - A point in time (e.g., for description or implementation of a process not covering the period).
 - Periods which have ended (e.g., for historical information).
 - (Periods which end in the future (e.g., for strategy, targets or commitments).

Availability of the Criteria to Users (Ref: Para. 72(d))

A186. Criteria being available allows the intended users to understand how sustainability matters have been measured or evaluated. Framework criteria may need to be supplemented by entity-developed criteria, or the entity may need to develop criteria to interpret the framework. The intended users are unlikely to be able to base decisions on the sustainability information without access to both the framework criteria and any entity-developed criteria supplementing or interpreting the framework criteria. In determining whether the criteria are available to the intended users the practitioner may consider whether they will be available in writing, with sufficient detail, sufficiently clear, and including identification of the version of the criteria applied. Criteria may be made available:

- (a) Publicly, for example, in published framework criteria or a general-purpose framework that is readily available, such as on a website.
- (b) Through inclusion in the sustainability information, in particular for entity-developed criteria.
- (c) By general understanding, for example, the criterion for measuring time in hours and minutes.

Ability to Obtain Evidence Needed (Ref: Para. 73(a))

A187. In determining whether the evidence needed to support the practitioner's conclusion can be expected to be obtained, the practitioner may consider:

- (a) The characteristics of the sustainability matters and the potential sources of evidence; and
- (b) Whether evidence is not available due to the engagement circumstances, even though the evidence could reasonably be expected to exist.

A188. Examples of the nature and availability of evidence that may impact the practitioner's ability to obtain evidence, include:

- The timing of the practitioner's appointment, the entity's document retention policy, inadequate information systems, or a restriction imposed by the appropriate party(ies).
- The nature of the relationship between the appropriate party(ies) affecting the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to complete the engagement.

- Evidence located at organizations not controlled by the entity, such as entities within the value chain but outside of the entity's group. In such cases, the practitioner may determine whether the entity has contractual arrangements with those organizations to provide access to persons or information, or to provide independent assurance reports on relevant internal controls or the measurement or evaluation of relevant sustainability matter, or whether the entity has plans to put such arrangements in place.

A189. In some circumstances, the practitioner may conclude that, due to the condition and reliability of an entity's records, it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information. This may occur, for example, when the entity has little experience with the preparation of sustainability information. In such circumstances, it may be more appropriate for the sustainability information to be subject to an agreed-upon procedures engagement or a consulting engagement in preparation for an assurance engagement in a later period. However, while such an engagement can serve a valuable purpose in enhancing the entity's reporting process so that an assurance engagement can be performed, it can also give rise to potential threats to the practitioner's independence in performing the proposed assurance engagement at a later date.

A190L. The evidence that the practitioner obtains in a limited assurance engagement is more limited than in a reasonable assurance engagement. However, if the practitioner becomes aware in a limited assurance engagement of a matter(s) that causes the practitioner to believe that the subject matter may be materiality misstated, the practitioner is required by paragraph 133L to design and perform additional procedures to obtain further evidence. In such circumstances, the evidence that the practitioner may need to be able to obtain on a specific matter may be the same in the limited assurance and reasonable assurance engagement. Therefore, the need for availability and accessibility to evidence is the same regardless of the level of assurance.

Rational Purpose (Ref: Para. 74)

A191. The practitioner may draw on the preliminary knowledge of the engagement circumstances obtained in accordance with paragraph 69 in determining whether the engagement has a rational purpose.

A192. Other matters the practitioner may consider in evaluating whether the engagement has a rational purpose, include whether:

- A robust process to identify reporting topics in accordance with the applicable criteria has been conducted and, if so, how the information needs of the intended users have been identified and addressed.
- When the engagement is a combination of reasonable and limited assurance, there is sufficient justification for the different levels of assurance.
- Management and those charged with governance, if different from the engaging party, have consented to the reporting of the sustainability information.
- When the criteria were selected or developed by the entity, how the intended users were identified in selecting the criteria.
- The degree of judgment and scope for bias in applying the criteria.
- There are any significant limitations on the scope of the practitioner's work.
- The engaging party intends to associate the practitioner's name with the sustainability matters or the sustainability information in an inappropriate manner.

Meaningful Level of Assurance in a Limited Assurance Engagement (Ref: Para. 74(a))

A193L. The level of assurance the practitioner plans to obtain is not ordinarily susceptible to quantification. Whether the level of assurance is meaningful is a matter of professional judgment for the practitioner to determine in the circumstances of the engagement. In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, but are, nonetheless, planned to obtain a level of assurance that is meaningful. 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 more than inconsequential.

A194L. Across the range of all limited assurance engagements, what is meaningful assurance can vary 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 to just below reasonable assurance. What is meaningful in a particular engagement represents a judgment within a range from more than inconsequential but less than reasonable assurance that depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the sustainability matters of the engagement.

A195L. Some of the factors that may be relevant in determining what constitutes meaningful assurance in a specific engagement include:

- The characteristics of the sustainability matters and the applicable criteria.
- Instructions or other indications from the appropriate party(ies) about the nature of the assurance. For example, the terms of the engagement may stipulate particular procedures that the appropriate party(ies) considers necessary or particular aspects the appropriate party(ies) would like the practitioner to focus on within the sustainability information that is within the scope of the assurance engagement. However, the practitioner may consider that other procedures are required to obtain sufficient appropriate evidence to obtain meaningful assurance.
- Generally accepted practice, if it exists, with respect to assurance engagements for sustainability information.
- The information needs of intended users as a group. Generally, the greater the consequence to intended users of receiving an inappropriate conclusion when the sustainability information is materially misstated, the greater the assurance that would be needed in order to be meaningful to them. For example, in some cases, the consequence to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the practitioner to obtain assurance that is meaningful in the circumstances.
- The expectation by intended users that the practitioner will form the limited assurance conclusion on the sustainability information within a short timeframe and at a low cost.

Appropriateness of the Scope of the Assurance Engagement (Ref: Para. 74(c))

A196. The practitioner's determination of the appropriateness of the scope of the assurance engagement ordinarily involves the consideration of the results of the practitioner's evaluation or determination, as applicable, of the characteristics in paragraphs 71-74(b).

A197. If the scope of the assurance engagement includes only part of the sustainability information being reported by the entity (e.g., in reporting labor practices, the entity only requires assurance

over occupational health and safety disclosures) the practitioner may consider whether the reasons for the scope of the engagement are appropriate.

A198. The entity may not have a reasonable basis for all of the disclosures in the sustainability information, such as when the entity's processes to prepare some or all of the sustainability information are at an early stage of development. In such cases, if permitted by the applicable criteria, it may be possible to include only those areas of the sustainability information where the processes are more developed within the scope of the assurance engagement, because the preconditions have been met for those areas.

A199. In jurisdictions in which there are no laws or regulations requiring assurance on sustainability information, in particular for sustainability information that is reported voluntarily, there may be legitimate reasons for not including all of the sustainability information being reported by the entity within the scope of an assurance engagement. In determining whether the sustainability information within the scope of the engagement is appropriate, the practitioner may consider:

- (a) Whether the sustainability information within the scope of the assurance engagement is likely to meet the information needs of intended users; and
- (b) How the sustainability information will be presented and whether intended users may misinterpret what has, and has not, been subject to the assurance engagement.

A200. Examples of circumstances when the sustainability information subject to the assurance engagement may not be appropriate include:

- Inadequate justification for not including sustainability information expected to be reported within the scope of the engagement.
- The assurance engagement excludes sustainability information that can be readily measured or evaluated and the exclusion of this sustainability information from the assurance engagement may be misleading to intended users.
- The assurance engagement excludes sustainability information that may be significant to intended users' decisions.
- The assurance engagement includes sustainability information that may be perceived by intended users as positive, and excludes sustainability information that is negative (e.g., areas where the entity has not met targets or has not taken action to achieve goals).
- The reporting boundaries within the scope of the assurance engagement excludes significant entities, operations or facilities, which may be misleading to intended users.

A201. The practitioner's consideration of the suitability of the criteria may include criteria for the preparation of any other part(s) of the sustainability information not within the scope of the assurance engagement. This may enable the practitioner to consider matters such as:

- Whether there may be omissions of relevant parts of the sustainability information from the sustainability information within the scope of the assurance engagement, and whether such omissions call into question the rational purpose of the engagement; and
- Whether and how the sustainability information is used in the preparer's own decision-making processes:
 - If information relating to an entity's decisions is important to its stakeholders, then it may be reasonable to expect that the entity would be using that information in its own decision-making.

- If the entity is using the information in its decision-making, then it may be reasonable to expect that a user may be interested in that information.
- If the information is not used for the entity's own decision-making, that may raise a question as to why the information is being reported, and whether there may be bias in selecting only sustainability information that are easily subject to an assurance engagement or that present the entity in a positive way.

Preconditions Not Present After Acceptance (Ref: Para. 76)

A202. If the practitioner discovers that the preconditions in paragraph 70 are not present, but is required to continue the engagement under law or regulation, the assurance report may address the matter. For example:

- When, in the practitioner's professional judgment the intended users are likely to be misled, since either the applicable criteria are unsuitable, or the sustainability matters are inappropriate, a qualified conclusion or adverse conclusion may be appropriate, depending on how material and pervasive the matter is.
- A qualified conclusion or a disclaimer of conclusion may be appropriate in other circumstances depending on, in the practitioner's professional judgment, the materiality and pervasiveness of the matter.

Terms of the Assurance Engagement

Agreeing the Terms of the Assurance Engagement (Ref: Para. 78)

A203. It is in the interests of both the engaging party and the practitioner for the practitioner to communicate in writing the agreed terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the written agreement or contract will vary depending on the engagement circumstances. For example, if law or regulation prescribes in sufficient detail the terms of the engagement, the practitioner need not record them in a written agreement, except for the fact that such law or regulation applies and that the appropriate party(ies) acknowledges and understands its responsibilities under such law or regulation.

A204. When agreeing the terms of engagement, unless restricted by law or regulation, the practitioner may request agreement from management or those charged with governance to provide information or access to persons, such as:

- Access to other practitioners providing audit or assurance reports on part or parts of the other information (e.g., the financial statement auditor of the entity if the other information includes the financial statements).
- Authority to obtain information relevant to the assurance engagement on the sustainability information from the other practitioners.
- Authority to share information requested by the financial statement auditor relevant to the audit or review of the financial statements.
- Authority to communicate findings with other practitioners, as appropriate.

A205 In describing the practitioner's responsibilities in the terms of engagement, the practitioner may consider the responsibilities required to be included in the assurance report in accordance with paragraph 170(g).

A206. Law or regulation, particularly in the public sector, may mandate the appointment of a practitioner and set out specific powers, such as the power to access an appropriate party(ies)'s records and other information, and responsibilities, such as requiring the practitioner to report directly to a minister, the legislature or the public if an appropriate party(ies) attempts to limit the scope of the engagement.

Changing the Terms of the Assurance Engagement (Ref: Para. 80)

A207. Examples of when the appropriate party(ies) may request a change to the terms of the assurance engagement and there may not be reasonable justification for doing so include:

- (a) The change is to limited assurance from reasonable assurance because of an inability to obtain sufficient appropriate evidence; or
- (b) The change is to remove sustainability information from the scope of the assurance engagement, to avoid a modification of the assurance conclusion.

A208. A change in circumstances that affects the intended users' needs, or a misunderstanding concerning the nature of the engagement, may justify a request for a change in the engagement, for example, from an assurance engagement to a non-assurance engagement, or from a reasonable assurance engagement to a limited assurance engagement.

Evidence

Designing and Performing Procedures to Obtain Sufficient Appropriate Evidence (Ref: Para. 82)

A209. Evidence is necessary to support the practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources, such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect the relevance of the information to the current engagement) or a firm's quality policies or procedures for acceptance and continuance of client relationships and assurance engagements. Evidence comprises both information that supports and corroborates disclosures, and any information that contradicts disclosures.

A210. The practitioner obtains evidence by designing and performing procedures, including risk procedures and further procedures to comply with this ISSA. The nature of a procedure refers to its purpose and its type. Types of procedures include inquiries, inspection, observation, confirmation, recalculation, reperformance and analytical procedures.

Designing and Performing Procedures in a Manner that is Not Biased (Ref: Para. 82(a))

A211. Unconscious or conscious biases may affect the engagement team's professional judgments in designing and performing procedures, which may impede the exercise of professional skepticism. An awareness of such biases when designing and performing procedures may help to mitigate impediments to the practitioner's exercise of professional skepticism in critically assessing evidence and determining whether sufficient appropriate evidence has been obtained. Such awareness may also enable the practitioner to design and perform procedures that seek to avoid:

- Placing more weight on evidence that corroborates disclosures than evidence that contradicts or casts doubt on such disclosures (confirmation bias).

- Using an initial piece of information or evidence as an anchor against which subsequent information or evidence is assessed (anchoring bias).
- Placing more weight on information that immediately comes to mind or uses information from sources that are more readily available or accessible (availability bias).
- Placing weight or undue reliance on output from automated systems or information in digital format, or assuming it is relevant and reliable, without performing appropriate procedures (automation bias).
- Placing undue reliance on information prepared by an expert or another practitioner, or assuming the information is relevant and reliable, without performing appropriate procedures (authority bias).

A212. Obtaining evidence in an unbiased manner may involve obtaining information from multiple sources (see also paragraphs A238-A240).

Procedures that are Appropriate in the Circumstances (Ref: Para. 82(b))

A213. Procedures are appropriate in the circumstances when the nature, timing and extent of such procedures are designed, performed and executed in a manner that achieves the intended purpose of the procedures. The purpose of performing a procedure may be related to risk procedures, further procedures or another procedure to comply with this ISSA. For example, the purpose may be to obtain evidence about whether an event has occurred or whether the disclosures are complete.

A214. In designing and performing procedures that are appropriate in the circumstances to provide evidence, the practitioner's considerations may include whether information intended to be used as evidence:

- Is expected to be available in digital, written or oral form, related to a point in time or for a period, and is to be obtained from internal or external sources.
- Is needed across multiple disclosures and how that affects the nature, timing and extent of evidence needed. For example, the nature and availability of appropriate evidence may vary based on whether the disclosures relate to an entity's processes, governance, controls or key performance indicators, and the characteristics of the disclosures, such as whether they are quantitative, qualitative, historical or forward-looking (see also paragraphs A224-A228).
- Relates to disclosures that include information from the entity's value chain, and how that may affect the ability to obtain sufficient appropriate evidence.
- Will need to be obtained across multiple locations or jurisdictions (e.g., for a group sustainability assurance engagement).
- Relates to disclosures that are factual, judgmental or subject to estimation uncertainty.

A215. In designing and performing procedures, the appropriateness of an approach or technique in selecting items for testing depends on several factors, such as:

- The nature of the sustainability matters or population to be tested.
- The intended purpose of the procedure.
- How the procedure is designed.

- Whether the practitioner is performing the procedure manually or using automated tools and techniques.
- The matters described in paragraph A214 relating to information intended to be used as evidence.
- The persuasiveness of evidence that is needed in the circumstances.

Sufficiency and Appropriateness of Evidence (Ref: Para. 82(b))

A216. The practitioner is required to obtain sufficient appropriate evidence to provide a basis for the assurance conclusion. The sufficiency and appropriateness of evidence are interrelated and together affect the persuasiveness of evidence. In both limited and reasonable assurance engagements, the collective persuasiveness of the evidence obtained establishes the level of assurance obtained. The practitioner aims to obtain evidence that is collectively persuasive to respond to risk considerations. Ordinarily, evidence will be persuasive rather than conclusive. As explained in paragraph A190L, the evidence that the practitioner obtains in a limited assurance engagement is more limited than in a reasonable assurance engagement. However, if the practitioner becomes aware in a limited assurance engagement of a matter(s) that causes the practitioner to believe that the subject matter may be materiality misstated, the practitioner is required to design and perform additional procedures to obtain further evidence.

A217. Sufficiency is the measure of the quantity of evidence. Sufficiency is also affected by the quality of evidence (the higher the quality, the less may be required). Obtaining more evidence, however, may not compensate for its poor quality.

A218R. For reasonable assurance engagements, the quantity of evidence needed is affected by both the nature and number of disclosures where the assessed risks of the disclosures being materially misstated at the assertion level (the more likely, or higher, the risks, the more evidence is likely to be required).

A219L. For limited assurance engagements, the quantity of evidence needed is affected by the nature and number of disclosures where material misstatements are likely to arise. As explained in paragraph A193L, in a limited assurance engagement, 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. The sufficiency of evidence is evaluated in that context.

A220. The 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. 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.

A221. The practitioner uses professional judgment and exercises professional skepticism in evaluating the sufficiency and appropriateness of evidence to support the assurance conclusion.

A222. Factors that affect the evidence that may be available in the circumstances, in terms of quantity or quality, and therefore impact its sufficiency or appropriateness, include the following:

- The characteristics of the sustainability matters or disclosures. For example, less objective evidence might be expected when the disclosures are forward-looking rather than historical.
- Whether information used to prepare the disclosures is generated from within the entity's organizational boundary or sourced from the entity's value chain and whether the source is accessible.
- Other circumstances, such as when evidence that could reasonably be expected to exist is not available because of factors such as those described in paragraph A188.

A223. The procedures designed and performed by the practitioner may also affect the persuasiveness of the evidence obtained. For example, in a reasonable assurance engagement, evaluating the design and implementation of controls relating to processes in the entity's information system that support the preparation of the sustainability information, or external confirmation procedures to obtain evidence about information used by management in preparing the sustainability information, may provide more persuasive evidence than inquiry of management. In a reasonable assurance engagement, inquiry alone ordinarily does not provide sufficient appropriate evidence.

Qualitative Information (Ref: Para. 82(b))

A224. Some qualitative disclosures may be factual and directly observable or otherwise able to be subject to further procedures to gather evidence. However, some qualitative disclosures may be inherently judgmental, not directly observable and may be susceptible to management bias. The practitioner may need to exercise significant professional judgment in evaluating what constitutes sufficient appropriate evidence in these circumstances.

A225. Although the processes and controls within the entity's information system may be sufficient to provide the preparer with a reasonable basis for the sustainability information, they may not be sufficient to provide the practitioner with the evidence needed to support the practitioner's assurance conclusion. This may have implications for the practitioner's planned procedures, the ability to obtain the evidence needed about the qualitative sustainability information, and the assurance conclusion. For example, when designing and performing procedures for qualitative sustainability information, the practitioner may consider:

- Whether, in the case of a reasonable assurance engagement, substantive testing alone will provide sufficient appropriate evidence. If not, the practitioner may need to perform tests of controls over the integrity of data, or other controls within the entity's information system that support the preparation of the qualitative information.
- The source of the information intended to be used as evidence, how such information has been captured and processed by the entity's information system, and how this may affect the reliability of the information. For example, information may be captured directly into the entity's information system on a real-time basis without supporting documentation or may be obtained through informal communication.

Forward-looking Information (Ref: Para. 82(b))

A226. Forward-looking information, by its nature, is predictive and may be expressed in both quantitative and qualitative terms. Information about future conditions or outcomes relate to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways. For example, this information may include forecasts, projections, and may relate to the entity's intentions or strategy, future risks and opportunities. While forward-looking information may result from applying criteria to the sustainability matters,

the sustainability matters (a future event, occurrence or action) may be subject to greater uncertainty, and ordinarily able to be evaluated with less precision than historical underlying subject matter(s). Uncertainty and the need for judgment are also likely to increase the further into the future the period to which the disclosures relate. Unlike historical information, it is not possible for the practitioner to determine whether the results or outcomes forecasted or projected have been or will be achieved or realized. The practitioner may obtain evidence about whether the forward-looking information has been prepared in accordance with the applicable criteria on the basis of the assumptions used by the entity, and:

- (a) In the case of forecasts, there is a reasonable basis for the assumptions used in preparing the sustainability information; or
- (b) In the case of hypothetical assumptions, such assumptions are consistent with the purpose of the information.

A227. Evidence may be available to support the assumptions on which the forward-looking sustainability information is based, but such evidence itself may also be forward-looking and, therefore, speculative in nature. Accordingly, the practitioner may need to exercise significant professional judgment in determining whether the evidence is sufficient and appropriate. In some circumstances, the evidence available may support a range of possible outcomes with the disclosure falling within that range. The practitioner's evaluation of whether the disclosures are reasonable based on the evidence obtained is further addressed in paragraph 161.

A228. The nature and availability of evidence for forward-looking information, and what constitutes sufficient appropriate evidence, will likely vary by topics, aspects of topics and disclosures, and the practitioner's consideration of potential material misstatements. For example:

- When disclosures relate to future strategy, a target, or other intentions of an entity, the practitioner may focus evidence-gathering activities on whether management or those charged with governance have an intention to follow that strategy, the target or intention exists, or there is a reasonable basis for the intended strategy or target (e.g., the practitioner may obtain evidence to support that the entity has the ability to carry out its intent, or is implementing controls over source data and the assumptions on which the strategy is based).
- When disclosures relate to future risks and opportunities, the practitioner may focus evidence-gathering activities on information available from the entity's risk register or records of discussions of those charged with governance if the entity's controls over the maintenance of the risk register and the minuting of discussions provide a reasonable basis for using these sources as evidence. In a reasonable assurance engagement, the practitioner may need to consider obtaining evidence about the effectiveness of the entity's controls.

Information Intended to be Used as Evidence

Evaluating the Relevance and Reliability of Information Intended to be Used as Evidence (Ref: Para. 83)

A229. In planning and performing a sustainability assurance engagement, the practitioner may obtain information from a variety of sources and in different forms. Such information ordinarily is expected to result in evidence to support the conclusions that form the basis for the practitioner's assurance conclusion and report. However, such information can become evidence only after procedures are applied to it, including evaluating its relevance and reliability. For purposes of this ISSA, this information is referred to as "information intended to be used as evidence."

A230. Evaluating the relevance and reliability of information intended to be used as evidence involves performing procedures. Factors that may influence the nature, timing and extent of such procedures, include:

- (a) The source of the information (see paragraphs A238-A240); and
- (b) The attributes of relevance and reliability of the information that are considered applicable in the circumstances (see paragraphs A241-A246).

A231. In some circumstances, the procedures to evaluate relevance and reliability may be straightforward (e.g., comparing information used by management to information published by a national government body). In other circumstances, procedures, including tests of controls, may be performed to evaluate the reliability of information (e.g., the accuracy and completeness of information generated internally from the entity's information system).

A232. Evidence from performing other procedures in accordance with this ISSA also may assist the practitioner in evaluating the relevance and reliability of information intended to be used as evidence. For example, evidence obtained from:

- The practitioner's understanding of the entity and its environment, the applicable criteria and the entity's system of internal control.
- Tests of controls over the preparation and maintenance of the information.
- Procedures performed when using the work of a practitioner's expert.

Form, Availability, Accessibility and Understandability of Information

A233. The form, availability, accessibility and understandability of the information intended to be used as evidence may affect:

- (a) The design and performance of the procedures in which the information will be used; and
- (b) The practitioner's evaluation of the relevance and reliability of the information.

For example, information may only be available in digital form on a continuous basis. In such circumstances, the practitioner may use automated tools and techniques that are designed to operate on a real-time basis to evaluate the relevance and reliability of the information.

A234. The practitioner may receive information intended to be used as evidence in many forms, ranging from information generated from highly complex automated systems to information manually prepared by management and others within the entity. The practitioner may have an expectation of the form in which information intended to be used as evidence will be received. Remaining alert for information intended to be used as evidence that is received in a form different from the expected form may assist the practitioner in mitigating unconscious biases that may impede the practitioner's exercise of professional skepticism. In addition, receiving information in a form different from that expected may also be relevant to the practitioner's evaluation of the reliability of that information.

A235. Information intended to be used as evidence may exist, but access to such information may be restricted, for example, due to restrictions imposed by law or regulation or the source providing the information (e.g., due to hospital patient confidentiality), or due to war, civil unrest or outbreaks of disease. In some cases, the practitioner may be able to overcome restrictions on access to information. For example, the practitioner may request management or those charged with governance of the entity to assist in requesting information from a source when contractual obligations exist between an information source and the entity, or the practitioner may choose to

visit a location to inspect information that is available but cannot be transferred outside of a jurisdiction.

A236. The practitioner may be unable to obtain sufficient appropriate evidence if the practitioner determines that it is not practicable to obtain or understand information intended to be used as evidence. For example, if the practitioner does not have a sufficient basis to evaluate the relevance and reliability of information from a source external to the entity, the practitioner may have a limitation on scope if sufficient appropriate evidence cannot be obtained through alternative procedures. The practitioner's inability to obtain sufficient appropriate evidence requires the practitioner to express a qualified conclusion or disclaim a conclusion on the sustainability information in accordance with this ISSA.

A237. In some circumstances, specialized skills or knowledge may be needed to understand or interpret the information intended to be used as evidence, for example, emissions data from downstream or upstream entities, water quality or biodiversity measurements. Accordingly, the practitioner may consider using a practitioner's expert to assist in understanding or interpreting the information intended to be used as evidence if the engagement team does not have the appropriate competence and capabilities to do so.

Sources of Information

A238. Information intended to be used as evidence may come from internal sources or external sources and may affect the availability, accessibility and understandability of the information intended to be used as evidence. For example, information may come from:

- The entity's records, management or other sources internal to the entity.
- Other entities within the entity's organizational boundary or value chain.
- A management's expert.
- A practitioner's expert.
- Independent sources external to the entity, other than a management's or practitioner's expert, that provide information, such as the entity's legal counsel, customers, suppliers, governmental agencies, bank, or general data providers (e.g., entities providing macro-economic, industry or social data).
- A service organization.

A239. The practitioner is not required to perform an exhaustive search to identify all possible sources of information to be used as evidence. The practitioner's understanding of the entity and its environment, the applicable criteria and the entity's system of internal control may assist the practitioner in identifying appropriate sources of information.

A240. The practitioner ordinarily obtains more assurance from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining information intended to be used as evidence from different sources or of a different nature may indicate that an individual item of information intended to be used as evidence is not reliable. For example, corroborative information obtained from a source independent of the entity may increase the assurance the practitioner obtains from a representation from management. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional procedures are necessary to resolve the inconsistency.

Attributes of Relevance and Reliability of Information

A241. The quality of evidence depends on the relevance and reliability of the information upon which it is based. Whether, and the degree to which, certain attributes of relevant and reliable information are considered applicable in the circumstances is a matter of professional judgment.

Relevance

A242. The principal attribute of the relevance of information intended to be used as evidence deals with the logical connection with, or bearing upon, the purpose of the procedure, including, in a reasonable assurance engagement, the assertion being tested. The degree to which the information relates to meeting the purpose of the procedure may also be a consideration.

Reliability

A243. The reliability of information intended to be used as evidence deals with the degree to which the practitioner may depend on such information. Common attributes that may be applicable when considering the degree to which information intended to be used as evidence is reliable may include whether the information is:

- (a) Accurate (free from error).
- (b) Complete (reflecting all applicable events, conditions and circumstances).
- (c) Authentic (genuine, authorized and not inappropriately altered).
- (d) Free from bias (whether intentional or unintentional).
- (e) Credible (generated by a competent, capable and trustworthy source).

Factors That Affect the Practitioner's Professional Judgment Regarding the Attributes of Relevance and Reliability

A244. Factors that may affect the practitioner's professional judgment about the relevance and reliability of information intended to be used as evidence, including which attributes of reliability may be applicable in the circumstances, include:

- The disclosures and, for reasonable assurance engagements, the assertions, for which the information will be used as evidence. Information may be relevant to multiple disclosures. Some information may be relevant for certain assertions but not others.
- The period of time to which the information relates.
- The controls over the preparation and maintenance of the information.
- The practitioner's assessment of disclosures where material misstatements are likely to arise (in a limited assurance engagement) or the assessed risks of material misstatement (in a reasonable assurance engagement).
- The intended purpose of the procedure in which the information will be used.
- The level of detail of the information needed given the intended purpose of the procedure. For example, information related to key performance indicators used by management may not be precise enough to detect material misstatements at the assertion level and therefore may not, in a reasonable assurance engagement, be appropriate for use by the practitioner in performing further procedures.
- The level of precision within the applicable criteria regarding what is to be reported and how it is to be measured or evaluated. For example, when the applicable criteria require

more granular quantitative disclosures, the practitioner may consider the attributes of accuracy and completeness to be important.

- The source of the information. For example, accuracy and completeness ordinarily will be applicable attributes for information generated internally from the entity's information system (such as when performing further procedures). For information obtained from a source external to the entity, the practitioner may be more focused on other attributes of reliability, including the credibility of the source providing the information.
- The ability of the reporting entity to influence information obtained from external sources with whom they have relationships.
- Evidence of general market acceptance by users of the relevance and reliability of information from an external source, including tolerance for less precise information, for example, when that information is inherently subjective.

A245. The reliability of information, in particular the attributes of accuracy, completeness and authenticity, when deemed to be applicable in the circumstances, may also be affected by whether the integrity of the information has been maintained through all stages of processing through the entity's information systems. For example, an entity's information system may include general information technology controls to safeguard and maintain the integrity of the sustainability information.

A246. The source of the information intended to be used as evidence may affect the nature and extent of the practitioner's evaluation of the relevance and reliability of the information. It may also affect how the practitioner responds to matters such as doubts about the reliability of the information, or inconsistencies in evidence. For example, if the information comes from a highly reputable external source, such as an authorized jurisdictional environmental agency, the practitioner's work effort in considering the reliability of the information may not be extensive.

Information Produced by the Entity (Ref: Para. 84)

A247. In order for the practitioner to obtain reliable evidence, information produced by the entity that is used for performing procedures needs to be sufficiently complete and accurate. Obtaining evidence about the accuracy and completeness of such information may be performed concurrently with the actual procedure applied to the information when obtaining such evidence is an integral part of the procedure itself. In other situations, the practitioner may have obtained evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the practitioner may determine that additional procedures are needed.

A248. In some cases, the practitioner may intend to use information produced by the entity for other purposes. For example, the practitioner may intend to make use of the entity's production numbers for the purpose of analytical procedures for water or energy consumption, or to make use of the entity's information produced for monitoring activities, such as reports of the internal audit function. In such cases, the appropriateness of the evidence obtained is affected by whether the information is sufficiently precise or detailed for the practitioner's purposes. For example, performance measures used by management may not be precise enough to detect material misstatements.

Work Performed by a Management's Expert (Ref: Para. 85)

A249. When evaluating the relevance and reliability of information intended to be used as evidence prepared by a management's expert:

- (a) The competence and capabilities of that expert may inform the practitioner's consideration of the attribute of credibility. The credibility of the source providing the information affects the degree to which information intended to be used as evidence is reliable; and
- (b) The objectivity of that expert may inform the practitioner's consideration of the attribute of bias. A broad range of circumstances may influence the professional judgments of the management's expert, which may threaten the management expert's objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats and intimidation threats. Bias in the information intended to be used as evidence also affects the degree to which information is reliable. In some cases, information prepared by a management's expert may be subject to bias, as management may have an influence on the professional judgments of the management's expert.

Competence and Capabilities (Ref: Para. 85(a))

A250. Competence relates to the nature and level of expertise of the management's expert. Factors that may affect whether the management's expert has the appropriate competence include:

- Whether the expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation.
- The matter for which the management expert's work will be used, and whether they have the appropriate level of expertise applicable to the matter, including expertise in a particular area of specialty.
- The management's expert's competence with respect to relevant sustainability matters, for example, knowledge of assumptions and methods, including models when applicable, that are consistent with the applicable criteria.

A251. Capabilities relates to the ability of the management's expert to exercise the competence in the circumstances. Factors that may influence capabilities may include geographic location, and the availability of time and resources.

Obtain an Understanding of the Work Performed by the Management's Expert (Ref: Para. 85(b))

A252. Matters relevant to the practitioner's understanding of the work performed by the management's expert may include:

- The relevant field of expertise;
- The nature, scope and objectives of the management's expert's work;
- Whether there are professional or other standards, and regulatory or legal requirements that apply in preparing the information;
- How the information has been prepared by the management's expert, including:
 - The assumptions and methods used by the management's expert, and whether they are generally accepted within that expert's field and appropriate in the context of the applicable criteria and the sustainability matters; and

- (The underlying information used by the management's expert; and
- The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other evidence.

Obtain an Understanding of How the Information Prepared by the Management's Expert Has Been Used by Management in the Preparation of the Sustainability Information (Ref: Para. 85(c))

A253. Obtaining an understanding about how the information prepared by a management's expert has been used by management in the preparation of the sustainability information may include understanding:

- (a) How management has considered the appropriateness of the information prepared by the management's expert; and
- (b) The modifications made by management to the information prepared by the management's expert.

A254. This understanding may assist the practitioner in:

- (a) Evaluating the relevance and reliability of the information intended to be used as evidence; and
- (b) Understanding whether the expert's findings or conclusions have been appropriately reflected in the sustainability information. For example, in some circumstances, management may need to modify the information prepared by the management's expert, such as when the information provided is too general and requires adjustment to reflect the circumstances unique to the entity. Management's adjustments may give rise to bias, or management may not have the appropriate competence and capabilities to adapt or adjust the information, which may cause the information to be inaccurate, incomplete or lack credibility.

Doubts About the Relevance and Reliability of Information Intended to be Used as Evidence
(Ref: Para. 86-87)

A255. Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. When 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, possible procedures to investigate further may include:

- (a) Confirming directly with the third party.
- (b) Using the work of an expert to assess the document's authenticity.

A256. Factors or circumstances that may give rise to doubts about the reliability of information intended to be used as evidence include:

- An inability to evaluate the relevance and reliability of the information, including, for example, whether the information is authentic.
- Misstatements identified during the assurance engagement.
- Deficiencies in internal control identified by the practitioner, particularly when there is a significant deficiency in internal control.
- When procedures performed on a population result in a higher rate of deviation than expected.

- When information intended to be used as evidence is inconsistent with other information or evidence.

A257. The relevance of information intended to be used as evidence may be affected by the period of time to which the information relates. For example, the relevance of such information may change based on the passage of time or due to events or conditions, such as the identification of new information. Such circumstances may occur when the practitioner identifies information from an alternative or more credible source which negates, or causes doubt about, the relevance of the initial information intended to be used as evidence.

A258. In cases of doubt about the reliability of information or indications of possible fraud, this ISSA requires the practitioner to investigate further and determine what modifications or additions to procedures are necessary to resolve the matter. Doubts about the reliability of information from management may indicate a risk of fraud.

Planning

Planning Activities (Ref. Para. 88-89)

A259. Adequate planning helps to:

- Devote appropriate attention to important areas of the engagement;
- Identify potential problems on a timely basis and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner;
- Properly assign work to engagement team members, and facilitate the direction and supervision of engagement team members and the review of their work; and
- When applicable, coordinate work done by other practitioners and experts.

A260. Planning involves the engagement leader, other key members of the engagement team, and any key practitioner's external experts developing:

- (a) An overall strategy for the scope, timing and direction of the assurance engagement; and
- (b) An engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed, and the reasons for selecting them.

A261. Information obtained in the acceptance and continuance process may assist the engagement leader in planning and performing the engagement. Such information may include:

- Information about the size, complexity and nature of the entity, including the industry in which it operates and the applicable criteria;
- The entity's timetable for reporting, such as at interim and final stages;
- If the assurance engagement relates to sustainability information beyond a single entity (e.g., a group) the nature and extent of the control relationships between the entity and other entities within the organizational boundary, and relationships with other entities within the reporting boundary;
- Relevant knowledge gained on other engagements performed by the engagement team for the entity; and
- Whether there have been changes in the entity or in the industry in which the entity operates since the previous assurance engagement that may affect the nature of resources required, as well as the manner in which the work of the engagement team will be directed, supervised and reviewed.

A262. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the sustainability matters and applicable criteria. Examples of matters that may be considered include:

- The characteristics of the entity and its activities;
- Whether the engagement is a limited assurance engagement, reasonable assurance engagement or a combination of both.
- The nature of the disclosures.
- The expected timing and the nature of the communications required with management or those charged with governance.
- The reporting boundary.
- The practitioner's understanding of the entity and its environment, including the risks that the disclosures may be materially misstated.
- The intended users and their information needs.
- The extent to which the risk of fraud is relevant to the engagement.
- The nature, timing and extent of resources necessary to perform the engagement, such as expertise required, including the nature and extent of the involvement of experts.
- If the entity has an internal audit function, the impact on the engagement.

A263. The practitioner may decide to discuss elements of planning with the entity when obtaining a preliminary knowledge of the engagement circumstances, determining the scope of the engagement or to facilitate the conduct and management of the engagement (e.g., to coordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the approach to the engagement remains the practitioner's responsibility. When discussing the approach to the engagement, care is needed in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the entity may compromise the effectiveness of the engagement by making the procedures too predictable.

A264. Planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or evidence obtained, the practitioner may revise the approach to the engagement, and thereby the resulting planned nature, timing and extent of procedures.

Scalability (Ref. Para. 88)

A265. In less complex engagements, the entire engagement may be conducted by the engagement leader (who may be a sole practitioner) or a very small engagement team. With a smaller team, coordination of, and communication between, team members is easier. Establishing the approach to the engagement in such cases need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, including the sustainability matters and applicable criteria, the scope of the assurance engagement, and the size of the engagement team. For example, in the case of a recurring engagement, a brief memorandum prepared at the completion of the previous engagement, based on a review of the working papers and highlighting issues identified in the engagement just completed, updated in the current period based on discussions with appropriate parties, may be appropriate as the engagement strategy for the current engagement.

Nature, Timing and Extent of Planned Procedures (Ref: Para. 89)

A266. 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 (i.e., how management has grouped the information for purposes of presentation) may assist the practitioner in planning the assurance engagement. Matters that may be relevant in this regard include:

- Whether the applicable criteria address how the sustainability information should be presented, and how the entity has applied such criteria. Applicable criteria 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. For example, the applicable criteria may require the entity to report operational sites situated in areas of high biodiversity value by geographical location only. In other circumstances, the applicable criteria may require that information be disaggregated further to operational size and relative vicinity.
- The entity's reporting objectives and policies regarding preparation of the sustainability information, including its policies for classification and presentation of the sustainability information.
- The entity's reporting boundary, including whether the disclosures pertain to one or more entities within the reporting boundary.
- The extent to which the sustainability information:
 - Is processed using common information systems and controls, and
 - Has a common unit of measure.
- How sustainability information is communicated internally to management or those charged with governance.
- Whether the disclosures relate to similar or interconnected topics, aspects of the topics, or characteristics (see paragraph A269).
- How the entity's industry peers present the sustainability information.

A267. The practitioner may decide that the way management has aggregated or disaggregated the sustainability information for purposes of presentation is the most appropriate approach for the engagement. The practitioner may also decide that grouping the sustainability information differently may be more appropriate for purposes of planning and performing the engagement in a more effective and efficient manner. Factors that may be relevant to the practitioner's decision may include:

- The scope of the engagement, including whether the engagement covers all or only part of the sustainability information reported.
- Preliminary expectations about the disclosures where risks of material misstatement are likely to arise (for limited assurance) or risks of material misstatement (for reasonable assurance)
- The nature and extent of commonality of controls. For example, waste generated by the entity's own activities is recorded using the same IT system and common controls are implemented across all entities or business units in the group.

A268. The practitioner's judgments about materiality take into account the information needs of intended users. In considering or determining materiality in accordance with paragraph 91, the practitioner may consider disclosures that may be important to intended users. The practitioner's risk procedures are designed and performed to identify disclosures where material misstatements are likely to arise (for limited assurance) or to identify and assess risks of material misstatement at the assertion level for the disclosures (for reasonable assurance). Therefore, judgments about materiality and the nature and likelihood of potential misstatements are relevant to the practitioner's approach, including the way in which the sustainability information is grouped for planning and performing the engagement.

A269. The practitioner may group the sustainability information in various ways for purposes of planning and performing the assurance engagement.

Examples:

- By topics: All disclosures on climate; all disclosures on labor practices.
- By aspects of topics: All disclosures regarding risks and opportunities (regardless of the topic); all disclosures regarding targets.
- By topic and aspect of topic: All disclosures regarding targets for climate; all disclosures regarding scenario analysis for climate.
- By characteristics: All disclosures that are qualitative; all disclosures that are forward-looking; all disclosures that are historical.
- By characteristics by aspect of topic: All disclosures regarding targets that are judgmental; all disclosures regarding targets that are historical.

Materiality (Ref. Para. 91-92)

A270. The practitioner's consideration or determination of materiality, as applicable, is relevant when performing risk procedures, determining the nature, timing and extent of further procedures, and evaluating whether the sustainability information is free from material misstatement. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance. That is, for the same intended users and purpose, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.

A271. The concept of materiality ordinarily includes the following principles:

- (a) 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.
- (b) 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.

A272. 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:

- (a) Have a reasonable knowledge of the sustainability matters, and a willingness to study the sustainability information with reasonable diligence;

- (b) 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;
- (c) Understand any inherent uncertainties involved in measuring or evaluating the sustainability matters; and
- (d) Make reasonable decisions on the basis of the sustainability information taken as a whole.

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 not ordinarily considered.

A273. The applicable criteria may include principles to assist the entity in identifying information relevant to users, which may include terms that refer to materiality. Such principles or terms, if present in the applicable criteria, may provide a frame of reference to the practitioner in considering or determining materiality for the engagement. However, the process applied by the entity to determine the sustainability matters to be reported, often referred to as the entity's "process to identify reporting topics," "materiality assessment," or "materiality process," relates to management's determination of the topics and aspects of topics that may be relevant for intended users.

A274. When an entity uses applicable criteria that identify reporting topics that impact the entity's financial performance, the materiality considerations may be referred to as "financial materiality." In this case, financial materiality may be set in the context of financial terms and the intended users are likely current and future providers of debt and equity. When an entity uses applicable criteria that identify reporting topics relevant to the impacts of the entity on the environment, society, economy or culture, the materiality considerations may be referred to as "impact materiality." In this case, materiality is considered according to the nature and magnitude of impacts, and may be relevant to a broader group of intended users (see also paragraph A180). When the applicable criteria refer to both financial impacts on the entity and the entity's impacts on the environment, society, economy or culture, this may be referred to as "double materiality."

Example:

The entity operates globally in various industries, including health care and consumer goods. The entity engaged an external consulting firm to gather data on stakeholders' perspectives regarding the entity's sustainability strategy. The entity took an approach to first identify the most relevant stakeholder groups, which included "customers, suppliers, non-profit organizations, corporate/private sector, academics, consultants, government, media, finance, trade associations, and think tanks." The entity then obtained direct feedback on how its sustainability strategy affected people, wider communities and the environment. After gathering this data, the entity analyzed it to determine what issues were material to those surveyed and reported on those areas.

A275. Management's "materiality process" differs from materiality considered or determined by the practitioner. The practitioner considers or determines materiality in determining the approach for obtaining evidence and when evaluating identified misstatements of the sustainability information within the scope of the assurance engagement. As a result, qualitative factors considered by the entity and the practitioner may overlap but need not be identical. For quantitative disclosures, the practitioner and entity will not necessarily arrive at the same materiality threshold.

A276. Materiality relates to the sustainability information within the scope of the assurance engagement. Therefore, when the 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.

A277. Not all disclosures involve the same materiality considerations. Ordinarily, materiality is considered or determined for different disclosures. 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. Considering qualitative factors may help the practitioner to identify disclosures that may be more significant to the intended users. For example, intended users may 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.

Qualitative Materiality Considerations (Ref. Para. 91(a))

A278. Examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative disclosures include:

- The number of persons or entities affected by, and the severity of the effect of, the sustainability matter. For example, a hazardous waste spill may impact a small number of people, but the effect of that spill could lead to serious adverse consequences to the environment.
- The interaction between, and relative importance of, multiple topics and aspects of the topics, such as when a report includes numerous performance indicators.
- The form of the presentation of the sustainability information when the applicable criteria allow for variations in the presentation.
- The nature of a potential misstatement and when it would be considered material. For example, the nature of observed deviations from a control when the sustainability information is a statement that a process exists, or the control is effective.
- Whether a potential misstatement could affect compliance with law or regulation, including whether there is an incentive or pressure on management to achieve an expected target or outcome. For example, a practitioner may consider a potential misstatement to be material if it affected a threshold at which a carbon tax would be payable by the entity.
- Whether a potential misstatement would be significant based on the practitioner's understanding of known previous communications to the intended users, on matters relevant to the information needs of those users, for example, in relation to the expected outcome of goals or targets, the degree to which a potential misstatement would impact the entity achieving the goal or target.
- When the sustainability matter is a governmental program or public sector entity, whether a particular aspect of the program or entity is significant with regard to the nature, visibility and sensitivity of the program or entity.
- If the applicable criteria include the concept of due diligence regarding impacts, the nature and extent of those impacts. For example, a practitioner may consider whether the entity's disclosures omitted or distorted the actions taken to prevent or mitigate negative impacts

or ignored additional negative impacts, or the entity's actions to prevent or mitigate negative impacts were not effective.

- For narrative disclosures, whether the level of detail of the description or the overall tone of the words used to describe the matter, may give a misleading picture to users of the sustainability information.
- How the presentation of the information influences users' perception of the information. For example, when management presents the disclosures in the form of graphs, diagrams or images, materiality considerations may include whether using different scales for the x- and y-axes of a graph may result in materially misstated or misleading information.

Quantitative Materiality Considerations (Ref. Para. 91(b))

A279. Quantitative factors relate to the magnitude of misstatements relative to the disclosures, if any, that are:

- (a) Expressed numerically; or
- (b) 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).

A280. For disclosures that are quantitative (e.g., a key performance indicator expressed in numerical terms), materiality may be determined by applying a percentage to the reported metric, or to a chosen benchmark related to the disclosure. If the applicable criteria specify a percentage threshold for materiality, this may provide a frame of reference to the practitioner in determining materiality for the disclosure.

Examples of thresholds may include x% of investment in community projects (in hours or monetary terms), y% of energy consumed (in kWh), or z% of land rehabilitated (in hectares).
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A281. The applicable criteria may require disclosures of historical cost financial information. For example, topics reported may include community investment, training expenditures, or taxes by jurisdiction. These may also be reported in the entity's financial statements. The practitioner, or another practitioner, may be engaged to audit those financial statements. The materiality used for these aspects of the disclosures need not be the same as the materiality used in the audit of the entity's financial statements.

Reconsideration of Materiality as The Engagement Progresses (Ref. Para. 91)

A282. Materiality may be reconsidered as a result of a change in circumstances during the assurance engagement (for example, the disposal of a major part of the entity's business), new information, or a change in the practitioner's understanding of the entity and its operations as a result of performing procedures. For example, it may become apparent during the engagement that the percentage of significant product categories for which customer health and safety impacts are assessed for improvement is likely to be substantially different from that expected during planning. If during the engagement the practitioner concludes that a different materiality is appropriate, it may be necessary to revise the nature, timing and extent of further procedures.

Performance Materiality (Ref: Para. 92)

A283. Performance materiality may be used during different stages of the assurance engagement. For example, performance materiality may be useful to help identify disclosures where material

misstatements are likely to arise (in a limited assurance engagement), or to help identify and assess risks of material misstatement at the assertion level for disclosures (in a reasonable assurance engagement) and to determine the nature, timing and extent of further procedures.

A284. For quantitative disclosures, planning the engagement solely to detect individually material misstatements overlooks aggregation risk, which is the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Aggregation risk arises because the sustainability information may be disaggregated by management for purposes of applying the applicable criteria, or by the practitioner for the purpose of designing and performing assurance procedures. It may therefore be appropriate when planning the nature, timing and extent of procedures for the practitioner to:

- (a) Consider setting performance materiality for quantitative disclosures to reduce aggregation risk to an appropriately low level; or
- (b) Consider what types of errors or omissions would potentially constitute a material misstatement when aggregated with other misstatements.

A285. Performance materiality does not address misstatements that would be material solely due to qualitative factors that affect their significance. However, designing procedures to increase the likelihood of the identification of misstatements that are material solely because of qualitative factors, to the extent it is possible to do so, may also assist the practitioner in addressing aggregation risk.

Risk Procedures

Designing and Performing Risk Procedures (Ref: Para. 94L-96)

A286. Risk procedures are part of an iterative and dynamic process. Initial expectations may be developed about disclosures where material misstatements are likely to arise (in a limited assurance engagement) or risks of material misstatement (in a reasonable assurance engagement), which may be further refined as the practitioner progresses through the engagement, or if new information is obtained. Risk procedures by themselves do not provide sufficient appropriate evidence on which to base the assurance conclusion.

A287. The nature and extent of risk procedures will vary based on the nature and circumstances of the entity (e.g., the formality of the entity's policies or procedures, and processes and systems), the nature and complexity of the sustainability matters and the characteristics of the events or conditions that could give rise to material misstatements. The practitioner uses professional judgment to determine the nature and extent of the risk procedures to be performed to meet the requirements of this ISSA as appropriate to the level of assurance to be obtained. The depth of understanding that is required by the practitioner is less than that possessed by management in managing the entity.

A288. The type of risk procedures performed by the practitioner may include the following:

- (a) Inquiries of management, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who, in the practitioner's judgment, may have information that is likely to assist in identifying disclosures where material misstatements are likely to arise (for a limited assurance engagement) or identifying risks of material misstatement (for a reasonable assurance engagement), whether due to fraud or error;

- (b) Analytical procedures;
- (c) Observation and inspection.

A289. Designing and performing risk procedures may involve obtaining evidence from multiple sources including:

- (a) Interactions with management, those charged with governance, and other key entity personnel, which may include personnel within the entity who work in functions relevant to the sustainability information (such as Human Resources) or internal auditors.
- (b) Certain external parties such as regulators, whether obtained directly or indirectly.
- (c) Publicly available information about the entity and its industry, for example, entity-issued press releases, materials for analysts or investor group meetings, analysts' reports, or information about sustainability impact.

A290L. In rare circumstances, the practitioner's risk procedures may not identify any disclosures where material misstatements are likely to arise. Irrespective of whether any such disclosures have been identified, the practitioner designs and performs procedures to obtain a meaningful level of assurance. In such cases, the practitioner may perform additional risk procedures or design and perform further procedures on disclosures that are material to the sustainability information.

A291. The practitioner may perform further procedures concurrently with risk procedures when it is efficient to do so.

Examples:

- In a limited assurance engagement, evidence obtained that supports the identification of disclosures where material misstatements are likely to arise may also support the practitioner's conclusion that the matter is not likely to cause the sustainability information to be materially misstated.
- In a reasonable assurance engagement, evidence obtained that supports the identification and assessment of risks of material misstatement may also support the evaluation of the operating effectiveness of controls.

Considering Information from Engagement Acceptance and Continuance Procedures (Ref: Para. 95)

A292. Paragraph 69 requires the practitioner to obtain a preliminary knowledge of the engagement circumstances to provide an appropriate basis for determining whether the preconditions for the engagement are present. This preliminary knowledge ordinarily is not sufficient to fulfill the requirements in paragraphs 94L and 94R, but may provide important evidence to support the required understanding. For example, the practitioner may have already obtained an extensive understanding of the applicable criteria in accepting the engagement and may supplement this understanding for the purpose of performing risk procedures. Information the practitioner may also consider in obtaining an understanding include:

- (a) When applicable, other engagements performed by the engagement leader for the entity, such as the audit of financial statements or verification of specific matters (e.g., verification of water consumption for a significant operation within the entity).
- (b) Previous experience with the entity, if such information remains relevant and reliable as evidence for the current engagement.

Engagement Team Discussion (Ref: Para. 96)

A293. Discussions between the engagement leader and other key members of the engagement team, and any key practitioner's external experts may:

- Provide an opportunity for more experienced engagement team members, including the engagement leader, to share their insights based on their knowledge of the entity. Sharing information contributes to an enhanced understanding by all engagement team members.
- Allow the engagement team members to exchange information about how and where the sustainability information might be susceptible to material misstatement due to fraud or error.
- Assist the engagement team in planning and performing the engagement.

A294. When the engagement is carried out by a single individual, such as a sole practitioner, consideration of the matters referred to in paragraph 96 nonetheless may assist the practitioner in identifying disclosures where risks of material misstatement are likely to arise (for a limited assurance engagement) or identifying risks of material misstatement (for a reasonable assurance engagement).

Understanding the Sustainability Matters and the Sustainability Information (Ref: Para. 97)

A295. The characteristics of events or conditions that could give rise to 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.

A296. Material misstatements due to fraud in sustainability information may relate to matters such as the following:

- Misstating sustainability information (including omitting information) to avoid penalties or fines, potentially aggressive or overly optimistic internal or external goals, intentionally inaccurate or misleading product or corporate public statements or claims.
- Misstating sustainability information to enable the entity to be favorably considered in relation to future endeavors, or to be a factor in funding, supplier or customer arrangements or negotiations.
- Misstating sustainability information to reduce carbon tax liabilities or overstate carbon credits created.
- Intentionally reporting sustainability information relating to performance or compensation incentives in a biased way in order to influence the outcome of the performance reward or compensation.
- Pressures linked to obtaining certain credentials or recognitions (e.g., a 'green' seal or rating), or to meet certain contractual conditions.
- Immature systems of internal control over sustainability reporting.

A297. The characteristics of events or conditions that could give rise to risks of material misstatement may be different for different disclosures. For example:

- The risks of material misstatement related to information about the entity's waste generated in the entity's own activities may be different from the risks of material misstatement related

to information about the waste generated upstream or downstream in the entity's value chain.

- The risks of material misstatement in historical quantitative information may be different from the risks of material misstatement in forward-looking qualitative information.

A298. The sustainability matters may be complex to measure or evaluate or be subject to uncertainties. For example, potential climate-related risks, the likelihood of their occurrence, and their expected short, medium, and long-term impacts on an entity and its supply chain may be both complex to measure and evaluate and subject to a high degree of uncertainty. As a result of the inherent uncertainties, material misstatements may be more likely to arise (limited assurance) or the risk of material misstatement of disclosures may be higher (reasonable assurance), or it may be difficult to identify disclosures where material misstatements are likely to arise (limited assurance) or identify and assess the risks of material misstatement of the sustainability information (reasonable assurance).

Understanding the Applicable Criteria (Ref: Para. 98)

A299. Understanding the applicable criteria assists the practitioner in identifying the susceptibility of the disclosures to misstatement. For example, the practitioner may:

- Identify elements of the applicable criteria that may be more susceptible to incorrect interpretation and application by the entity in preparing the sustainability information.
- Identify where the entity has the ability to exercise judgment in applying the applicable criteria, and therefore may give rise to risks of material misstatement (reasonable assurance) or disclosures where material misstatements are likely to arise (limited assurance) due to inappropriate judgments in the circumstances of the entity.
- Identify aspects of the applicable criteria that may be more susceptible to manipulation, for example, when the entity is permitted to prepare the information on a comply or explain basis, provided the entity has a reasonable basis for doing so.
- Determine that the entity's process for identifying, evaluating and applying the applicable criteria is lacking, which may give rise to a risk of material misstatement (reasonable assurance) or disclosures where material misstatements are likely to arise (limited assurance) that the applicable criteria are not appropriately applied by the entity.

A300. The understanding of the applicable criteria may include:

- The uncertainties and complexities associated with identifying the framework criteria, and any entity-developed criteria used to interpret the framework.
- The criteria for identifying the relevant topics and aspects of the topics to be presented and disclosed in the sustainability information.
- The criteria for identifying the reporting boundary, and whether this differs for each disclosure.
- How the entity develops its own criteria, including criteria used to interpret the framework criteria (e.g., the selection and application of quantification methods and reporting policies), and controls over the entity's process.

A301. 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 supplement the framework criteria so that the applicable criteria are suitable. The process of developing the applicable criteria and applying it to the sustainability matters may be complex, require judgment, and may

be susceptible to bias. The evaluation required in paragraph 98 may result in the practitioner identifying disclosures where there is an increased susceptibility to misstatement or cause the practitioner to re-evaluate the suitability of the applicable criteria.

Understanding the Entity and Its Environment

Understanding the Entity's Operations, Legal and Organizational Structure, Ownership and Governance, and Business Model (Ref: Para. 99(a))

A302. Information obtained by the practitioner through inquiries of an appropriate party(ies), or others may provide important evidence to support the required understanding; however, inquiry alone ordinarily is not sufficient to identify disclosures where a material misstatement is likely to arise (limited assurance) or identify and assess risks of material misstatement at the assertion level for the disclosures (reasonable assurance).

A303. The practitioner uses professional judgment to determine the characteristics of the entity and its environment that are relevant to the sustainability information and therefore are necessary to understand. The practitioner's primary consideration is whether the understanding that has been obtained is sufficient to meet the objective of the risk procedures. The practitioner's understanding may involve less effort when the scope of the assurance engagement is limited to certain sustainability information (e.g., discrete metrics). On the other hand, a broader understanding of the entity and its environment may be necessary if the scope of the assurance engagement addresses multiple topics or aspects of the topics.

A304. The practitioner's understanding of the entity and its environment may include an understanding of the following:

- (a) The nature of the entity and its sustainability-related business risks, including:
 - (i) The nature of the operations included in the reporting boundary, including:
 - a. Whether the activities or operations within the reporting boundary are internal or external to the entity;
 - b. The contribution of each activity or operation to the sustainability information, including entities or operations within the value chain, if material to the sustainability information; and
 - c. The uncertainties associated with the quantities reported in the sustainability information.
 - (ii) Changes from the prior period in the nature of the entity, its business risks, or the reporting boundary, including whether there have been any mergers, acquisitions, disposals, or outsourcing of functions.
 - (iii) The frequency and nature of interruptions to operations.
- (b) The maturity of the systems, processes and controls over sustainability information and the extent to which they integrate the use of IT.

Understanding the Reporting Boundary (Ref: Para 99(b))

A305. Understanding the reporting boundary may require the analysis of complex organizational structures (e.g., multiple operating units in different jurisdictions), contractual relationships and activities within the entity's value chain. The way operations are organized may also have implications for the reporting boundary. For example, a facility may be owned by one party, operated by another, and process materials solely for a third party, but the sustainability activities

of all three entities may be within the reporting boundary. Understanding activities within the reporting boundary help the practitioner:

- Understand whether the sustainability matters or disclosures are affected by complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud.
- Identify sustainability matters where it may be necessary to use the work of others to obtain sufficient appropriate evidence.
- Identify the members of the engagement team and other parties with whom the engagement leader discusses the susceptibility of disclosures to material misstatements whether due to fraud or error.
- Consider or determine an appropriate materiality for the applicable disclosures.
- Determine the nature, timing and extent of further procedures.
- Identify disclosures where it may be difficult to obtain sufficient appropriate evidence and, as a result, the implications for the assurance report.

Understanding the Entity's Goals, Targets, or Strategic Objectives (Ref: Para. 99(c))

A306. Understanding goals, targets, or strategic objectives related to the sustainability information and measures used to assess the entity's performance may help the practitioner identify incentives and pressures that increase the susceptibility of the sustainability information to management bias or fraud.

Understanding the Legal and Regulatory Framework (Ref: Para. 100)

A307. The effect on the sustainability information of laws and regulations will vary. Those laws and regulations to which an entity is subject constitute the legal and regulatory framework. The provisions of some laws or regulations may have a direct effect on the sustainability information, in that they may determine the criteria to be applied or specify disclosures required to be included in an entity's sustainability information.

A308. Other laws and regulations may not have a direct effect on the determination of the disclosures in the sustainability information, but compliance with them may be fundamental to the operating aspects of the business. Non-compliance with laws and regulations that have a fundamental effect on the operations of the entity may cause the entity to cease operations, or call into question the entity's continuance as a going concern, which may have consequences for the entity's disclosures.

A309. To obtain an understanding of the legal and regulatory framework, and how the entity complies with that framework, the practitioner may, for example:

- Use the practitioner's existing understanding of the entity's industry, regulatory and other external factors;
- Update the understanding of those laws and regulations that establish criteria, frameworks, standards or guidance;
- Inquire of management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the entity; and
- Inquire of management concerning the entity's policies and procedures regarding compliance with laws and regulations.

Inquiries and Discussion with Appropriate Parties (Ref: Para. 101)

A310. Inquiries of appropriate parties and, when appropriate, others within the entity may offer the practitioner varying perspectives in performing risk procedures.

Examples:

- 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 of management may help the practitioner to evaluate the appropriateness of the selection and application of the applicable criteria.
- 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 sustainability information.
- Inquiries directed towards the risk management function (or inquiries of those performing such roles) may provide information about operational and regulatory risks that may affect the sustainability information.
- Inquiries directed towards IT personnel may provide information about system changes, system or control failures, or other IT-related risks.

A311. If an entity has an internal audit function, inquiries of the appropriate individuals within the function may assist the practitioner in understanding the entity and its environment and the entity's system of internal control, in identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying and assessing risks of material misstatement (reasonable assurance).

Understanding Components of the Entity's System of Internal Control (Ref: Para. 102L, 102R)

A312. Understanding components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information assists the practitioner in identifying the types of misstatements that may occur and factors that affect disclosures where material misstatements are likely to arise (limited assurance) or risks of material misstatement in the disclosures (reasonable assurance).

A313. The level of formality of the entity's system of internal control, including the control environment, the entity's risk assessment process and process to monitor the system of internal control, may vary by size and complexity of the entity, and the nature and complexity of the sustainability matters and the applicable criteria.

A314. The nature and extent of the practitioner's understanding of the entity's system of internal control may vary depending on the complexity of the assurance engagement and the nature and complexity of the topics and aspects of the topics comprising the sustainability matters. As the entity, the topics and the aspects of the topics become more complex, more extensive procedures may be necessary to understand controls, for example, by performing a walkthrough to confirm inquiries of entity personnel. A walkthrough involves selecting events or conditions and tracing them through the applicable process in the information system.

A315L. In a limited assurance engagement, the practitioner is not required to obtain an understanding of all the components of the entity's system of internal control relevant to the preparation of the sustainability information as required in a reasonable assurance engagement. In addition, the

practitioner is not required to evaluate the design of controls and determine whether they have been implemented unless the practitioner plans to test the operating effectiveness of controls. The practitioner uses professional judgment to determine the extent of understanding that is necessary to identify disclosures where material misstatements are likely to arise and to provide a basis for designing procedures to focus on those disclosures. It will often not be necessary to obtain a detailed understanding of the components and the procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement. For example, the practitioner may obtain a sufficient understanding of the information system through inquiry in a limited assurance engagement but may need to perform a walk-through in a reasonable assurance engagement.

A316. In some circumstances, the sustainability matters may be related to controls (i.e., the controls are the aspects of the topics). For example, the sustainability information may comprise disclosures that describe the design, implementation, or effectiveness of controls over occupational health and safety. Paragraph 97 requires the practitioner to understand the sustainability matters (in this case, controls over occupational health and safety). In these circumstances, paragraphs 102L and 102R require understanding of the entity's system of internal control related to the processes used to design, implement, or operate the controls over occupational health and safety and the processes to prepare information about those controls.

A317. The practitioner's understanding of the relevant components of the entity's system of internal control may raise doubts about the practitioner's ability to obtain sufficient appropriate evidence on which to base the assurance conclusion or may indicate a need to withdraw from the engagement when withdrawal is possible under applicable law or regulation. For example:

- Concerns about the integrity of those preparing the sustainability information may be so serious as to cause the practitioner to conclude that the risk of management misrepresentation in the sustainability information is such that an engagement cannot be conducted.
- Concerns about the competence of management and the condition and reliability of an entity's records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information.

The Control Environment (Ref: Para.102L(a), 102R(a), 103R)

A318L. The practitioner's understanding of the control environment, such as how the entity demonstrates behavior consistent with the entity's commitment to integrity and ethical values, may assist the practitioner in identifying disclosures where material misstatements are likely to arise. For example, deficiencies in the control environment may result in material misstatements being likely to arise in disclosures throughout the sustainability information.

A319R. The practitioner's evaluation of the control environment may assist the practitioner in identifying potential issues in the other components of the entity's system of internal control. This is because the control environment is foundational to the other components of the entity's system of internal control. This evaluation may also assist the practitioner in understanding risks faced by the entity and identifying and assessing the risks of material misstatement at the assertion level for the disclosures.

A320. The practitioner's understanding of the control environment may include understanding the controls, processes and structures that address:

- How management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values.
- When those charged with governance are separate from management, the independence of, and oversight over, the entity's system of internal control by those charged with governance.
- The entity's assignment of authority and responsibility.
- How the entity attracts, develops, and retains competent individuals.
- How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the entity's system of internal control.

A321. Information about the control environment in less complex entities may not be available in documentary form, in particular when communication between management and other personnel is informal, but the information may still be appropriately relevant and reliable in the circumstances. For example, the practitioner may observe the entity's past and current practices, and engagement with stakeholders. Such observations may contribute to the practitioner's understanding of the components of the entity's system of internal control, even if policies have not been documented formally.

The Entity's Risk Assessment Process (Ref: Para. 102L(b), 102R(b), 104R)

A322. The results of the entity's risk assessment process may assist the practitioner in

- (a) Identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying and assessing risks of material misstatement in the disclosures (reasonable assurance); and
- (b) Obtaining an understanding of the sustainability matters and other engagement circumstances.

A323R. The practitioner's evaluation of the entity's risk assessment process allows the practitioner to understand where the entity has identified risks that may occur, and how the entity has responded to those risks. The practitioner's evaluation of how the entity identifies its risks, and how it assesses and addresses those risks assists the practitioner in understanding whether the risks faced by the entity have been identified, assessed, and addressed as appropriate to the nature and complexity of the entity.

A324R. Under some applicable criteria, the entity is required to identify and provide information about sustainability-related risks and opportunities, or the process(es) by which sustainability-related risks and opportunities are identified, assessed and managed. Therefore, understanding and evaluating the entity's risk assessment process may also assist the practitioner in identifying and assessing risks of material misstatement related to the appropriate application of the applicable criteria by the entity. For example, if the practitioner identifies potential deficiencies in the entity's risk assessment process, the practitioner may determine that there is a heightened risk that sustainability-related risks and opportunities may not have been identified by the entity and are therefore may be incomplete in the presentation or description in the sustainability information.

A325R. Not all risks identified by the entity give rise to risks of material misstatement. In understanding how management and those charged with governance have identified risks relevant to the preparation of the sustainability information, and decided about actions to address those risks, the practitioner may consider how management or, as appropriate, those charged with governance, have:

- (a) Specified the entity's objectives with sufficient precision and clarity to enable the identification and assessment of the risks relating to the objectives;
- (b) Identified the risks to achieving the entity's objectives and analyzed the risks as a basis for determining how the risks should be managed; and
- (c) Considered the potential for fraud when considering the risks to achieving the entity's objectives.

A326. If the practitioner identifies risks that the entity failed to identify, and those risks are of a kind that the practitioner expects would have been identified by the entity's risk assessment process, it may be an indicator that the entity's risk assessment process is not appropriate to the entity's circumstances.

The Entity's Process for Monitoring the System of Internal Control (Ref: Para. 102R(c), 105R)

A327R. Understanding the entity's process for monitoring the system of internal control relevant to the preparation of the sustainability information may involve understanding:

- (a) Those aspects of the entity's process that address:
 - (i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified;
 - (ii) The entity's internal audit function, if any, including its nature, responsibilities, and activities; and
- (b) The sources of information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose.

A328R. The practitioner's evaluation of the entity's process for monitoring the system of internal control assists the practitioner in understanding whether the other components of the entity's system of internal control are present and functioning, and therefore assists with understanding the other components of the entity's system of internal control. This evaluation may also assist the practitioner with identifying and assessing risks of material misstatement at the assertion level for the disclosures.

A329R. Matters that may be relevant for the practitioner to consider when understanding how the entity monitors its system of internal control include:

- (a) The design of the monitoring activities, for example, whether it is periodic or ongoing monitoring;
- (b) The performance and frequency of the monitoring activities;
- (c) The evaluation of the results of the monitoring activities, on a timely basis, to determine whether the controls have been effective; and
- (d) How identified deficiencies have been addressed through appropriate remedial actions, including timely communication of such deficiencies to those responsible for taking remedial action.

A330R. The practitioner may also consider how the entity's process to monitor the system of internal control addresses monitoring of information processing controls that involve the use of IT. This may include, for example:

- (a) Controls to monitor complex IT environments that:

- (i) Evaluate the continuing design effectiveness of information processing controls and modify them, as appropriate, for changes in conditions; or
- (ii) Evaluate the operating effectiveness of information processing controls.
- (b) Controls that monitor the permissions applied in automated information processing controls that enforce the segregation of duties.
- (c) Controls that monitor how errors or control deficiencies related to the automation of sustainability reporting are identified and addressed.

A331R. In less complex entities, and in particular owner-manager entities, the practitioner's understanding of the entity's process to monitor the system of internal control is often focused on how management or the owner-manager is directly involved in operations, as there may not be any other monitoring activities.

A332R. For entities where there is no formal process, understanding the process to monitor the system of internal control may include understanding periodic reviews of information that are designed to contribute to how the entity prevents or detects misstatements.

The Information System and Communication (Ref: Para. 102L(c), 102R(d), 106)

A333. The practitioner uses professional judgment to determine which aspects of the information system are relevant to the engagement and may make inquiries of the appropriate party(ies) about those aspects. The understanding of the information system may include an understanding of the following:

- (a) The entity's information processing activities, including its data and information, the resources to be used in such activities and the policies or procedures that define, for the sustainability information:
 - (i) How data and information, including qualitative information, are captured, recorded, processed, reviewed, corrected, and presented. Such policies and procedures may include internal verification processes whereby the data and information are checked by a reviewer for accuracy and completeness, and signed off to evidence that the review has taken place;
 - (ii) Supporting records and other information about the sustainability matters relating to the flow of information in the information system; and
 - (iii) The processes used to prepare the sustainability information.
- (b) How the entity communicates significant matters that support the preparation of the sustainability information and related reporting responsibilities in the information system and other components of the entity's system of internal control:
 - (i) Between people within the entity, including how roles and responsibilities are communicated;
 - (ii) Between management and those charged with governance;
 - (iii) With intended users; and
 - (iv) With external parties, such as regulatory authorities.
- (c) The entity's policies or procedures that address the reliability of information. For example, the entity's controls may address the reliability of information from external sources by:
 - (i) Monitoring information provided to, and received back from, the external source;

- (ii) Considering the reputation of the external source; and
- (iii) Considering whether there are other sources of similar information, and whether the information from such different available sources is aligned.

A334. The practitioner's understanding of the information system may be obtained in various ways and may include:

- (a) Inquiries of relevant personnel about the procedures used to initiate, record, process and report events and conditions related to the topics and aspects of the topics;
- (b) Inspection of policy or process manuals or other documentation of the information system;
- (c) Observation of the performance of the policies or procedures by the entity's personnel; or
- (d) Selecting events or conditions and tracing them through the applicable process in the information system (i.e., performing a walk-through).

A335. The entity's information system and communication are likely to involve the use of IT to collect or process data and information. Entities may use complex IT applications, simple spreadsheets or paper-based records, or a combination of these. The practitioner's understanding of the information system includes the IT environment, IT applications and other aspects of the IT environment that are relevant to the flows and processing of information in the information system. The entity's use of IT applications or other aspects of the IT environment may give rise to risks arising from the use of IT. For example, changes in the flow of information within the information system may result from program changes to IT applications, or direct changes to data in databases involved in processing or storing that information.

A336. The information system and how the entity communicates in smaller or less complex entities are likely to be less sophisticated and are likely to involve a less complex IT environment than in larger and more complex entities. Less complex entities with direct management involvement may not need extensive descriptions of procedures, sophisticated records, or written policies. Understanding the relevant aspects of the entity's information system may therefore require less effort in an engagement for a less complex entity and may involve a greater amount of inquiry than observation or inspection of documentation. The need to obtain an understanding, however, remains important to provide a basis for the design of further procedures and may further assist the practitioner in identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying and assessing risks of material misstatement (reasonable assurance).

Control Activities (Ref: Para.102R(e), 107L, 107R)

A337. The practitioner's identification and evaluation of controls in the control activities component of the entity's system of internal control may focus on 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). However, the practitioner is not required to identify and evaluate all information processing controls.

A338R. An assurance engagement does not require an understanding of all the controls related to each disclosure or to every assertion relevant to them.

A339R. Examples of other controls for which it may be appropriate for the practitioner to obtain an understanding include:

- Controls that address risks of material misstatement assessed as higher on the spectrum of risk based on their likelihood and magnitude.
- Controls that are related to the assembly of, or adjustments to, the sustainability information.
- If the entity uses a service organization, controls at the entity that relate to the services provided by the service organization.

Design and Implementation of Controls (Ref: Para. 108L, 108R)

A340. Evaluating the design of an identified control involves the practitioner's consideration of whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements (i.e., the control objective).

A341. The practitioner determines the implementation of an identified control by establishing that the control exists and that the entity is using it. There is little point in the practitioner assessing the implementation of a control that is not designed effectively. Therefore, the practitioner evaluates the design of a control first. An improperly designed control may represent a control deficiency.

A342. The practitioner may conclude that a control, which is effectively designed and implemented, may be appropriate to test in order to take its operating effectiveness into account in determining the nature, timing and extent of further procedures. However, when a control is not designed or implemented effectively, there is no benefit in testing it.

A343R. When the practitioner plans to test the operating effectiveness of a control, the information obtained about the extent to which the control addresses the risk(s) of material misstatement is an input to the practitioner's risk assessment at the assertion level.

A344. Evaluating the design and determining the implementation of controls is not sufficient to test their operating effectiveness. However, for automated controls, the practitioner may plan to test their operating effectiveness by identifying and testing general IT controls that are embedded in the IT system. General IT controls that are not able to be reconfigured or changed by management provide for the consistent operation of an automated control. The practitioner may test general IT controls instead of performing tests of operating effectiveness on the automated controls directly.

A345. The practitioner may expect more formal documentation of the information system and controls when the information system and controls form part of the sustainability matters (e.g., when the sustainability information is about the entity's controls).

Identifying Control Deficiencies (Ref: Para.109L, 109R)

A346. If deficiencies are identified related to the control environment, this may affect the practitioner's overall expectations about the operating effectiveness of controls, and therefore the practitioner's plans to test the operating effectiveness of controls.

A347. When understanding the components of the entity's system of internal control, the practitioner may determine that certain of the entity's policies are not appropriate to the nature and circumstances of the entity. Such a determination may be an indicator that control deficiencies exist. The practitioner may consider the effect of those control deficiencies on the design of further

procedures and whether to communicate the deficiencies to management or those charged with governance.

A348. If the practitioner's understanding (for limited assurance) or evaluation (for reasonable assurance) of the entity's control environment or other components of internal control raise doubts about the ability to obtain evidence on which to base the assurance conclusion, the practitioner may:

- Perform additional risk procedures until evidence has been obtained to alleviate the practitioner's doubts;
- Withdraw from the engagement when permitted by law or regulation;
- Consider the implications for the practitioner's report.

Identifying Disclosures where Material Misstatements are Likely to Arise (Limited Assurance) / Identifying and Assessing the Risks of Material Misstatement (Reasonable Assurance)
(Ref: Para. 110L, 110R)

A349R. Risks of material misstatement are assessed on a spectrum ranging from low to high, based on the likelihood of a misstatement occurring and its potential magnitude were it to occur. The practitioner uses the significance of the combination of the likelihood and magnitude of a possible misstatement in determining where on the spectrum (i.e., the range) risk is assessed. 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.

A350R. In considering the magnitude of a possible misstatement, the practitioner may consider the qualitative and quantitative aspects of the possible misstatement (i.e., misstatements in assertions about a disclosure may be judged to be material due to size, nature or circumstances).

A351R. Risks of material misstatement are assessed consistently with how the practitioner considers the disclosures for purposes of planning and performing the engagement, as described in paragraph A266. Risks of material misstatement may relate to one or more entities within the reporting boundary. When this is the case, the practitioner may consider the use of the work of another practitioner to identify and assess the risks of material misstatement at the assertion level. However, the practitioner remains responsible for the identification and assessment of risk at the assertion level for the disclosures.

A352L. Identifying disclosures where material misstatements are likely to arise is done consistently with how the practitioner considers the disclosures for purposes of planning and performing the engagement, as described in paragraph A266. Disclosures where material misstatements are likely to arise may pertain to one or more entities within the reporting boundary. When this is the case, the practitioner may consider the use of the work of another practitioner to identify disclosures where misstatements are likely to arise. However, the practitioner remains responsible for identifying disclosures where material misstatements are likely to arise.

A353R. In identifying and assessing the risks of material misstatement, the practitioner uses assertions to consider the different types of potential misstatements that may occur. The practitioner may use the assertions described below or may express them differently provided all aspects described below have been covered. Assertions may include:

- 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 (whether historical or forward-looking), pertaining to the entity and the reporting boundary, that have occurred or exist and 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 information, if any, is as reported in the prior period or has been appropriately restated.

A354L. In a limited assurance engagement, the practitioner is not required to identify and assess risks of material misstatement at the assertion level for each disclosure. However, the practitioner may find it useful to use assertions to identify disclosures where material misstatements are likely to arise.

A355. Misstatements may arise as a result of human error, process flaws, management bias or fraud.

Examples of different types of possible misstatements include:

- False claims in information (occurrence and existence, or responsibility assertion) – for example, if an entity claimed responsibility for community investment or environmental clean-up that did not actually occur or was done by another party.
- Recording information in the incorrect period (cut-off assertion) – for example, recording an entity's water used in the period preceding or following the period in which the water was actually used.
- Inaccuracies in information (accuracy and valuation assertion) – for example, arising from inaccurately calibrated measuring devices, transposition or other errors in the recording of measurements, or use of inappropriate conversion factors, such as use of a carbon dioxide conversion factor for nuclear energy when the entity has coal and oil-fired facilities.
- Omission of information (completeness assertion) – for example, a company reports on its land rehabilitation program for three of its mining sites but remains silent about two sites where significant degradation has occurred and where there are no plans to rehabilitate the land.
- Incorrectly classified information (presentation, classification and understandability assertion) – for example, the entity classifies seasonal contractors (mainly female) as permanent full-time employees, which results in erroneous reporting about gender representation on its permanent work force.
- Misleading or unclear representation of information (presentation, classification and understandability assertion) – for example, the preparer gives undue prominence to favorable information by using large, bold or brightly-colored text and images, or other ways to emphasize the presentation, but presents unfavorable information less conspicuously, for example, by using small or light-colored font, and less extensive text.

- Bias in information that focuses on positive aspects of performance and omits negative aspects (presentation, classification and understandability assertion).

Evaluating the Evidence Obtained from the Risk Procedures (Ref: Para.111L-111R)

A356R. The practitioner's evaluation of the components of the entity's system of internal control and understanding of controls, along with any control deficiencies identified, may:

- (a) Influence the identification and assessment of risks of material misstatement at the assertion level for the disclosures; and
- (b) Indicate risks of material misstatement that may affect many assertions or disclosures, and thus may be a risk of material misstatement for the sustainability information as a whole.

A357L. The practitioner's understanding of the relevant components of the entity's system of internal control may:

- (a) Influence the identification of disclosures where material misstatements are likely to arise; and
- (b) Indicate that material misstatements are likely to arise pervasively throughout the sustainability information.

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures (Ref: Para. 114L-115R)

A358. The practitioner's further procedures may include a combination of procedures such as inspection; observation; confirmation; recalculation; reperformance; analytical procedures; and inquiry. Determining the further procedures to be performed on a particular engagement is a matter of professional judgment. Because sustainability information may cover a wide range of circumstances, the nature, timing and extent of such procedures are likely to vary considerably from engagement to engagement.

A359. Substantive procedures may include:

- Tests of detail, for example:
 - Agreeing emissions factors to appropriate sources (for example, government publications), and considering their applicability in the circumstances.
 - Reviewing joint venture agreements and other contracts relevant to determining the entity's organizational boundary.
 - Reconciling recorded data to, for example, odometers on vehicles owned by the entity.
 - Reperforming calculations and reconciling differences noted.
 - Sampling and independently analyzing the characteristics of materials such as coal, or observing the entity's sampling techniques and reviewing records of laboratory test results.
 - Checking the accuracy of calculations and the suitability of calculation methods used.
 - Agreeing recorded data back to source documents, such as production records, fuel usage records, and invoices for purchased energy.

- Analytical procedures when there is a relationship between the sustainability information and other relevant information such that the practitioner may be able to develop an expectation and compare that expectation with the outcome of the measurement or evaluation of the sustainability matters.

A360. The nature timing and extent of the further procedures 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 (see paragraph A266);
- The reasons for the identification of the disclosures where material misstatements are likely to arise (limited assurance) or the assessment of the risks of material misstatement at the assertion level (reasonable assurance), in accordance with paragraphs 115L-115R;
- Whether the use of others (e.g., experts or other practitioners) is necessary to obtain evidence from or pertaining to entities not under the control of the entity preparing the sustainability information; and
- The persuasiveness of evidence to be obtained.

A361. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, 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. The differences between the practitioner's further procedures for a reasonable assurance engagement and a limited assurance engagement on sustainability information may include:

- (a) The emphasis placed on the nature of procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on inquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on tests of controls and obtaining evidence from external sources than may be the case for a reasonable assurance engagement.
- (b) In a limited assurance engagement, the extent of procedures performed compared to those in a reasonable assurance engagement may involve:
 - (i) Selecting fewer items for examination;
 - (ii) Performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and tests of detail would be performed); or
 - (iii) Performing procedures on location at fewer facilities.
- (c) In a reasonable assurance engagement, substantive analytical procedures performed in response to assessed risks of material misstatement involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a limited assurance engagement, analytical procedures may be designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

In addition, when undertaking analytical procedures in a limited assurance engagement the practitioner may, for example:

- (i) Use data that is more highly aggregated, for example, data at a regional level rather than at a facility level, or monthly data rather than weekly data.
- (ii) Use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

A362L. The planned nature, timing and extent of further procedures is a matter of professional judgment and is influenced by the circumstances of the limited assurance engagement, including the information needs of intended users as a group, the criteria, and the sustainability matters within the scope of the engagement. The practitioner also may consider whether more persuasive evidence is needed to respond to identified disclosures where material misstatements are more likely to arise.

A363L. Examples of reasons for identifying disclosures where material misstatements are likely to arise include:

- The inherent complexity of the sustainability matter or judgment in its measurement or evaluation. For example, a material misstatement may be more likely to arise in a disclosure where mass balance calculations are involved than when water consumption is read directly from a meter.
- The complexity of the organization, its ownership and control arrangements, or its geographical spread.
- Systems and processes that are less automated or still developing, such that there may be a greater likelihood of human error, processing flaws or opportunity for unauthorized intervention.
- Incentives to misstate, for example, if a particular target performance has to be met to retain a license to operate or to avoid fines, or to meet stakeholders' expectations.

A364R. Examples of reasons for the assessment given to the risk of material misstatement at the assertion level:

- Inherent limitations in the capabilities of measuring devices (e.g., water meters) or insufficient frequency of their calibration.
- Errors or inappropriate judgments made in measuring, evaluating or disclosing the sustainability information, including in the assumptions used in making estimates, the use of inaccurate or incomplete base data on which estimates are based, or in circumstances when complex calculations are involved (e.g., when a mass balance approach is used to calculate water abstracted).
- The risk that unidentified aspects of the sustainability matter may be missed, for example because of events or transactions outside of the normal course of business, because the preparer relies on a third party for information (e.g., external meter readers or engineering firms to calculate water abstracted), or because of undetected water or wastewater leaks or similar.
- How weaknesses in the design of controls or the ineffective operation of controls might give rise to errors, processing flaws or opportunity for unauthorized intervention.

A365. More persuasive evidence may be needed to provide the basis for a conclusion on the sustainability information due to engagement circumstances. For example, the practitioner may

have identified a disclosure where a material misstatement is more likely to arise (limited assurance) or have assessed a higher risk of material misstatement (reasonable assurance). In such circumstances, it may be appropriate to increase the quantity of the evidence (e.g., by obtaining corroborating evidence from a number of independent sources).

A366. More persuasive evidence may be needed if the practitioner, through the understanding of the entity and its environment and its system of internal control, has identified matters such as:

- A higher assessed risk of material misstatement in a reasonable assurance engagement;
- An increased focus of users on a topic or aspect of a topic;
- The lack of a relationship between the sustainability information and other relevant information that excludes the performance of analytical procedures;
- A control environment in which the entity does not demonstrate behavior consistent with a commitment to integrity and ethical values;
- Risks of material misstatement in disclosures that have been identified by the entity's risk assessment process;
- Information systems that are not appropriate to the circumstances of the entity;
- A lack of maturity in the sustainability matters or the information systems used to develop the sustainability information;
- Errors in the disclosure in the past;
- A new area, topic or aspect of a topic.

Overall Responses (Ref: Para. 116L, 116R)

A367. Paragraphs 114L and 114R require the practitioner to design and perform procedures whose nature, timing and extent are focused on disclosures where material misstatements are likely to arise, whether due to fraud or error (limited assurance) or whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the assertion level (reasonable assurance). However, the practitioner may identify circumstances that indicate that material misstatements are likely to arise (limited assurance) or there is an increased risk of material misstatement (reasonable assurance) pervasively throughout the sustainability information (that is, not related to one disclosure or assertion, or a few disclosures or assertions). For example:

- Deficiencies in the control environment may undermine the effectiveness of other controls, in particular in relation to fraud. In such cases, material misstatements may occur in any assertion or in multiple assertions.
- There may be 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.
- The practitioner may identify disclosures pervasively throughout the sustainability information where material misstatements are likely to arise (limited assurance), or risks of material misstatement pervasively throughout the sustainability information (reasonable assurance) which may indicate deficiencies in the control environment.

A368. 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 procedures;
- 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.
- Increasing sample sizes and the extent of procedures, such as the number of facilities at which procedures are performed.
- Incorporating an element of unpredictability in the selection of the nature, timing and extent of procedures.

Response to Actual or Suspected Fraud or Non-Compliance with Laws and Regulations (Ref: Para. 117-118)

A369. The risk of not detecting a material misstatement due to fraud or non-compliance with law or regulation is higher than the risk of not detecting one resulting from error. Furthermore, the risk of not detecting fraud or suspected fraud or non-compliance or suspected non-compliance with law or regulation is higher in a limited assurance engagement than in a reasonable assurance engagement. The appropriate response to fraud or suspected fraud or non-compliance or suspected non-compliance with law or regulation is dependent on the circumstances.

A370. Responding appropriately to fraud or non-compliance with law or regulation, whether actual or suspected, identified during the engagement, may include taking action, such as:

- Discussing the matter with the entity.
- Requesting the entity to consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.
- Inspecting correspondence, if any, with the relevant licensing or regulatory authorities.
- Considering the implications of the matter in relation to other aspects of the engagement, including the practitioner's risk assessment and the reliability of written representations from the entity.
- Obtaining legal advice about the consequences of different courses of action.
- Communicating with third parties (for example, a regulator).
- Withholding the assurance report.
- Withdrawing from the engagement.

A371. Examples of circumstances that may cause the practitioner to evaluate the implications of identified or suspected non-compliance on the reliability of written representations received from management and, where applicable, those charged with governance include when:

- The practitioner suspects or has evidence of the involvement or intended involvement of management and, where applicable, those charged with governance in any identified or suspected non-compliance.
- The practitioner is aware that management and, where applicable, those charged with governance have knowledge of such non-compliance and, contrary to legal or regulatory requirements, have not reported, or authorized reporting of, the matter to an appropriate authority within a reasonable period.

Tests of Controls (Ref: Para. 119-125)

A372. When more persuasive evidence is needed regarding the effectiveness of a control, it may be appropriate to increase the extent of testing of the control. Other matters the practitioner may consider in determining the extent of tests of controls include the following:

- The frequency of the performance of the control by the entity during the period.
- The length of time during the period that the practitioner is relying on evidence about the operating effectiveness of the control.
- The expected rate of deviation from a control.
- The relevance and reliability of the information to be used as evidence regarding the operating effectiveness of the control at the assertion level.
- The extent to which evidence is obtained from tests of other controls related to the assertion in a reasonable assurance engagement.

A373. Because of the inherent consistency of IT processing, evidence about the implementation of an automated application control, when considered in combination with evidence about the operating effectiveness of the entity's IT general controls (in particular, change controls), may also provide substantial evidence about its operating effectiveness.

A374. In certain circumstances, evidence obtained from previous engagements may provide evidence for the current engagement when the practitioner performs procedures to establish its continuing relevance. For example, in performing a previous engagement, the practitioner may have determined that an automated control was functioning as intended. The practitioner may obtain evidence to determine whether changes to the automated control have been made that affect its continued effective functioning through, for example, inquiries of management and the inspection of logs to indicate what controls have been changed. Consideration of evidence about these changes may support either increasing or decreasing the expected evidence to be obtained in the current period about the operating effectiveness of the controls.

A375. In most cases, evidence from a previous engagement's substantive procedures provides little or no evidence for the current period. However, it may be appropriate to use evidence from a previous engagement's substantive procedures if that evidence and the related subject matter have not fundamentally changed, and procedures have been performed during the current period to establish its continuing relevance.

Substantive Procedures (Ref: Para. 126L, 126R-127R)

A376R. The importance of disclosures to intended users may depend on their perceived impact or the relevance of the disclosures to their information needs. The degree to which particular disclosures may be considered important by intended users is a matter of professional judgment for the practitioner. In determining whether there is a need to design and perform substantive procedures for certain disclosures, the practitioner may consider disclosure(s) for which, if a misstatement were to occur, there is a reasonable possibility of the misstatement being material. This may also assist the practitioner in determining the nature, timing and extent of the substantive procedures.

A377L. The practitioner's further procedures in a limited assurance engagement may include substantive procedures. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, these substantive procedures will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement (see also paragraph 17(d)(ii)).

External Confirmation Procedures (Ref: Para. 128R)

A378. The practitioner may consider performing confirmation procedures to request information regarding assertions, disclosures, topics, or aspects of topics.

A379. External confirmation procedures may provide relevant evidence about such information as:

- Activity data collected by a third party.
- Industry benchmark data used in calculations.
- The terms of agreements, contracts, or transactions between the entity and other parties, or information about whether other parties are considered within the entity's organizational boundary.
- The results of laboratory analysis of samples.

Extending the Conclusions of Substantive Procedures Performed at an Interim Date (Ref: Para. 129)

A380. In some circumstances, the practitioner may determine that it is effective to perform substantive procedures at an interim date, and to compare and reconcile information at the period end with the comparable information at the interim date to:

- (a) Identify amounts that appear unusual;
- (b) Investigate any such amounts; and
- (c) Perform substantive analytical procedures or tests of details to test the intervening period.

A381. Performing substantive procedures at an interim date without undertaking additional procedures at a later date increases the risk that the practitioner will not detect misstatements that may exist at the period end. This risk increases as the remaining period is lengthened. The practitioner may consider factors such as the following in deciding whether to perform substantive procedures at an interim date:

- The control environment and other relevant controls.
- The availability at a later date of information necessary for the practitioner's procedures.
- The purpose of the substantive procedure.
- The likelihood that a material misstatement will arise (limited assurance) or the assessed risk of material misstatement (reasonable assurance).
- The nature of the disclosures and related assertions.
- The ability of the practitioner to perform appropriate substantive procedures or substantive procedures combined with tests of controls to cover the remaining period in order to reduce the risk that misstatements that may exist at the period end will not be detected.

Analytical Procedures (Ref: Para.130L-131R)

A382. Analytical procedures may be performed when there is a reasonably predictable relationship between the sustainability information and financial or operational information (for example, the relationship between Scope 2 emissions from electricity and hours of operation or the general ledger balance for electricity purchases). Other analytical procedures may involve comparisons of information about the entity's sustainability information with external data such as industry averages; or the analysis of trends during the period to identify anomalies for further investigation,

and trends across periods for consistency with other circumstances such as the acquisition or disposal of facilities.

A383. Analytical procedures may be particularly effective when disaggregated data are readily available, or when the practitioner has reason to consider the data to be used are reliable, such as when it is extracted from a well-controlled source. In some cases, data to be used may be captured by the financial reporting information system or may be entered in another information system in parallel with the entry of related financial data, and some common input controls applied. For example, the quantity of fuel purchased as recorded on suppliers' invoices may be input under the same conditions that relevant invoices are entered into an accounts payable system. In some cases, data to be used may be an integral input to operational decisions and therefore subject to increased scrutiny by operational personnel, or subject to separate external procedures (for example, as part of a joint venture agreement or oversight by a regulator).

A384L. 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.

Sampling (Ref: Para. 132)

A385. Sampling involves:

- (a) Determining a sample size sufficient to reduce sampling risk, which is the risk that the practitioner's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same procedure, to an acceptable level. Because the acceptable level of assurance engagement risk is lower for a reasonable assurance engagement than for a limited assurance engagement, so too may be the level of sampling risk that is acceptable in the case of tests of details. Therefore, when sampling is used for tests of details in a reasonable assurance engagement, the sample size may be larger than when used in similar circumstances in a limited assurance engagement.
- (b) Selecting items for the sample in such a way that each sampling unit in the population has an equal chance of selection, and performing procedures, appropriate to the purpose, on each item selected. If the practitioner is unable to apply the designed procedures, or suitable alternative procedures, to a selected item, that item is treated as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details.
- (c) Investigating the nature and cause of deviations or misstatements identified and evaluating their possible effect on the purpose of the procedure and on other areas of the engagement.
- (d) Evaluating:
 - (i) The results of the sample, including, for tests of details, projecting misstatements found in the sample to the population; and
 - (ii) Whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested.

Determining Whether Additional Procedures Are Necessary (Ref: Para. 133L)

A386L. The practitioner may become aware of misstatements that are, after applying professional judgment, clearly not indicative of the existence of material misstatements. In such cases, additional procedures may not be needed.

A387L. If, having performed the additional procedures required by paragraph 133L, the practitioner is not able to obtain sufficient appropriate evidence to either conclude that the matter(s) is not likely to cause the sustainability information to be materially misstated or determine that it does cause the sustainability information to be materially misstated, a scope limitation exists and paragraph 165 applies.

A388L. The practitioner's judgment about the nature, timing and extent of additional procedures that are needed to obtain evidence to either conclude that a material misstatement is not likely, or determine that a material misstatement exists, is, for example, guided by:

- Information obtained from the practitioner's evaluation of the results of the procedures already performed.
- The practitioner's updated understanding of the sustainability matters and other engagement circumstances obtained throughout the course of the engagement.
- The practitioner's view on the persuasiveness of evidence needed to address the matter that causes the practitioner to believe that the sustainability information may be materially misstated.
- Whether the practitioner judges it appropriate to perform procedures of similar nature or extent to that required in a reasonable assurance engagement.

A389L. The practitioner uses professional judgment to determine the persuasiveness of evidence required to conclude on the matter that causes the practitioner to believe the sustainability information may be materially misstated. Depending on the circumstances, the nature and extent of evidence that may be required for the practitioner to conclude on the matter may be the same as for a reasonable assurance engagement.

Estimates and Forward-Looking Information (Ref: Para. 134L, 134R)

A390. Estimation uncertainty may arise due to incomplete knowledge about the measurement of an area, activity or event, or the measurement or evaluation of an estimate may depend on the forecast of an outcome of one or more events or conditions.

A391. Forward-looking information may include forecasts, projections, or future plans of the entity. Forward-looking information may be prepared using scenarios based on best-estimate assumptions or hypothetical assumptions, which are affected by management's judgment. A future event, occurrence or action relating to the sustainability matters may be subject to greater uncertainty, and therefore ordinarily able to be evaluated with less precision than historical underlying subject matter(s).

A392. Regardless of the source or degree of estimation uncertainty, 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.

Evaluating Whether the Method Has Been Appropriately Selected and Applied (Ref: Para 134R(a)(i))

A393R. In evaluating whether the method has been appropriately selected and applied, the practitioner's further procedures may address:

- (a) Whether judgments made in selecting the method give rise to indicators of possible management bias;
- (b) Whether the calculations are applied in accordance with the method and are

mathematically accurate;

- (c) When management's application of the method involves complex modelling, whether judgments have been applied consistently and whether, when applicable:
 - (i) The design of the model meets the measurement objective of the applicable criteria, is appropriate in the circumstances, and, if applicable, changes from the prior period's model are appropriate in the circumstances; and
 - (ii) Adjustments to the output of the model are consistent with the measurement objective of the applicable criteria and are appropriate in the circumstances; and
- (d) Whether the integrity of the significant assumptions and the data have been maintained in applying the method.

Evaluating Whether the Assumptions are Appropriate (Ref: Para. 134R(a)(ii))

A394R. In evaluating whether the assumptions are appropriate, the practitioner's further procedures may address:

- (a) Whether judgments made in selecting the significant assumptions give rise to indicators of possible management bias;
- (b) Whether the significant assumptions are consistent with each other and with those used in other disclosures, or with related assumptions used in other areas of the entity's business activities, based on the practitioner's knowledge obtained in the engagement; and
- (c) If applicable, whether management has the intent to carry out specific courses of action and has the ability to do so.
- (d) Whether the entity has considered alternative assumptions or outcomes, and why it has rejected them.

Evaluating Whether the Data are Appropriate (Ref: Para. 134R(a)(iii))

A395R. In evaluating whether the data are appropriate, the practitioner's further procedures may address:

- (a) Whether judgments made in selecting the data give rise to indicators of possible management bias;
- (b) Whether the data are relevant and reliable in the circumstances; and
- (c) Whether the data have been appropriately understood or interpreted by management, including with respect to contractual terms.

Changes from Prior Periods not Based on New Circumstances or New Information (Ref: Para. 134R(a))

A396. When a change from prior periods in a method, significant assumption, or the data are not based on new circumstances or new information, or when significant assumptions are inconsistent with each other and with those used in other estimates, or with related assumptions used in other areas of the entity's business activities, the practitioner may need to have further discussions with management about the circumstances and, in doing so, challenge management regarding the appropriateness of the assumptions used.

The Entity's Process for Assembling the Sustainability Information (Ref: Para. 135L, 135R)

A397. The process to assemble the sustainability information may be very informal when the entity's information systems are immature. In more sophisticated systems, the process may be more systematic and formally documented. The nature and extent of the practitioner's procedures with respect to adjustments and the manner in which the practitioner agrees or reconciles the sustainability information with the underlying records depends on the nature and complexity of the sustainability matters, the entity's reporting process and the related risks of material misstatement. The practitioner also may consider whether all activities within the reporting boundary have been included in the sustainability information in accordance with the applicable criteria.

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements (Ref: Para. 137)

A398. Uncorrected misstatements are accumulated during the engagement for the purpose of determining whether, individually or in the aggregate, they are material when forming the practitioner's conclusion. The practitioner is required to accumulate misstatements identified during the engagement other than those that are clearly trivial. "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial are of a wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, and are misstatements that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.

A399. For quantitative disclosures, the practitioner may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the practitioner expects that the accumulation of such amounts clearly would not have a material effect on the sustainability information.

A400. Clearly trivial may be considered in the context of the impact of the misstatement on the intended users' decisions. As explained in paragraph A25, intended users may include users who may use sustainability information to make resource allocation decisions, or users who may be interested in the impacts as described in paragraph A180. The entity's process to identify and select topics and aspects of topics (i.e., the entity's materiality assessment as described in paragraph A157) may inform the practitioner's consideration of identified misstatements and whether they are clearly trivial.

A401. Examples of where or how misstatements in sustainability information may arise:

- (a) An inaccuracy in gathering or processing information used to prepare the sustainability information;
- (b) Manipulating or obscuring the sustainability information in a manner that would be misleading to the intended users;
- (c) Management's judgments involving estimates being considered unreasonable by the practitioner;
- (d) The inclusion of inappropriate information, for example, information that does not meet the applicable criteria or a misapplication of the process to identify reporting topics by

<p>management which results in the inclusion of excessive immaterial information that obscures or distorts sustainability information required by the applicable criteria;</p> <ul style="list-style-type: none">(e) The inclusion of information that is not supported by sufficient appropriate evidence.(f) The omission of sustainability information required by the applicable criteria, for example, not including a required disclosure or elements of a required disclosure, or omitting sustainability information relating to a significant subsequent event that would likely change the decisions of users but has not been adequately disclosed;(g) Sustainability information that, in the practitioner's judgment, is:<ul style="list-style-type: none">(i) Ambiguous; or(ii) Capable of being determined precisely, but is presented in a vague manner;(h) Changes since the previous reporting period to the sustainability information without reasonable justification for doing so or without disclosing the reasons for doing so;(i) The way the sustainability information is presented, such as:<ul style="list-style-type: none">(i) Out of context, in an unbalanced manner, or given greater or lesser prominence than is warranted, based on the available evidence and applicable criteria; or(ii) Using superlatives and adjectives that describe a more positive outcome than is supportable.(j) Inappropriately drawing conclusions, based on selective information, through statements such as the following:<ul style="list-style-type: none">(i) "A large number of companies worldwide," based on information for only a hundred companies; although a hundred may be large, it is not large compared with the number of companies in the world.(ii) "The numbers have doubled since last year" may be factual, but a small base giving rise to this doubling may not be disclosed.

A402. Some framework criteria may allow the entity to omit information, explain what information has been omitted and why. For example, the entity may be permitted to omit information if a requirement is not applicable, information is unavailable or incomplete, there are legal prohibitions, or confidentiality constraints. In such cases, the omitted information may not be a misstatement. The practitioner may discuss the omission, and the reasons for it, with management, and where appropriate, those charged with governance before concluding whether the omission is a misstatement.

A403. The sustainability information may include a description of the entity's processes, systems or controls regarding the sustainability matters (e.g., the entity's process to identify, assess, and manage current and anticipated sustainability-related risks and opportunities). The scope of the assurance engagement may require the practitioner to conclude:

- (a) Whether the description of the entity's process, systems or controls fairly presents the design and implementation of those processes, systems or controls;
- (b) Whether the entity's processes, systems or controls are suitable, or operated effectively throughout the period; or
- (c) A combination of both.

The scope of the assurance engagement, and resulting conclusion in the assurance report, may depend on factors such as the applicable criteria, law, regulation or professional requirements, or the agreed terms of engagement. What constitutes a misstatement in these circumstances depends on the scope of the engagement. For example:

- (a) The scope of the engagement includes whether the entity's processes, systems or controls are suitable and operated effectively throughout the period: If the practitioner determines that the entity's description of the processes, systems or controls inaccurately implies that it is suitably designed or operated effectively throughout the period, this may constitute a misstatement.
- (b) The scope of the engagement does not include whether the entity's processes, systems or controls are suitable and operated effectively throughout the period, and the related disclosures about the entity's processes, systems or controls are considered other information: If the practitioner is aware that the entity's description of its processes, systems or controls inaccurately implies that it is suitably designed or operated effectively throughout the period, paragraph 157 applies.

Considering Whether Identified Misstatements may be Due to Fraud (Ref: Para. 138)

A404. Paragraph 72 requires the practitioner to evaluate whether the applicable criteria are suitable. Criteria that are vague and allow manipulation of the sustainability information may not be suitable for the engagement circumstances. If the criteria are suitable but management intentionally did not apply the criteria appropriately, it may be an indication of misstatement due to fraud.

A405. Misstatements due to fraud may result from intentional:

- (a) Manipulation, falsification, or alteration of information or supporting documentation from which the sustainability information is prepared.
- (b) Misrepresentation in, or omission from, the sustainability information.

A406. Examples of misstatements due to fraud in sustainability information:

- Misstating sustainability information to avoid penalties or fines.
- Intentionally inaccurate or misleading public statements or claims that will favorably impact share price or an assessment of the entity's sustainability credentials, such as an inaccurate statement that a bond is a sustainability bond.
- Intentionally reporting sustainability information relating to performance or compensation incentives in a biased way to influence the outcome of the performance reward or compensation.
- Emphasizing a product was produced using recycled materials but intentionally not reporting that the product was produced using forced labor.
- Intentionally reporting topics for which the entity has positive impacts and omitting topics for which the entity has negative impacts.
- Misstating baseline information to make sustainability information look more favorable in subsequent periods.
- Misstating sustainability information associated with specific project milestones, budget approval, or rights to access certain markets or begin projects in certain markets or geographies.

A407. If the practitioner identifies a misstatement that is indicative of fraud, this may have implications in relation to other aspects of the assurance engagement, particularly:

- (a) The practitioner's identification of the disclosures where material misstatements due to fraud are likely to arise (in a limited assurance engagement), or the practitioner's identification and assessment of risks of material misstatement due to fraud at the assertion level for disclosures (in a reasonable assurance engagement), and the resulting effect on the nature, timing and extent of further procedures;
- (b) The reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence.

Consideration of Identified Misstatements as the Engagement Progresses (Ref: Para. 139)

A408. The practitioner may also consider whether accumulated misstatements relate to control deficiencies. Specifically, the practitioner may consider whether the nature or extent of the accumulated misstatements result in the need to update the practitioner's understanding of the entity's system of internal control relevant to the preparation of the sustainability information (see paragraphs 102L and 102R).

Communicating and Correcting Misstatements (Ref: Para. 140-142)

A409. In the case of narrative disclosures, asking management to correct a misstatement may involve management either re-wording or removing the misstated text.

A410. The practitioner's understanding of management's reasons for not making the corrections may indicate possible bias in management's judgments.

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 143-144)

A411. Determining whether uncorrected misstatements are material involves professional judgment in the context of the applicable criteria and the engagement circumstances, including who the intended users are and what disclosures are likely to be important.

A412. When the sustainability information is measured using a common measurement basis (e.g., monetary amounts or physical units), the practitioner may be able to accumulate all misstatements together (i.e., as being of the same nature quantitatively and capable of being aggregated). However, the disclosures may relate to multiple topics, may comprise several aspects of the topics, and the sustainability matters may be measured or evaluated using different measurement bases. The practitioner is not required to convert misstatements in different measurement bases into a common base for purposes of accumulating the misstatements and determining whether the sustainability information is materially misstated.

A413. Misstatements of amounts smaller than the quantitative materiality threshold may have a material effect on the reported sustainability information from a qualitative perspective. For example, if an error results in a reversal of a declining trend in an indicator, or if an error prevents an entity from achieving regulatory requirements, these may be considered material, even if the quantitative error is smaller than the quantitative threshold.

A414. When the scope of the sustainability assurance engagement is a number of metrics, each relating to a different sustainability matter, the practitioner may evaluate the materiality of misstatements separately for each metric as intended users may have different tolerances for misstatement in each metric. For example, intended users' tolerance for misstatements is likely to be higher for a disclosure about non-hazardous, degradable waste, than it would be for a disclosure about radioactive or other hazardous waste.

A415. The sustainability information as a whole may be misstated, even though the misstatements are individually immaterial. Even if there are misstatements that are not able to be accumulated by sustainability matter or other common factors, they may exhibit a common direction, narrative tone or trend. For example, if the effect of the misstatements is to make the sustainability information as a whole look more favorable than it actually is or all the misstatements overstate the positive aspects of the entity's actions, and downplay the negative aspects, that may add up to give a biased and misleading picture to the users of the sustainability information.

A416. It may be possible, after all non-quantifiable misstatements have been identified, to group them together, for example, by whether they relate, in common, to particular aspects of the sustainability matters. For example, there may be one or more individually immaterial misstatements in the qualitative statements management has made about occupational health and safety and another immaterial misstatement relating to employee diversity. As occupational health and safety and diversity both relate to the social aspect of sustainability information, the practitioner may be able to group these misstatements together and consider their combined effect on the social aspect of the entity's sustainability information. Similarly, a number of immaterial misstatements in the reported water consumption information and another immaterial misstatement relating to waste generated may be able to be considered together as they both relate to the environmental aspect of the sustainability information.

Other Misstatement Considerations (Ref. Para. 144)

A417. Materiality of uncorrected statements is considered in the context of qualitative and, when applicable, quantitative factors. The practitioner may also consider the extent to which users could reasonably be expected to make a different decision if the sustainability information was not misstated. Qualitative factors that may indicate that a misstatement is more likely to be material, include:

Sustainability matter

- (a) The entity's process to identify and select topics and aspects of topics is misaligned with the scope or objective of reporting in accordance with the applicable criteria.
- (b) The misstated sustainability information relates to an aspect of the sustainability matter that has been determined as being significant.
- (c) There are multiple misstatements related to the same topic of the sustainability matter.
- (d) The nature of the misstatements is such that they all overstate or understate the sustainability matter.

External factors

- (e) The misstated sustainability information relates to non-compliance with a law or regulation, particularly when the consequence for non-compliance is severe.
- (f) The misstated sustainability information relates to sustainability matters that has implications for a large number of the entity's stakeholders. However, there may be situations when the sustainability matter has implications for only a small number of stakeholders but may, nonetheless, have material implications. For example, a small community affected by radioactive contamination of its water supply from effluent from an entity's operations may result in a lawsuit that could have a material impact on the entity and its other stakeholders.

Nature of the sustainability information

- (g) The misstatements may indicate doubts as to the feasibility of management's plans. For example, an entity may disclose its policies or commitments to mitigate sustainability-related risks in accordance with the applicable criteria, but evidence obtained may indicate these policies or commitments are unrealistic, rely on unproven technologies, or require financing that the entity is unlikely able to obtain.
- (h) The misstatement relates to a particular disclosure that is commonly used to compare the entity to its peers.
- (i) The misstatement relates to a target or threshold, and the error significantly impacts whether the target or threshold is met (in some cases the magnitude of the error may be small but may have significant consequences for meeting the target).
- (j) The misstated information is reporting a significant change in a previously reported position, or a trend that has reversed.

Presentation

- (k) The misstatement that has arisen from the presentation of the sustainability information being misleading because the wording that has been used lacks clarity such that it could be interpreted in widely different ways. Accordingly, intended users might make different decisions depending on their interpretation.

Management's behavior

- (l) The misstatement has arisen as a result of fraud by management to mislead intended users.
- (m) Management is reluctant to correct the misstatement for reasons other than they consider it immaterial.
- (n) Management is reporting aggressive targets or estimates, or is defensive in providing explanations.

A418. Misstatements in qualitative information are as important as misstatements in quantitative information. If the misstatements in qualitative information are not corrected by management, the practitioner may accumulate them by listing them, or marking up or highlighting them in a copy of the sustainability information. When it is not possible to add the misstatements together to determine their effect in the aggregate, the practitioner may consider whether there are any commonalities among the misstatements, such as whether the misstatements reflect a more favorable outcome that is collectively material, or indicate management bias.

A419. Other factors that may help the practitioner evaluate the materiality of misstatements include understanding:

- The underlying cause of identified misstatements. For example, if the qualitative misstatement is because management has intentionally decided to misrepresent facts, this may indicate the possibility that the sustainability information may contain a material misstatement due to fraud
- Whether a misstatement may have an indirect effect on misstatements identified in other areas of the engagement. For example, an otherwise immaterial overstatement of an item might indirectly affect a more significant calculation that incorporates the item, causing that calculation to fall below the required minimum threshold included in a contractual

requirement, or the qualification criteria for a scheme, grant or funding. Similarly, the lack of a required approval for a relatively unimportant transaction might not be material individually, but it could have implications for the operating effectiveness of controls in areas of the sustainability information that users might consider important.

Measurement or Evaluation Uncertainty (Ref. Para. 144)

A420. The sustainability matter may have inherent measurement or evaluation uncertainty (for example, the estimation of climate-related risks in the long term across the entity's value chain). As a result of inherent uncertainties relating to the sustainability matter, there may be a wide range of possible outcomes and it may be difficult to identify whether there is a material misstatement of the sustainability information. In identifying and evaluating misstatements, the practitioner may consider whether the sustainability matter is as precise as is required by the applicable criteria, and the information required by the applicable criteria about the inherent uncertainty is disclosed. Without supporting disclosures to help the intended users understand the uncertainty, the applicable criteria may not be suitable, and the sustainability information may not be presented appropriately. Paragraphs 170(g) and A499 address the appropriate descriptions to be included in the assurance report.

A421. When the uncertainty is not inherent (i.e., when it results from lack of appropriate application of the applicable criteria), it may give rise to misstatements. For example, management may not have used appropriate information to measure or evaluate the sustainability matter that has resulted in it not being as precise as required by the applicable criteria.

A422. Forward-looking information is ordinarily subject to greater measurement or evaluation uncertainty than historical information. As a result, there may be a broad range of possible outcomes, and it may be difficult to identify and evaluate misstatements, including whether the assumptions are:

- (a) Reasonable, in the case of a forecast; or
- (b) Realistic and in line with the purpose of the information, in the case of projections.

The practitioner may consider ways in which misstatements may arise, for example:

- (i) Data or other information used may not be relevant, complete or reliable;
- (ii) Assumptions may include information that is not relevant, may omit important considerations, may be internally inconsistent, or may be given inappropriate weighting;
- (iii) Assumptions may not be consistent with management's decisions or intent;
- (iv) There may be unintentional or deliberate misapplication of the assumptions to the data or other information, or in calculations of quantifiable information.

In some cases, misstatements may arise as a result of a combination of these circumstances.

A423. The practitioner may also consider whether there are indicators of possible management bias in the selection of assumptions, methods or data in the way in which the sustainability information is presented that may indicate a misstatement or have implications for the rest of the assurance engagement. For example, when management has:

- (a) Changed the assumptions or methods used, or has made a judgmental assessment that there has been a change in circumstances, without reasonable justification;
- (b) Used assumptions that are inconsistent with observable marketplace assumptions; or

- (c) Selected significant assumptions that favor management's objectives, or that may indicate a pattern or trend.

Evaluating the Description of Applicable Criteria (Ref: Para. 145)

A424. The preconditions for an assurance engagement in paragraph 72 require that the criteria that the practitioner expects to be applied in the preparation of the sustainability information will be available to the intended users. This may be done by references to a description of the applicable criteria, which is available to the intended users, or the inclusion of a description of the applicable criteria and the sources of those criteria in the sustainability information, to enable intended users to understand how:

- (a) The content of the sustainability information, such as the topics and aspects of the topics, has been identified and selected;
- (b) The intended users' information needs were identified; and
- (c) The sustainability matter has been measured or evaluated.

A425. Referencing or describing the applicable criteria and their sources is particularly important when:

- (a) There are significant differences between criteria applied by entities in the same industry, region, or jurisdiction that the practitioner expects to have similar circumstances or be equivalent.
- (b) The sustainability matter is subject to a high degree of measurement or evaluation uncertainty, such as forward-looking sustainability information, as there may be more variability, or it may be open to greater interpretation than when there is less uncertainty. This may result in sustainability information that could be misunderstood or misinterpreted by intended users.

A426. In evaluating whether the reference or description of the criteria is adequate, the practitioner may consider whether it addresses:

- (a) The source of the applicable criteria, and whether the applicable criteria are framework criteria embodied in law or regulation or issued by authorized or recognized bodies of experts that follow a transparent due process, or entity-developed criteria.
- (b) How framework criteria have been applied.
- (c) For entity-developed criteria, how the determination was made that these, together with any framework criteria, are suitable.
- (d) When applicable framework criteria were not applied, the reasons therefor.
- (e) The specific aspects of the criteria related to particular types of sustainability information, for example:
 - (i) The basis for evaluating the reasonableness of the underlying assumptions for forward-looking information.
 - (ii) Control objectives for design and operating effectiveness of processes, systems or controls.
 - (iii) Targets, key performance indicators, commitments or goals for evaluating or measuring performance.
- (f) Measurement or evaluation methods used when the applicable criteria allow for choice between a number of methods.

- (g) Any significant judgments made in applying the applicable criteria in the engagement circumstances.
- (h) The inherent limitations, if any, associated with the measurement or evaluation of the sustainability matter against the applicable criteria.
- (i) Other matters relevant to intended users understanding of the basis for the preparation of the sustainability information, including uncertainties.
- (j) Any changes in the measurement or evaluation methods used, and the reasons therefor.
- (k) Any deviations from the applicable criteria identified, for example, deviations from a framework that the entity has referred to as being the basis for preparing the sustainability information.
- (l) The need for clear meaning, so that the description does not contain imprecise or qualifying language that may result in inconsistent interpretation and provides sufficient detail and clarity to be understandable.

Subsequent Events (Ref: Para.146-147)

A427. Examples of subsequent events:

- The publication of revised factors, assumptions or benchmarks by a body such as a government agency (e.g., revised emissions factors),
- Changes to relevant legislation or regulations,
- Significant improved scientific knowledge,
- Significant structural changes in the entity,
- The availability of more accurate quantification methods,
- The discovery of a significant error
- The discovery of significant water pollution or soil contamination., or
- Fatality and other significant health and safety events.

A428R. The practitioner's procedures to identify subsequent events may include:

- (a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.
- (b) Inquiring of management, and where appropriate, those charged with governance, as to whether any subsequent events have occurred that may affect the sustainability information.
- (c) Reading minutes of meetings of the owners, those charged with governance and management held after the date of the sustainability information and inquiring about matters discussed at any such meetings for which minutes are not yet available.
- (d) Reading the entity's monthly or quarterly sustainability information, if available.

A429L. The practitioner's procedures to identify subsequent events may include inquiring of management, and as appropriate, those charged with governance, about whether any subsequent events have occurred that may affect the sustainability information. The extent of consideration of subsequent events depends on the potential for such events to affect the sustainability information and the practitioner's assurance conclusion.

A430. The practitioner has no responsibility to perform any procedures regarding the sustainability information after the date of the assurance report. However, if, after the date of the assurance report, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the assurance report, may have caused the practitioner to amend the report, the practitioner may need to discuss the matter with the management or those charged with governance or take other action as appropriate in the circumstances.

Written Representations from Management and Those Charged with Governance (Ref: Para.148)

A431. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and management, and where appropriate, those charged with governance. The person(s) from whom the practitioner requests written representations will ordinarily be a member of senior management or those charged with governance depending on, for example, the management and governance structure of the entity, which may vary by jurisdiction, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics.

A432. Representations by management and, where appropriate, those charged with governance cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide necessary evidence, they do not provide sufficient appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other evidence that the practitioner obtains.

Other Information

Obtaining the Other Information (Ref: Para.154)

A433. As explained in paragraph 3, the scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity or only part of that information. When the assurance engagement does not cover the entirety of the sustainability information, the term “sustainability information” is to be read as the information that is subject to the assurance engagement.

A434. The objective of the required discussion with management in paragraph 154(a) is to help the practitioner understand the entirety of the sustainability information expected to be reported, including the sustainability information subject to the assurance engagement, and where it will be reported, to be able to identify the other information required to be read and considered in accordance with paragraph 155. For example, the sustainability information subject to the assurance engagement may be included as part of an entity’s management report, annual report or integrated report, or included with other governance information.

A435. As frameworks and practices for reporting sustainability information may be evolving and new laws and regulations may be imposed over time, the location of the sustainability information and the content of the report(s) in which that information is included may change between periods. As a result, it may not be clear which document(s) comprises the report in which the sustainability information will be published. As management, or those charged with governance, is responsible for preparing the entity’s reports, the practitioner may communicate with management or those charged with governance, the practitioner’s expectations in relation to obtaining the final version of the report(s) which will contain the sustainability information in a timely manner prior to the date of the assurance report such that the practitioner can complete the procedures required by this ISSA before the date of the assurance report.

A436. When other information is only made available to users via the entity's website, the final version of the other information obtained from the entity, rather than directly from the entity's website, is the relevant document on which the practitioner would perform procedures in accordance with this ISSA. The practitioner has no responsibility under this ISSA to search for other information, including other information that may be on the entity's website. In addition, the practitioner has no responsibility to perform any procedures to confirm that other information is appropriately displayed on the entity's website or otherwise has been appropriately transmitted or displayed electronically, unless this is within the scope of the assurance engagement.

Reading and Considering the Other Information (Ref: Para.155)

A437. If the other information is materially inconsistent with the sustainability information subject to the assurance engagement or the practitioner's knowledge obtained in the engagement, it may indicate that there is a material misstatement of the sustainability information or that a material misstatement of the other information exists. This may undermine the credibility of the sustainability information and the assurance report thereon. Such material misstatements may also inappropriately influence the decisions of the users for whom the assurance report is prepared. The procedures with respect to other information may also assist the practitioner in complying with relevant ethical requirements as required by paragraph 33. Relevant ethical requirements require the practitioner to avoid being knowingly associated with information that the practitioner believes contains a materially false or misleading statement, statements or information provided recklessly, or omits or obscures required information where such omission or obscurity would be misleading.

A438. In some cases, disclosures in the other information may summarize, or provide additional details about, the disclosures in the sustainability information subject to the assurance engagement. The practitioner may compare a selection of such disclosures in the other information with the disclosures in the sustainability information subject to assurance. The extent of this comparison is a matter of professional judgment recognizing that the practitioner's responsibilities under this ISSA do not constitute an assurance engagement on the other information or impose an obligation to obtain assurance about the other information.

Responding When the Practitioner Concludes That a Material Misstatement of the Other Information Exists

Responding When the Practitioner Concludes That a Material Misstatement Exists in Other Information Obtained Prior to the Date of the Assurance Report (Ref: Para. 157-158)

A439. The actions the practitioner takes if the other information is not corrected after communicating with those charged with governance are a matter of professional judgment. The practitioner may take into account whether the rationale given by management and those charged with governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance, such as when the practitioner suspects an intention to mislead. The practitioner may also consider it appropriate to seek legal advice. In some cases, the practitioner may be required by law, regulation or other professional standards to communicate the matter to a regulator or relevant professional body.

Responding When the Practitioner Concludes That a Material Misstatement Exists in Other Information Obtained after the Date of the Assurance Report (Ref: Para. 157-158)

A440. The practitioner has no obligation to perform any procedures regarding the other information that becomes available after the date the assurance report. However, the practitioner may become

aware that a material inconsistency appears to exist between the other information available after the date of the assurance report and the sustainability information or the practitioner's knowledge obtained in the engagement. The practitioner may discuss the matter with management or those charged with governance, as appropriate, and if the other information is not corrected take appropriate action. This may include performing other procedures to conclude whether a material misstatement of the other information or of the sustainability information exists. If the practitioner concludes that a material misstatement exists, but the other information is not corrected, the practitioner may seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the practitioner's report is prepared, considering the practitioner's legal rights and obligations.

Reporting Implications (Ref: Para. 158(a))

A441. In rare circumstances, a disclaimer of conclusion or opinion on the sustainability information may be appropriate when the refusal to correct the material misstatement of the other information casts such doubt on the integrity of management and those charged with governance as to call into question the reliability of evidence in general.

Withdrawal from the Engagement (Ref: Para. 158(b))

A442. Withdrawal from the engagement, when possible under applicable law or regulation, may be appropriate when the circumstances surrounding the refusal to correct the material misstatement of the other information cast such doubt on the integrity of management and those charged with governance as to call into question the reliability of representations obtained from them during the assurance engagement.

Responding When a Material Misstatement in the Sustainability Information Exists or the Practitioner's Understanding of the Entity and Its Environment Needs to Be Updated (Ref: Para. 159)

A443. In reading the other information, the practitioner may become aware of new information that has implications for:

- The practitioner's understanding of the entity and its environment and, accordingly, may indicate the need to revise the practitioner's risk consideration or assessment.
- The practitioner's responsibility to evaluate the effect of identified misstatements on the engagement and of uncorrected misstatements, if any, on the sustainability information.
- The practitioner's responsibilities relating to subsequent events.

Forming the Assurance Conclusion

Evaluating the Evidence Obtained (Ref: Para. 160)

A444. An assurance engagement is an iterative process, and information may come to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based. This may particularly be the case when the entity's information system is less mature or when the disclosures, and their characteristics, are subject to greater judgment. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to perform additional procedures to meet the intended purpose(s) in performing those procedures. In some circumstances, the practitioner may not have obtained the evidence that the practitioner had expected to obtain through the planned procedures. When the practitioner determines that the evidence obtained from the procedures performed is not sufficient and appropriate to be able to form a conclusion on the sustainability information, the practitioner may:

- (a) Extend the work performed; or
- (b) Perform other procedures judged by the practitioner to be necessary in the circumstances.

When neither of these is practicable in the circumstances, the practitioner will not be able to obtain sufficient appropriate evidence to be able to form a conclusion.

A445. A procedure may be designed to be effective in achieving an intended purpose, but if the performance or execution of the procedure (i.e., its application) is inappropriate the purpose of the procedure may not be met. Paragraphs 30-58 address the specific responsibilities of the practitioner regarding quality management at the engagement level, and the related responsibilities of the engagement leader, which may affect the application of procedures. In addition, paragraph A101 explains that the review of the engagement team's work consists of considering whether, for example:

- (a) The evidence obtained is sufficient and appropriate to provide a basis for the practitioner's assurance conclusion; and
- (b) The objectives of the procedures have been achieved.

A446. The practitioner's professional judgment as to what constitutes sufficient appropriate evidence is influenced by such factors as the following:

- Significance of a potential misstatement and the likelihood of it having a material effect, individually or when aggregated with other potential misstatements, on the sustainability information.
- Effectiveness of management or those charged with governance's responses to address the known risk of material misstatement.
- Experience gained during previous assurance engagements with respect to similar potential misstatements.
- Results of procedures performed, including whether such procedures identified specific misstatements.
- Source and reliability of the available information.
- Persuasiveness of the evidence.
- Understanding of the entity and its environment.

A447. The evaluation of evidence obtained related to the preparation of qualitative information or qualitative aspects of quantitative information may include consideration of whether:

- (a) There are indicators of possible bias in judgments and decisions in the making of estimates and in preparing the sustainability information;
- (b) The quantification methods and reporting policies selected and applied are consistent with the applicable criteria and are appropriate;
- (c) The information presented in the sustainability information is relevant, reliable, complete, comparable and understandable;
- (d) The sustainability information provides adequate disclosure of the applicable criteria, and other matters, including uncertainties, such that intended users can understand the significant judgments made in its preparation; and
- (e) The terminology used in the sustainability information is appropriate.

Evidence Obtained That Is Inconsistent with Other Evidence (Ref: Para. 162)

A448. When evidence is inconsistent with other evidence, it may indicate that some of the information used as evidence is not reliable. This may be the case, for example, when responses to inquiries of management, those charged with governance, internal auditors, or others are inconsistent. Such inconsistencies may therefore call into question the appropriateness of the practitioner's evaluation of the relevance and reliability of such information, in accordance with paragraph 83. Paragraph 87 addresses the practitioner's responsibilities when the practitioner has doubts about the relevance and reliability of information intended to be used as evidence. The extent to which the practitioner may need to modify or add to the procedures to resolve the doubts and the effect on other aspects of the assurance engagement may vary.

A449. When performing a procedure, the practitioner may identify items that are inconsistent with the practitioner's expectations or that exhibit characteristics that are unusual. Different terminology may be used to describe these items, for example, exceptions, outliers, notable items, or items of interest. These items may indicate a possible misstatement in the sustainability information. They may also indicate inconsistencies in evidence, particularly when other evidence has not identified similar exceptions or outliers, or cast doubt on the reliability of the information.

A450L. In considering the effect of inconsistencies in evidence on other aspects of the assurance engagement, the practitioner may consider whether the practitioner's identification of disclosures where material misstatements are likely to arise in a limited assurance engagement remains appropriate.

A451R. In considering the effect of inconsistencies in evidence on other aspects of the assurance engagement, the practitioner may consider whether the practitioner's risk assessment in a reasonable assurance engagement remains appropriate.

A452. If the practitioner is unable to obtain sufficient appropriate evidence, the practitioner is required to express a qualified conclusion or disclaim a conclusion on the sustainability information, or, if possible, withdraw from the engagement, in accordance with paragraph 165.

Concluding (Ref: Para. 163-164)

A453. In regulatory disclosure regimes, disclosures specified in the relevant law or regulation are adequate for reporting to the regulator. However, additional disclosures in the sustainability information may be necessary for other intended users to understand the significant judgments made in preparing the sustainability information, such as:

- (a) Which operations are included in the entity's organizational boundary, and the method used for determining that boundary if the applicable criteria allow a choice between different methods;
- (b) Significant evaluation or quantification methods and reporting policies selected, including:
 - (i) The process used to determine which topics and aspects of topics have been included in the sustainability information (see paragraph A157);
 - (ii) Any significant interpretations made in applying the applicable criteria in the entity's circumstances, including data sources and, when choices between different methods are allowed, or entity-specific methods are used, disclosure of the method used and the rationale for doing so; and
 - (iii) How the entity determines whether previously reported disclosures should be restated.

- (c) A statement regarding the uncertainties relevant to the entity's quantification of its sustainability information, including: their causes; how they have been addressed; their effects on the sustainability information; and
- (d) Changes, if any, in the matters mentioned in this paragraph or in other matters that materially affect the comparability of the sustainability information with a prior period(s) or base year.

A454. The practitioner's evaluation about whether the sustainability information achieves fair presentation is a matter of professional judgment. This evaluation takes into account such matters as the facts and circumstances of the entity, including changes thereto, based on the practitioner's understanding of the entity and the evidence obtained. The evaluation also includes consideration, for example, of the disclosures needed to achieve a fair presentation arising from matters that could be material (i.e., in general, misstatements are considered to be material if they could reasonably be expected to influence decisions of intended users taken on the basis of the sustainability information), such as the effect of evolving requirements or the changing environment.

A455. Evaluating whether the sustainability information achieves fair presentation may include, for example, discussions with management and those charged with governance about their views on why a particular presentation was chosen, as well as alternatives that may have been considered. The discussions may include, for example:

- The degree to which the disclosures in the sustainability information are aggregated or disaggregated, and whether the presentation of disclosures obscures useful information, or results in misleading information.
- Consistency with appropriate industry practice, or whether any departures are relevant to the entity's circumstances and therefore warranted.

Scope Limitation (Ref: Para. 165)

A456. A scope limitation may arise from:

- (a) Circumstances beyond the control of the appropriate party(ies). For example, documentation the practitioner considers necessary to inspect may have been accidentally destroyed;
- (b) Circumstances relating to the nature or timing of the practitioner's work. For example, a physical process the practitioner considers necessary to observe may have occurred before the practitioner's engagement; or
- (c) Limitations imposed by management, those charged with governance, or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure the practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner's consideration of engagement risk and the acceptance and continuance of the client relationship and the assurance engagement.

A457. An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate evidence by performing alternative procedures.

Taking Overall Responsibility for Managing and Achieving Quality (Ref: Para. 166)

A458. Relevant considerations in determining that the engagement leader's involvement has been sufficient and appropriate throughout the engagement to provide a basis for determining that the

significant judgments made and conclusions reached are appropriate, given the nature and circumstances of the engagement, include, for example:

- (a) How consultation on difficult, contentious or other matters has been undertaken and conclusions agreed have been implemented;
- (b) How differences of opinion have been addressed and resolved; and
- (c) How the engagement documentation evidences the engagement leader's involvement throughout the engagement.

A459. Examples of indicators that the engagement leader may not have been sufficiently and appropriately involved:

- Lack of timely review by the engagement leader of the engagement planning, including reviewing the risk procedures performed.
- Evidence that those to whom tasks, actions or procedures have been assigned were not adequately informed about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and were not provided other necessary instructions and relevant information.
- A lack of evidence of the engagement leader's direction and supervision of the other members of the engagement team and the review of their work.

A460. If the engagement leader's involvement does not provide the basis for determining that the significant judgments made and the conclusions reached are appropriate, the engagement leader will not be able to reach the determination required by paragraph 166. In addition to taking account of firm policies or procedures that may set forth the required actions to be taken in such circumstances, appropriate actions that the engagement leader may take, include, for example:

- Updating and changing the engagement plan;
- Reevaluating the planned approach to the nature and extent of review and modifying the planned approach to increase the involvement of the engagement leader; or
- Consulting with personnel assigned operational responsibility for the relevant aspect of the firm's system of quality management.

Documentation (Ref: Para.167)

A461. The requirement to document how the practitioner addressed inconsistencies in information does not imply that the practitioner needs to retain engagement documentation that is incorrect or superseded.

A462. Engagement documentation evidencing the involvement of the engagement leader and the engagement leader's determination in accordance with paragraph 167(b) may be accomplished in different ways depending on the nature and circumstances of the engagement.

Examples:

- Direction of the engagement team can be documented through signoffs of the engagement plan and project management activities;
- Minutes from formal meetings of the engagement team may provide evidence of the clarity, consistency and effectiveness of the engagement leader's communications and

other actions in respect of culture and expected behaviors that demonstrate the firm's commitment to quality;

- Agendas from discussions between the engagement leader and other members of the engagement team, and where applicable the engagement quality reviewer, and related signoffs and records of the time the engagement leader spent on the engagement, may provide evidence of the engagement leader's involvement throughout the engagement and supervision of other members of the engagement team; or
- Signoffs by the engagement leader and other members of the engagement team provide evidence that the working papers were reviewed.

Preparing the Assurance Report

Communicating Effectively in the Assurance Report (Ref: Para.168-169)

A463. The assurance report 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. The practitioner does not report orally or by use of symbols without also providing a written assurance report that is readily available whenever the oral report is provided or the symbol is used, so that the practitioner's conclusion is not misunderstood. For example, a symbol indicating disclosures have been subject to an assurance engagement could be hyperlinked to a written assurance report.

A464. Appendix 2 contains illustrations of assurance reports on sustainability information, incorporating the basic elements in paragraph 170.

Assurance Report Content (Ref: Para. 170)

A465. This ISSA does not require a standardized format for reporting on all assurance engagements. Instead, it identifies the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The practitioner may use headings, in addition to those required by this ISSA, paragraph numbers, the bolding of text, and other mechanisms to enhance the clarity and readability of the assurance report.

Title of the Assurance Report (Ref: Para.170(a))

A466. To be independent, an assurance report is prepared by a practitioner that complies with the independence requirements of the IESBA Code applicable to assurance engagements or requirements that are at least as demanding.

Addressee (Ref: Para.170(b))

A467. The addressee is usually the engaging party or those charged with governance of the entity. As well as identifying the addressee of the assurance report, the practitioner may consider it appropriate to include wording in the body of the assurance report that specifies the purpose for which, or the intended users for whom, the report was prepared.

The Practitioner's Conclusion (Ref: Para. 170(c))

The Level of Assurance Obtained (Ref: Para. 170(c)(iii))

A468. When parts of the sustainability information are subject to limited assurance and other parts are subject to reasonable assurance, clear identification in the assurance report of the sustainability information subjected to each level of assurance may aid users' understanding of what has been

subject to limited assurance and what has been subject to reasonable assurance. The conclusions relating to each part of the sustainability information may also be distinguished to assist the intended users.

Identification of the Sustainability Information (Ref: Para. 170(c)(iv))

A469. Identification and description of the sustainability information subject to the assurance engagement and, when appropriate, the sustainability matters, may include:

- The title or other identifying features of the sustainability information and, if applicable any broader report (such as an annual report or integrated report) within which the sustainability information is reported.
- If the sustainability information subject to the assurance engagement is not the entire sustainability information, identification of the part of the sustainability information subject to the assurance engagement, and if necessary to assist users' understanding, identification of the sustainability information not subject to the assurance engagement.
- Where applicable, the name of other entity(ies) (such as entities in the value chain), facility(ies), location/s, jurisdiction/s or other boundary to which the sustainability matters relate.
- An explanation of those characteristics of the sustainability matters or the sustainability information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the sustainability matters against the applicable criteria, or the persuasiveness of available evidence. For example:
 - The degree to which the sustainability information is qualitative versus quantitative, narrative versus numeric, objective versus judgmental, or historical versus forward-looking.
 - Changes in the sustainability matters, criteria or other engagement circumstances that affect the comparability of the sustainability information from one period to the next.

Expression of the Practitioner's Conclusion (Ref: Para. 170(c)(vi)-(vii), 178L, 178R)

A470L. Examples of conclusions expressed in a form appropriate for a limited assurance engagement:

- (a) When expressed in terms of the sustainability information and the applicable criteria:
 - (i) Under a compliance framework: "Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [sustainability information] is not prepared, in all material respects, in accordance with XYZ criteria."
 - (ii) Under a fair presentation framework: "Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [sustainability information] is not fairly presented, in all material respects, in accordance with XYZ criteria."
- (b) When expressed in terms of a statement made by the appropriate party:

- (i) Under a compliance framework: “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement that [the entity] has complied, in all material respects, with XYZ requirements is not properly prepared.”
- (ii) Under a fair presentation framework: “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement that the [sustainability information] is prepared in accordance with XYZ criteria is not, in all material respects, fairly stated.”

A471R. Examples of conclusions expressed in a form appropriate for a reasonable assurance engagement:

- (a) When expressed in terms of the sustainability information and the applicable criteria:
 - (i) Under a compliance framework: “In our opinion, the entity’s sustainability information is prepared, in all material respects, in accordance with XYZ criteria;”
or
 - (ii) Under a fair presentation framework: “In our opinion, the entity’s sustainability information is fairly presented, in all material respects, in accordance with XYZ criteria;”
- (b) When expressed in terms of a statement made by the appropriate party:
 - (i) Under a compliance framework: “In our opinion, the [appropriate party’s] statement that the entity has complied with XYZ requirement is, in all material respects, fairly stated” or
 - (ii) Under a fair presentation framework: “In our opinion, the [appropriate party’s] statement that the [sustainability information] is prepared in accordance with XYZ criteria is, in all material respects, fairly stated”.

A472. Forms of expression that may be useful for sustainability matters include, for example, one, or a combination of, the following:

- For compliance frameworks—“in compliance with” or “in accordance with.”
- For engagements when the applicable criteria describe a process or methodology for the preparation or presentation of the sustainability information—“properly prepared.”
- For engagements when the principles of fair presentation are embodied in the applicable criteria—“fairly stated.”

Identification of the Applicable Criteria (Ref: Para. 170(c)(vii))

A473. In order for the practitioner to accept or continue the engagement, paragraph 75 requires the preconditions to be met, including that the criteria will be available to the intended users. Management or those charged with governance may make the applicable criteria available to users, either in the sustainability information or by reference, in order for the intended users to understand the basis of preparation of the sustainability information. The entity’s disclosures in the sustainability information or the description of the criteria referenced, may include matters such as:

- Details of the sources of the applicable criteria, and whether or not the applicable criteria are framework criteria, embodied in law or regulation, or issued by authorized or recognized bodies of experts that follow a transparent due process, and if they are not, who developed the criteria, the basis for that development (such as how the intended user's needs were identified) and a description of why they are considered suitable.
- Measurement or evaluation methods used when the applicable criteria allow for choice between a number of methods.
- Any significant interpretations made in applying the applicable criteria.
- Whether there have been any changes in the measurement or evaluation methods used since the prior period.

A474. A statement that management has prepared the sustainability information in accordance with particular criteria is appropriate only if the sustainability information complies with all the requirements of those criteria that are effective during the period covered by the sustainability information.

A475. A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, "the sustainability information is in substantial compliance with the requirements of XYZ") is not an adequate description as it may mislead users of the sustainability information.

A476. Sometimes management may report the sustainability information using more than one framework. In such a case, user understanding is likely to be enhanced if management or those charged with governance make available the criteria relating to each framework separately, rather than being summarized or combined.

Informing the Intended Users of the Context in which the Practitioner's Conclusion is to be Read (Ref: Para. 170(c)(ix))

A477. It may be appropriate to inform the intended users of the context in which the practitioner's conclusion is to be read when the assurance report includes an explanation of particular characteristics of the sustainability matter of which the intended users should be aware. The practitioner's conclusion may, for example, include wording such as: "This conclusion has been formed on the basis of the matters outlined elsewhere in this independent assurance report."

Basis for Conclusion Section (Ref: Para. 170(d))

Statements that the Engagement was Conducted in Accordance with this ISSA (Ref: Para. 170(d)(i))

A478. Practitioner's statements that contain imprecise or limiting language (for example, "the engagement was performed by reference to (or based on) ISSA 5000") may mislead users of assurance reports. In these circumstances, users may understand that all of the requirements of this ISSA have all been complied with, even if they have not (see paragraph 19 and paragraph 170(d)(i)).

Responsibilities for the Sustainability Information (Ref: Para. 170(f))

A479. Identifying relative responsibilities informs the intended users that management, or those charged with governance, as appropriate, is responsible for the preparation of the sustainability information, and that the practitioner's role is to independently express a conclusion about the sustainability information.

A480. Those charged with governance instead of management may be responsible for the sustainability information depending on the engagement circumstances and the legal framework in the

particular jurisdiction. In other jurisdictions, those charged with governance may be responsible for the oversight of the process to prepare the sustainability information, and management fulfills the responsibilities described in paragraph 170(f)(i).

Applicability of Responsibility for Fair Presentation of the Sustainability Information (Ref: Para. 170(f)(i)a.)

A481. Some criteria acknowledge explicitly or implicitly the concept of fair presentation. As noted in paragraph 17(h), fair presentation criteria not only require compliance with the criteria, but also acknowledge explicitly or implicitly that it may be necessary for management to provide disclosures beyond those specifically required by the criteria. Therefore, the responsibilities of management or those charged with governance, as appropriate, for preparing the sustainability information in accordance with a fair presentation framework, extend to whether fair presentation is achieved in the sustainability information presented.

An Informative Summary of the Work Performed as the Basis for the Practitioner's Conclusion (Ref: Para. 170(i))

A482. For engagements that require the practitioner to obtain different levels of assurance on different topics, aspects of topics or disclosures, the practitioner may also delineate the procedures performed for each level of assurance so that it is clear to the users which procedures were performed in relation to the sustainability information.

A483R. The assurance report in a reasonable assurance engagement requires a section with the subheading 'Practitioner's Responsibilities' that briefly describes procedures performed (see paragraph 170(h)(iv-v)). This is because, in a reasonable assurance engagement, describing in any level of detail the specific procedures performed would not assist users to understand that, in all cases where an unmodified conclusion is issued, sufficient appropriate evidence has been obtained to enable the practitioner to form a reasonable assurance conclusion.

A484L. In a limited assurance engagement, an appreciation of the nature, timing and extent of procedures performed is essential for the intended users to understand the conclusion expressed in the limited assurance report. The summary of work performed is therefore ordinarily more detailed than the procedures described in the Practitioner's Responsibilities section in a reasonable assurance report. It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the procedures in a limited assurance engagement vary in nature and timing from, and are less than for, a reasonable assurance engagement.

A485L. Factors to consider in determining the level of detail to be provided in the summary of work performed include:

- Circumstances specific to the entity (e.g., the differing nature of the entity's activities compared to those typical in the sector).
- Specific engagement circumstances affecting the nature and extent of the procedures performed.
- The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation.

A486L. In describing the procedures performed in a limited assurance report, it is important that they are written in an objective way but are not summarized to the extent that they are ambiguous, nor

written in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is also important that the description of the procedures not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan. The procedures for limited assurance, which are described in the "Summary of Work Performed" section, may appear to a user to be more comprehensive than the procedures described in a reasonable assurance engagement, so it may be helpful for the practitioner to explain why this is the case. This may be accomplished by including in the assurance report an indication of the differences between limited assurance and reasonable assurance to aid user understanding, especially when both reasonable and limited assurance are in the same assurance report.

Date of the Assurance Report (Ref: Para 170(I))

A487. Including the assurance report date informs the intended users that the practitioner has considered the effect on the sustainability information and on the assurance report of events that occurred up to that date.

Form of the assurance report (Ref: Para. 170)

A488. An assurance conclusion expressed in a binary manner (e.g., concludes that the sustainability information either has, or has not, been prepared in accordance with the applicable criteria) may not be able to communicate sufficiently the complexities that may be present in a sustainability assurance engagement without additional contextual information to aid the intended users' understanding. The practitioner may choose a "short-form" or "long-form" style of reporting to facilitate effective communication to the intended users. "Short-form" reports ordinarily include only the basic elements, as required by paragraph 170. "Long-form" reports include other information and explanations that are not intended to affect the practitioner's conclusion, such as:

- (a) Detailed description of the terms of the engagement;
- (b) Findings relating to particular aspects of the engagement;
- (c) Details of the qualifications and experience of the practitioner and others involved with the engagement;
- (d) The practitioner's considerations of materiality, and whether those considerations are in respect of qualitative or quantitative sustainability information;
- (e) The intended users of the assurance report and the purpose for which it has been prepared;
- (f) The range of competencies that were needed to perform the engagement and how they have been deployed on the engagement;
- (g) Explanation of why, in an assurance engagement, the practitioner cannot become involved in the preparation of the sustainability information because such an engagement is designed to give a conclusion by an independent practitioner over the sustainability information;

The practitioner may find it helpful to consider the significance of providing such information to the information needs of the intended users. As required by paragraph 169, additional information is clearly separated from the practitioner's conclusion and phrased in such a manner so as to make it clear that it is not intended to detract from that conclusion.

A489. Including the practitioner's recommendations on matters, such as improvements to the entity's information system, in the assurance report may imply that those matters have not been

appropriately dealt with in preparing the sustainability information. Such recommendations may be communicated, for example, in a management letter or in discussion with those charged with governance. Considerations relevant to deciding whether to include recommendations in the assurance report include whether their nature is relevant to the information needs of intended users, and whether they are worded appropriately to ensure they will not be misunderstood as a qualification of the practitioner's conclusion on the sustainability information.

A490. In addition to the basic elements described in paragraph 170, the practitioner may decide to include additional information in the assurance report. Matters that may be relevant to the practitioner's decision to include such additional information may include:

- (a) Sustainability information may be prepared for diverse groups of users, and may cover aspects of sustainability matters that are diverse in nature, ranging from a single aspect, such as greenhouse gases emitted by the entity during a period, through to an entity's strategy, business model and performance, which may comprise:
 - Historical information.
 - Forward-looking information.
 - Processes, systems and controls.
 - Performance against targets, goals or commitments.
- (b) The sustainability matters may be complex to measure or evaluate, or be subject to measurement or evaluation uncertainties, which the intended users may not be aware of;
- (c) The criteria used to measure or evaluate them may be set out in an established framework, may be developed by the entity, or may be selected from various frameworks, with or without further development by the entity, making it difficult for a user to understand how the sustainability information has been prepared;
- (d) The sustainability information may be presented in the form of a traditional standalone report, or as part of a larger report or reports. It may also be presented partially in narrative and partially through the use of graphs, images, embedded videos or similar representations. The presentation could support the users' understanding of what is, and what is not, subject to the assurance engagement.

Name of the Engagement Leader in the Assurance Report (Ref: Para. 171)

A491. The objective of the firm in ISQM 1 is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional requirements and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement leaders are appropriate in the circumstances.

Notwithstanding the objective of ISQM 1, naming the engagement leader in the assurance report is intended to provide further transparency to the users of the assurance report on sustainability information of a listed entity.

A492. Law, regulation or national standards may require that the practitioner's report include the name of the engagement leader responsible for assurance reports other than those of sustainability information of listed entities. The practitioner may also be required by law, regulation or national

standards, or may decide to include additional information beyond the engagement leader's name in the assurance report to further identify the engagement leader, for example, the engagement leader's professional license number that is relevant to the jurisdiction where the engagement leader practices.

A493. In rare circumstances, the practitioner may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement leader is made public, may result in physical harm to the engagement leader, other engagement team members or other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law, regulation or national standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement leader may be omitted.

Reference to a Practitioner's Expert in the Assurance Report (Ref: Para. 172)

A494. In some cases, law or regulation may require a reference to the work of a practitioner's expert in the assurance report, for example, for the purposes of transparency in the public sector. It may also be appropriate in other circumstances, for example, to explain the nature of a modification of the practitioner's conclusion, or when the work of an expert is integral to findings included in a long-form report.

A495. A generic reference in a long-form report to the engagement having been conducted by suitably qualified personnel, including subject matter experts and assurance specialists, is unlikely to be misunderstood as reduced responsibility. The potential for misunderstanding is higher, however, in the case of short-form reports, where minimum contextual information is able to be presented, or when the practitioner's expert is referred to by name. Therefore, additional wording may be needed in such cases to prevent the assurance report implying that the practitioner's responsibility for the conclusion expressed is reduced because of the involvement of the expert.

Other Reporting Responsibilities

Assurance Report Prescribed by Law or Regulation (Ref: Para 173-174)

A496. In some jurisdictions, the practitioner may have additional responsibilities to report on other matters that are additional to the practitioner's responsibilities under this ISSA. For example, the practitioner may be required to provide a conclusion on specific matters, such as compliance of the sustainability information with a digital taxonomy. Assurance standards in the specific jurisdiction often provide guidance on the practitioner's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.

A497. In some cases, the relevant law or regulation may require or permit the practitioner to report on these other responsibilities as part of their assurance report on the sustainability information. In other cases, the practitioner may be required or permitted to report on them in a separate report.

A498. Paragraphs 173-174 permit combined presentation of other reporting responsibilities and the practitioner's responsibilities under this ISSA only when they address the same elements as those presented under the reporting responsibilities required by this ISSA and the wording of the assurance report clearly differentiates the other reporting responsibilities from those under this ISSA. Such clear differentiation may make it necessary for the assurance report to refer to the source of the other reporting responsibilities and to state that such responsibilities are beyond those required under ISSA 5000. Otherwise, other reporting responsibilities are required to be

addressed in a separate section in the assurance report with the heading "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section.

Emphasis of Matter Paragraph and Other Matter Paragraph

The Difference between Inherent Limitations, Emphasis of Matter and Other Matter paragraphs (Ref: Para. 179)

A499. When significant inherent limitations are described in the assurance report in accordance with paragraph 170(g), the description of those inherent limitations is different from including an Emphasis of Matter paragraph in the assurance report. Inherent limitations are present in the measurement or evaluation of the sustainability matters, irrespective of whether they have been disclosed by management. However, it may be useful for management to disclose such inherent limitations in greater detail within the sustainability information. In some cases, the inherent measurement or evaluation uncertainties may be fundamental to the users' understanding of the sustainability information and may be described within the sustainability information.

A500. An Emphasis of Matter can only draw attention to a matter which is presented or disclosed by the management in the sustainability information. The content of an Emphasis of Matter paragraph includes a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the sustainability information. It also indicates that the practitioner's conclusion is not modified in respect of the matter emphasized. An Emphasis of Matter paragraph may be appropriate when, for example:

- (a) Different criteria have been used or the criteria have been revised, updated or interpreted differently than in prior periods and this has had a fundamental effect on the sustainability information.
- (b) A system breakdown for part of the period impacted the operation of controls or recording of matters material to the engagement.

A501. The content of an Other Matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the sustainability information. An Other Matter paragraph does not include information that the practitioner is prohibited from providing by law, regulation or other professional requirements, for example, ethical standards relating to confidentiality of information. An Other Matter paragraph also does not include information that is required to be provided by management. An Other Matter paragraph may be appropriate when, for example, the scope of the engagement has changed significantly from the prior period and this has not been stated in the sustainability information.

A502. A widespread use of Emphasis of Matter or Other Matter paragraphs may diminish the effectiveness of the practitioner's communication of such matters. Emphasis of Matter or Other Matter paragraphs are not a substitute for a modified assurance conclusion.

Criteria Designed for a Specific Purpose (Ref: Para. 180)

A503. In some cases, the applicable criteria used to measure or evaluate the sustainability matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular applicable criteria designed for regulatory purposes. To avoid misunderstanding, the practitioner alerts readers of the assurance report to this fact and that, therefore, the sustainability information may not be suitable for another purpose.

A504. In addition to the alert required by paragraph 180, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the

engagement circumstances, for example, the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted in this way, the absence of a restriction regarding a particular user or purpose does not in itself indicate that a legal responsibility is owed by the practitioner in relation to that user or for that purpose. Whether a legal responsibility is owed will depend on the legal circumstances of each case and the relevant jurisdiction.

Other Information (Ref: Para. 181)

A505. When the practitioner disclaims a conclusion on the sustainability information, the assurance report does not include an “Other information” section because providing further details about the engagement, including a section to address other information, may overshadow the disclaimer of conclusion on the sustainability information as a whole.

Modified Conclusion (Ref: Para. 183-186)

Qualified Conclusion Due to Limitation of Scope (Ref: Para. 183(a), 184,-185)

A506. When there is a limitation of scope with respect to a material item in the sustainability information, the practitioner will not have obtained sufficient appropriate evidence about that matter. In these circumstances, the practitioner may be unable to conclude whether or not the disclosures in the other information related to this matter result in a material misstatement of the other information. Accordingly, the practitioner may need to modify the statement required by paragraph 182(d) to refer to the practitioner’s inability to consider management’s description of the matter in the other information in respect of which the assurance conclusion on the sustainability information has been qualified as explained in the Basis for Qualified Conclusion paragraph. The practitioner is nevertheless required to report any other uncorrected material misstatements of the other information that have been identified.

Impact of Modified Conclusions on the Statement on Other Information (Ref: Para. 183(b))

A507. A qualified or adverse assurance conclusion on the sustainability information may not have an impact on the statement on other information required by paragraph 182(e) if the matter for which the assurance conclusion has been modified is not included or otherwise addressed in the other information and the matter does not affect any part of the other information. In other circumstances, there may be implications for such reporting as described in paragraphs A508-A509.

A508. When the assurance conclusion is qualified, consideration may be given as to whether the other information is also materially misstated for the same matter as, or a related matter to, the matter giving rise to the qualified conclusion on the sustainability information.

A509. An adverse conclusion on the sustainability information relating to a specific matter(s) described in the Basis for Adverse Conclusion paragraph does not justify the omission of reporting of material misstatements of the other information that the practitioner has identified in the assurance report in accordance with paragraph 182(e)(ii). When an adverse conclusion has been expressed on the sustainability information, the practitioner may need to appropriately modify the statement required by paragraph 182(e)(ii), for example, to indicate that the disclosures in the other information are materially misstated for the same matter as, or a related matter to, the matter giving rise to the adverse conclusion on the sustainability information.

Effects of the Matter are Pervasive (Ref: Para. 184)

A510. The term 'pervasive' describes the effects on the sustainability information of misstatements or the possible effects on the sustainability information of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate evidence. Pervasive effects on the sustainability information are those that, in the practitioner's professional judgment:

- (a) Are not confined to specific aspects of the sustainability information;
- (b) If so confined, represent or could represent a substantial proportion of the sustainability information; or
- (c) In relation to disclosures, are fundamental to the intended users' understanding of the sustainability information.

A511. The nature of the matter, and the practitioner's judgment about the pervasiveness of the effects or possible effects on the sustainability information, affects the type of conclusion to be expressed.

Examples of Modified Conclusions (Ref: Para. 183)

A512L. Examples of a qualified conclusion for a limited assurance engagement (with a material misstatement)

- Qualified conclusion (compliance framework) – "Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [sustainability information] is not prepared, in all material respects, in accordance with XYZ criteria."
- Qualified conclusion (fair presentation framework) – "Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [sustainability information] is not fairly presented, in all material respects, in accordance with XYZ criteria."

A513R. Examples of qualified conclusion for a reasonable assurance engagement (with a material misstatement):

- Qualified conclusion (compliance framework) – "Except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, the [sustainability information] is prepared, in all material respects, in accordance with XYZ criteria."
- Qualified conclusion (fair presentation framework) – "Except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, the [sustainability information] is fairly presented, in all material respects, in accordance with XYZ criteria."

A514. Examples of adverse conclusions and a disclaimer of conclusion for both limited and reasonable assurance engagements:

- Adverse conclusion (an example for a material and pervasive misstatement for information prepared under a compliance framework) – "Because of the significance of

the matter described in the Basis for Adverse Conclusion section of our report, the [sustainability information] is not prepared in accordance with “XYZ criteria.”

- Adverse conclusion (an example for a material and pervasive misstatement for information prepared under a fair presentation framework) – “Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the [sustainability information] does not present fairly the entity’s compliance with XYZ criteria.”
- Disclaimer of conclusion (an example for a material and pervasive limitation of scope) – “Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the [sustainability information]. Accordingly, we do not express a conclusion on that [sustainability information].”

Comparative Information (Ref: Para. 187-191)

A515. Law or regulation, the criteria or the terms of the engagement, may specify the requirements regarding the presentation, reporting and assurance of the comparative information in the sustainability information.

A516. If there are inconsistencies between the comparative information and the current-period sustainability information, the practitioner may consider the reasons for those differences to evaluate whether those inconsistencies are addressed in accordance with the criteria. When sustainability information includes comparisons of period-on-period information, such as references to percentage reductions or increases in measures or key performance indicators, it is important that the practitioner consider the appropriateness of the comparisons. These may be inappropriate due to:

- (a) Significant changes in operations from the prior period;
- (b) Significant changes in conversion factors;
- (c) Significant changes in assumptions, or
- (d) Inconsistency of sources or methods of measurement or evaluation.

A517. When comparative information is presented with the current sustainability information, but some or all of that comparative information is not referred to in the practitioner’s conclusion, it is important that the status of such information is clearly identified in both the sustainability information and the assurance report.

A518. Information reported in a prior period may need to be restated in accordance with law or regulation or the applicable criteria because of, for example, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, or the discovery of a significant error.

A519. The identification of information required under paragraph 189 and 190 to be included in an “Other Matter” paragraph with respect to an assurance engagement conducted on the comparative information in the prior period, may be complex and lengthy. In these circumstances, it may be appropriate to include this information by way of reference if it is included in the sustainability information, or as an attachment to the assurance report.

A520. If the engagement does not include assurance on comparative information, the requirement to perform procedures in the circumstances addressed by paragraph 191 is to satisfy the practitioner's ethical obligation to not knowingly be associated with materially false or misleading information.

Documentation

Matters Arising After the Date of the Practitioner's Report (Ref: Para. 192)

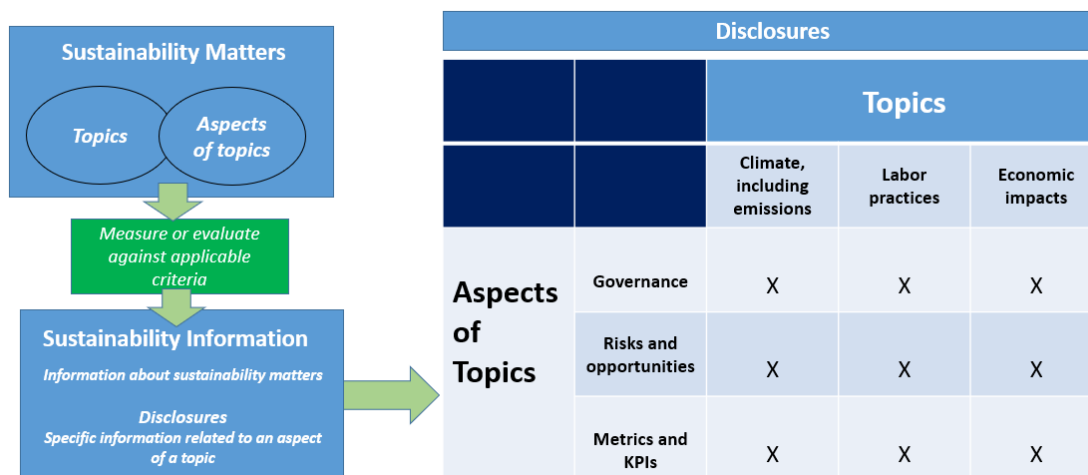
A521. Examples of exceptional circumstances include facts that become known to the practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the sustainability information to be amended or the practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm's policies or procedures with respect to the nature, timing and extent of the review of engagement team members' work as required by ISQM 1, with the engagement leader taking final responsibility for the changes.

Appendix 1

(Ref: Para. 3, A15)

Sustainability Matters and Sustainability Information

1. This appendix explains the relationship between sustainability matters (i.e., the underlying subject matter); sustainability information (i.e., the subject matter information), which results from measuring or evaluating the sustainability matters against the applicable criteria; and the related disclosures.
2. This relationship can be illustrated as follows:



3. Paragraph 69 requires the practitioner to obtain a preliminary knowledge of the sustainability information expected to be reported to provide an appropriate basis for determining whether the preconditions for an assurance engagement are present. In doing so, the practitioner may consider the entity's process to identify and select topics and aspects of topics for inclusion in the sustainability information (such process may be referred to as the entity's "materiality assessment" -- see paragraph A157). This process may be established by management or applied pursuant to the requirements of a sustainability reporting framework.
4. The topics and aspects of topics of sustainability matters are considered by management in determining the information to be reported, and are manifested in the related disclosures. A disclosure represents specific information (i.e., a "piece of information") reported by the entity about an aspect of a topic (i.e., each "X" in the diagram above). A more comprehensive list of examples of topics and aspects of topics is provided in paragraph A32.
5. Disclosures can be in various forms (e.g., narrative descriptions or other qualitative information, tables with key performance indicators or other quantitative information) 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.

Appendix 2

(Ref: Para. A464)

Illustrations of Assurance Reports on Sustainability Information

- Illustration 1: Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria
- Illustration 2: Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- Illustration 3: Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- Illustration 4: Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

Illustration 1 - Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A reasonable assurance engagement relating to the entirety of the Sustainability Report of ABC Company, a listed entity, for the year ended December 31, 20X1.
- The sustainability information is prepared by management of the entity in accordance with fair presentation criteria (Sustainability Reporting Framework Version x.1).
- The Sustainability Report includes comparative information that is not referred to in the practitioner's conclusion. The comparative information was subject to a reasonable assurance engagement by the same practitioner in the prior period and the practitioner's conclusion was unmodified.
- Management of the Company is the engaging party.
- Those charged with governance are responsible for oversight of the Company's sustainability reporting process.
- The terms of the assurance engagement reflect the description of management's responsibility for the sustainability information in ISSA 5000.
- The practitioner has concluded that an unmodified (i.e., "clean") opinion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the assurance engagement comprise the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both.
- The firm of which the practitioner is a member applies ISQM 1.¹¹
- The Sustainability Report and the practitioner's report thereon have been included in the Company's Annual Report. The practitioner has obtained the Annual Report prior to the date of the assurance report and has not identified a material misstatement of the other information in the Annual Report.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

¹¹ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statement, or Other Assurance or Related Services Engagements*

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Reasonable Assurance Report on the Sustainability Information¹²

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 fairly presented, in all material respects, in accordance with the Sustainability Reporting Framework Version x.1.

Basis for Opinion

We conducted our reasonable assurance engagement in accordance with International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants, together with the ethical requirements that are relevant to our assurance engagement in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies 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*, and, accordingly, maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter¹³

We draw attention to [identify the specific disclosure in the sustainability information], which describes [...]. Our opinion is not modified in respect of this matter.

¹² The sub-title "Reasonable Assurance Report on the Sustainability Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

¹³ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 179.

Other Information¹⁴

Management of the Company is responsible for the other information. The other information comprises the [information included in the Company's Annual report],¹⁵ but does not include the Sustainability Information and our assurance report thereon.

Our opinion on the Sustainability Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the Sustainability Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Information or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation and fair presentation of the Sustainability Information in accordance with the Sustainability Reporting Framework Version x.1.
- Designing, implementing and maintaining internal control relevant to the preparation of the Sustainability Information in accordance with the Sustainability Reporting Framework Version x.1, to enable the preparation of such information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's sustainability reporting process.

Inherent Limitations in Preparing the Sustainability Information¹⁶

As discussed in [*identify the specific disclosure in the sustainability information*], [*provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria*].

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain reasonable assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

As part of a reasonable assurance engagement in accordance with ISSA 5000, we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or

¹⁴ Another appropriate heading may be used, such as "Information Other than the Sustainability Information and Reasonable Assurance Report Thereon."

¹⁵ A more specific description of the other information, such as "the financial statements and notes thereto and chairman's statement," may be used to identify the other information.

¹⁶ Include paragraph if relevant to the engagement circumstances – see paragraph 170(g).

error, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁷

- Design and perform procedures responsive to the assessed risks of material misstatement of the disclosures in the Sustainability Information. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on Other Legal and Regulatory Requirements

*[The form and content of this section of the assurance report will vary depending on the nature of the practitioner's other reporting responsibilities. The matters addressed by other law, regulation or national standards (referred to as "other reporting responsibilities") are addressed within this section unless the other reporting responsibilities address the same report elements as those presented in accordance with the reporting responsibilities required by ISSA 5000 as part of the Reasonable Assurance Report on the Sustainability Information section. The reporting of other reporting responsibilities that address the same report elements as those required by this ISSA may be combined (i.e., included in the Reasonable Assurance Report on the Sustainability Information section under the appropriate subheadings) provided that the wording in the assurance report clearly differentiates the other reporting responsibilities from the reporting that is required by ISSA 5000, when such a difference exists.]*The engagement leader on the assurance engagement resulting in this independent practitioner's assurance report is [name].

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the assurance report]

¹⁷ Remove the words "but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control " if the reasonable assurance engagement includes an opinion on the effectiveness of internal control.

Illustration 2 - Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A limited assurance engagement relating to the entirety of the Sustainability Report of ABC Company, an entity other than a listed entity, for the year ended December 31, 20X1, as required by law or regulation.
- The sustainability information is presented in a stand-alone document (i.e., the entity's Sustainability Report).
- The Sustainability Information is prepared by management of the entity in accordance with compliance criteria (XYZ Law of Jurisdiction X).
- The Sustainability Report includes comparative information that is not covered by the practitioner's conclusion. The comparative information was subject to a limited assurance engagement by the same practitioner in the prior period and the practitioner's conclusion was unmodified.
- Management of the Company is the engaging party.
- The terms of the assurance engagement reflect the description of management's responsibility for the sustainability information in ISSA 5000.
- The practitioner has concluded that an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the assurance engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both.
- The firm of which the practitioner is a member applies ISQM 1.¹⁸
- There is no other information because the sustainability information is presented in a stand-alone document.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

¹⁸ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statement, or Other Assurance or Related Services Engagements*

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Limited Assurance Report on the Sustainability Information¹⁹

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the Sustainability Report of ABC Company (the Company) for the year ended December 31, 20X1 (the "Sustainability Information").

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 Sustainability Information is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with International Standard of Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants, together with the ethical requirements that are relevant to our assurance engagement of the Sustainability Information in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies 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*, and, accordingly, maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of Matter²⁰

We draw attention to [identify the specific disclosure in the sustainability information], which describes [...]. Our conclusion is not modified in respect of this matter.

¹⁹ The sub-title "Limited Assurance Report on the Sustainability Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

²⁰ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 179.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation of the Sustainability Information in accordance with XYZ Law of Jurisdiction X.
- Designing, implementing and maintaining internal control relevant to the preparation of the Sustainability Information, in accordance with XYZ Law of Jurisdiction X, to enable the preparation of such information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Information²¹

As discussed in *[identify the specific disclosure in the sustainability information]*, *[provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria]*.

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

As part of a limited assurance engagement in accordance with ISSA 5000, we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.²²
- Design and perform procedures responsive to disclosures in the Sustainability Information where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgment, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Information.

²¹ Include paragraph if relevant to the engagement circumstances – see paragraph 170(g).

²² Remove "but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control " if the limited assurance engagement includes a conclusion on the effectiveness of internal control.

In conducting our limited assurance engagement, we:

*[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]*²³

- [...]

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the limited assurance report]

²³ The procedures are to be summarized but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management and in most cases will not detail the entire work plan.

Illustration 3 - Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria, comprising:

- a) Reasonable Assurance Opinion on the selected disclosures, [identified by ...],²⁴ from the Sustainability Report (“Information RA”)**
- b) Limited Assurance Conclusion on the selected disclosures, [identified by ...],²⁵ from the Sustainability Report (“Information LA”)**

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A reasonable assurance engagement relating to Information RA and a limited assurance engagement relating to Information LA of the Sustainability Report of ABC Company, an entity other than a listed entity, for the year ended December 31, 20X1, as required by law or regulation.
- The Sustainability Report represents the sustainability information reported by the entity and Information RA and Information LA represent the sustainability information subject to the assurance engagement.
- The Sustainability Report is prepared by management of the entity in accordance with compliance criteria (XYZ Law of Jurisdiction X).
- The Sustainability Report includes comparative information that is not covered by the practitioner’s conclusion. With respect to the comparative information: comparative Information RA was subject to a reasonable assurance engagement, and comparative Information LA was subject to a limited assurance engagement, in the prior period, and the practitioner’s respective conclusions were unmodified.
- Management of the Company is the engaging party.
- The terms of the assurance engagement accurately reflect the description of management’s responsibility for the sustainability information in ISSA 5000.
- The assurance practitioner has concluded that, based on the evidence obtained, an unmodified (i.e., “clean”) reasonable assurance opinion and limited assurance conclusion are appropriate with respect to Information RA and Information LA, respectively.
- The relevant ethical requirements that apply to the assurance engagement comprise the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (*including International Independence Standards*) (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both.
- The firm of which the practitioner is a member applies ISQM 1.²⁶

²⁴ Provide a specific identification and location of the information that is subject to a reasonable assurance opinion, which should be distinct from the information subject to a limited assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

²⁵ Provide a specific identification and location of the information that is subject to a limited assurance conclusion, which should be distinct from the information subject to a reasonable assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

²⁶ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statement, or Other Assurance or Related Services Engagements*

- Information LA and Information RA, and the practitioner's report thereon, have been included in the Company's Annual Report. The practitioner has obtained the Annual Report prior to the date of the assurance report and has not identified a material misstatement of the other information in the Annual Report.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

INDEPENDENT PRACTITIONER'S REASONABLE AND LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Reasonable Assurance Opinion

We have conducted a reasonable assurance engagement on the selected disclosures, [identified by ...],²⁷ of the Sustainability Report of ABC Company (the Company) for the year ended December 31, 20X1 ("Information RA").

In our opinion, the Information RA of the accompanying Sustainability Report is prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the selected disclosures, [identified by ...],²⁸ included in the Sustainability Report of the Company for the year ended December 31, 20X1 ("Information LA").

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Information LA of the accompanying Sustainability Report is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Reasonable Assurance Opinion and Limited Assurance Conclusion

We conducted our engagement in accordance with ISSA 5000 *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants, together with the ethical requirements that

²⁷ Provide a specific identification and location of the information that is subject to a reasonable assurance opinion, which should be distinct from the information subject to a limited assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

²⁸ Provide a specific identification and location of the information that is subject to a limited assurance conclusion, which should be distinct from the information subject to a reasonable assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

are relevant to our assurance engagement of the sustainability information in [jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies 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*, and, accordingly, maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion and limited assurance conclusion.

Emphasis of Matter²⁹

We draw attention to [identify the specific disclosure in the sustainability information] from the Information LA of the Sustainability Report, which describes [...]. Our limited assurance conclusion is not modified in respect of this matter.

Other Information³⁰

Management of the Company is responsible for the other information. The other information comprises the [information included in the Company's Annual Report],³¹ but does not include the Information RA and Information LA subject to this engagement and our assurance report thereon.

Our reasonable assurance opinion and limited assurance conclusion on Information RA and Information LA, respectively, do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our limited and reasonable assurance engagements on the Information RA and Information LA, respectively, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Information RA and Information LA, respectively, or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation of the Information RA and Information LA in accordance with XYZ Law of Jurisdiction X.
- Designing, implementing and maintaining internal control relevant to the preparation of the Information RA and Information LA to enable the preparation of such information that is free from material misstatement, whether due to fraud or error.

²⁹ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 179.

³⁰ Another appropriate heading may be used, such as “Information Other than the Sustainability Information and Reasonable and Limited Assurance Report Thereon”.

³¹ A more specific description of the other information, such as “the financial statements and notes thereto and chairman’s statement,” may be used to identify the other information.

Inherent Limitations in Preparing the Sustainability Information³²

As discussed in *[identify the specific disclosure in the sustainability information]*, *[provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria]*.

Practitioner's Responsibilities

Our objectives are to:

- (a) Plan and perform the assurance engagement to obtain reasonable assurance about whether the Information RA is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion.
- (b) Plan and perform the assurance engagement to obtain limited assurance about whether the Information LA is free from material misstatement, whether due to fraud or error and to issue an assurance report that includes our conclusion.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Information RA and Information LA.

As part of both limited and reasonable assurance engagements in accordance with ISSA 5000, we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- (a) For a reasonable assurance engagement:
 - Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³³
 - Design and perform procedures responsive to the assessed risks of material misstatement of the disclosures in the Information RA. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) For a limited assurance engagement:
 - Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.³⁴

³² Include paragraph if relevant to the engagement circumstances – see paragraph 170(g).

³³ Remove “but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control” if the reasonable assurance engagement includes an opinion on the effectiveness of internal control.

³⁴ Remove “but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control” if the limited assurance engagement includes a conclusion on the effectiveness of internal control.

- Design and perform procedures responsive to disclosures in the Information LA where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed for Limited Assurance Conclusion

A limited assurance engagement involves performing procedures to obtain evidence about the Information LA. The nature, timing and extent of procedures selected depend on professional judgment, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Information LA.

In conducting our limited assurance engagement, we:

*[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]*³⁵

- [...]

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the assurance report]

³⁵ The procedures are to be summarized but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management, and in most cases will not detail the entire work plan.

Illustration 4 – Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A limited assurance engagement relating to the entirety of the Sustainability Report of ABC Company, an entity other than a listed entity, for the year ended December 31, 20X1, as required by law or regulation.
- The sustainability information is presented in a stand-alone document (i.e., the entity's Sustainability Report).
- The sustainability information is prepared by management of the entity in accordance with compliance criteria (XYZ Law of Jurisdiction X).
- The Sustainability Information includes comparative information that is not covered by the practitioner's conclusion. The comparative information was subject to a limited assurance engagement by the same practitioner in the prior period and the practitioner's conclusion was unmodified.
- Management of the Company is the engaging party.
- The terms of the assurance engagement reflect the description of management's responsibility for the sustainability information in ISSA 5000.
- The assurance practitioner has concluded that a modified conclusion is appropriate due to a limitation of scope arising from an inability to obtain sufficient appropriate evidence regarding an identified matter that the practitioner has determined is material but not pervasive.
- The relevant ethical requirements that apply to the assurance engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both.
- The firm of which the practitioner is a member applies ISQM 1.³⁶
- There is no other information because the entity's sustainability information is presented in a stand-alone document.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

³⁶ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statement, or Other Assurance or Related Services Engagements*

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Limited Assurance Report on the Sustainability Information¹

Qualified Limited Assurance Conclusion

We have conducted a limited assurance engagement on the Sustainability Report of ABC Company (the Company) for the year ended December 31, 20X1 (the "Sustainability Information").

Based on the procedures we have performed and the evidence we have obtained, except for the possible effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying Sustainability Information is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Qualified Conclusion

The Company has disclosed [...].² We were unable to obtain sufficient appropriate evidence about [...] as at December 31, 20X1 because [...].³ Consequently, we were unable to determine whether any adjustments to [...] were necessary.

We conducted our limited assurance engagement in accordance with International Standard of Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants, together with the ethical requirements that are relevant to our assurance engagement of the Sustainability Information in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies 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*, and, accordingly, maintains a comprehensive system of quality management, including documented

¹ The sub-title "Limited Assurance Report on the Sustainability Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

² Insert a description of the relevant disclosure.

³ Provide a description of the matter giving rise to, and the reasons for, the qualified conclusion.

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policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Emphasis of Matter⁴

We draw attention to [identify the specific disclosure in the sustainability information], which describes [...]. Our conclusion is not modified in respect of this matter.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation of the Sustainability Information in accordance with XYZ Law of Jurisdiction X.
- Designing, implementing and maintaining internal control relevant to the preparation of the Sustainability Information, in accordance with XYZ Law of Jurisdiction X, to enable the preparation of such information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Information⁵

As discussed in [identify the specific disclosure in the sustainability information], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

As part of a limited assurance engagement in accordance with ISSA 5000, we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.⁶
- Design and perform procedures responsive to disclosures in the Sustainability Information where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting

⁴ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 179.

⁵ Include paragraph if relevant to the engagement circumstances – see paragraph 170(g).

⁶ Remove “but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control” if the limited assurance engagement includes a conclusion on the effectiveness of internal control.

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgment, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Information.

In conducting our limited assurance engagement, we:

*[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]*⁷

- [...]

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the limited assurance report]

⁷ The procedures are to be summarized but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management, and in most cases will not detail the entire work plan.

PROPOSED CONFORMING AND CONSEQUENTIAL AMENDMENTS ARISING FROM PROPOSED ISSA 5000¹ – MARKED FROM EXTANT

PREFACE TO THE INTERNATIONAL QUALITY MANAGEMENT, AUDITING, REVIEW, SUSTAINABILITY AND OTHER ASSURANCE, AND RELATED SERVICES PRONOUNCEMENTS

Introduction

1. This preface to the *International Quality Management, Auditing, Review, Sustainability and Other Assurance, and Related Services Pronouncements* is issued to facilitate understanding of the scope and authority of the pronouncements the International Auditing and Assurance Standards Board (IAASB) issues, as set forth in the IAASB's Terms of Reference.

...

The IAASB's Pronouncements

IAASB Authoritative Pronouncements

3. The IAASB's pronouncements govern audit, review, sustainability and other assurance, and related services engagements that are conducted in accordance with International Standards. They do not override the local laws or regulations that govern the audit of historical financial statements or assurance engagements on sustainability or other 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, the IAASB's Standards on a particular subject, an engagement conducted in accordance with local laws or regulations will not automatically comply with the IAASB's Standards. An ~~professional accountant auditor or practitioner~~ should not represent compliance with the IAASB's Standards unless the ~~professional accountant auditor or practitioner~~ has complied fully with all standards relevant to the engagement.

...

The Authority Attaching to International Standards Issued by the International Auditing and Assurance Standards Board

...

7. International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements other than audits or reviews of historical financial information.
- 7A. International Standards on Sustainability Assurance (ISSAs) are to be applied in assurance engagements on sustainability information.²

....

9. ISAs, ISREs, ISAEs, ISSAs and ISRSs are collectively referred to as the IAASB's Engagement Standards.

...

¹ Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

² Other than circumstances in which the relevant ISSA indicates that another International Standard applies.

Other International Standards

...

15. The basic principles and essential procedures of a Standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, an professional accountant-auditor or practitioner may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the professional accountant-auditor or 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 professional accountant-auditor or practitioner to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.

...

Professional Judgment

17. The nature of the International Standards requires the professional accountant-auditor or practitioner to exercise professional judgment in applying them.

Applicability of the International Standards

18. The scope, effective date and any specific limitation of the applicability of a specific International Standard is made clear in the Standard. Unless otherwise stated in the International Standard, the professional accountant-auditor or practitioner is permitted to apply an International Standard before the effective date specified therein.

...

ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

...

Application and Other Explanatory Material

...

Scope of this ISQM (Ref: Para. 3 - 4)

- A1. Other pronouncements of the IAASB, ~~including ISRE 2400 (Revised) and ISAE 3000 (Revised)~~, also establish requirements for the engagement partner or engagement leader, as applicable, for the management of quality at the engagement level, including ISRE 2400 (Revised)³ and ISAE 3000

³ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

(Revised)⁴ for the engagement partner, and ISSA 5000⁵ for the engagement leader.⁶ ~~for the management of quality at the engagement level.~~

...

ISQM 2, ENGAGEMENT QUALITY REVIEWS

...

Application and Other Explanatory Material

...

Performance of the Engagement Quality Review (Ref: Para. 24–27)

...

A26. ISAE 3000 (Revised)⁷ and ISSA 5000⁸ also establishes requirements for the engagement partner in relation to the engagement quality review.⁹

...

ISAE 3000, ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION

Introduction

1. This International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than audits or reviews of historical financial information, which are dealt with in International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs) respectively. Assurance engagements on sustainability information are dealt with in International Standards on Sustainability Assurance (ISSAs). (Ref: Para. A21–A22)

...

Scope

5. This ISAE covers assurance engagements other than audits or reviews of historical financial information or assurance engagements on sustainability information, as described in the International Framework for Assurance Engagements (Assurance Framework). Where a subject-matter specific ISAE is relevant to the subject matter of a particular engagement, that ISAE applies in addition to this

⁴ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

⁵ International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

⁶ ISSA 5000, paragraph A18, states that the term engagement leader in ISSA 5000 is the equivalent of “engagement partner” in ISQM 1

⁷ ISAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*

⁸ International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

⁹ ISSA 5000 paragraph A18, states that the term engagement leader in ISSA 5000 is the equivalent of “engagement partner” in ISQM 1

ISAE. (Ref: Para. A21–A22)

Application and Other Explanatory Material

...

Conduct of an Assurance Engagement in Accordance with ISAE

Complying with Standards that Are Relevant to the Engagement (Ref: Para. 1, 5, 15)

A21. This ISAE includes requirements that apply to assurance engagements¹⁰ (other than audits or reviews of historical financial information or assurance engagements on sustainability information), including engagements in accordance with a subject matter-specific ISAE. In some cases, a subject matter specific ISAE is also relevant to the engagement. A subject matter-specific ISAE is relevant to the engagement when the ISAE is in effect, the subject matter of the ISAE is relevant to the engagement, and the circumstances addressed by the ISAE exist.

A22. The ISAs and ISREs have been written for audits and reviews of historical financial information, respectively, and do not apply to other assurance engagements. They may, however, provide guidance in relation to the engagement process generally for practitioners undertaking an assurance engagement in accordance with this ISAE.

...

ISAE 3410, ASSURANCE ENGAGEMENTS ON GREENHOUSE GAS STATEMENTS

Introduction

...

Scope of this ISAE

2. This International Standard on Assurance Engagements (ISAE) deals with assurance engagements to report on an entity's GHG statement.
3. International Standard on Sustainability Assurance (ISSA) 5000¹¹ applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a GHG statement, in which case this ISAE applies. ~~The practitioner's conclusion in an assurance engagement may cover information in addition to a GHG statement, for example, when the practitioner is engaged to report on a sustainability report of which a GHG statement is only one part. In such cases: (Ref: Para. A1-A2)~~
 - (a) ~~This ISAE applies to assurance procedures performed with respect to the GHG statement other than when the GHG statement is a relatively minor part of the overall information subject to assurance; and~~

¹⁰ This ISAE contains requirements and application and other explanatory material specific to reasonable and limited assurance attestation engagements. This ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances.

¹¹ International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements

~~(b) ISAE 3000 (Revised)¹² (or another ISAE dealing with a specific underlying subject matter) applies to assurance procedures performed with respect to the remainder of the information covered by the practitioner's conclusion.~~

3A. The practitioner's conclusion in an assurance engagement on a GHG statement may cover information other than sustainability information in addition to the GHG statement. In such cases, ISAE 3000 (Revised)¹³ (or another ISAE dealing with a specific underlying subject matter) applies to assurance procedures performed with respect to the remainder of the information covered by the practitioner's conclusion.

...

Application and Other Explanatory Material

Introduction

Assurance Engagements Covering Information in Addition to the GHG Statement (Ref: Para. 3)

A1. In some cases, the practitioner may perform an assurance engagement on a report that includes GHG information, but that GHG information does not comprise a GHG statement as defined in paragraph 14(m). In such cases, ISSA 5000¹⁴ applies. However, this ISAE may provide guidance for such an engagement.

~~A2. Where a GHG statement is a relatively minor part of the overall information that is covered by the practitioner's conclusion, the extent to which this ISAE is relevant is a matter for the practitioner's professional judgment in the circumstances of the engagement.~~

...

ISA 805, SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

...

Application and Other Explanatory Material

...

Scope of this ISA (Ref: Para. 1, 6(c))

...

¹³ International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information

¹⁴ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*, paragraph 2

- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with International Standard on Assurance Engagements (ISAE) 3000¹⁵ (Revised) or ISSA 5000,¹⁶ as applicable.

...

INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS

Introduction

1. This Framework is issued solely to facilitate understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (ISA), International Standards on Review Engagements (ISRE), ~~and~~ International Standards on Assurance Engagements (ISAE) and International Standards on Sustainability Assurance (ISSA) (hereinafter referred to as Assurance Standards) apply.

...

Description of Assurance Engagements

11. The outcome of the measurement or evaluation of an underlying subject matter is the information that results from applying the criteria to the underlying subject matter. For example:

...

- A greenhouse gas statement (outcome) results from measuring an entity's greenhouse emissions (underlying subject matter) by applying recognition, measurement and presentation protocols (criteria).
- Sustainability information (outcome) results from measuring or evaluating an entity's sustainability matters (underlying subject matter) by applying a sustainability reporting framework (criteria).

...

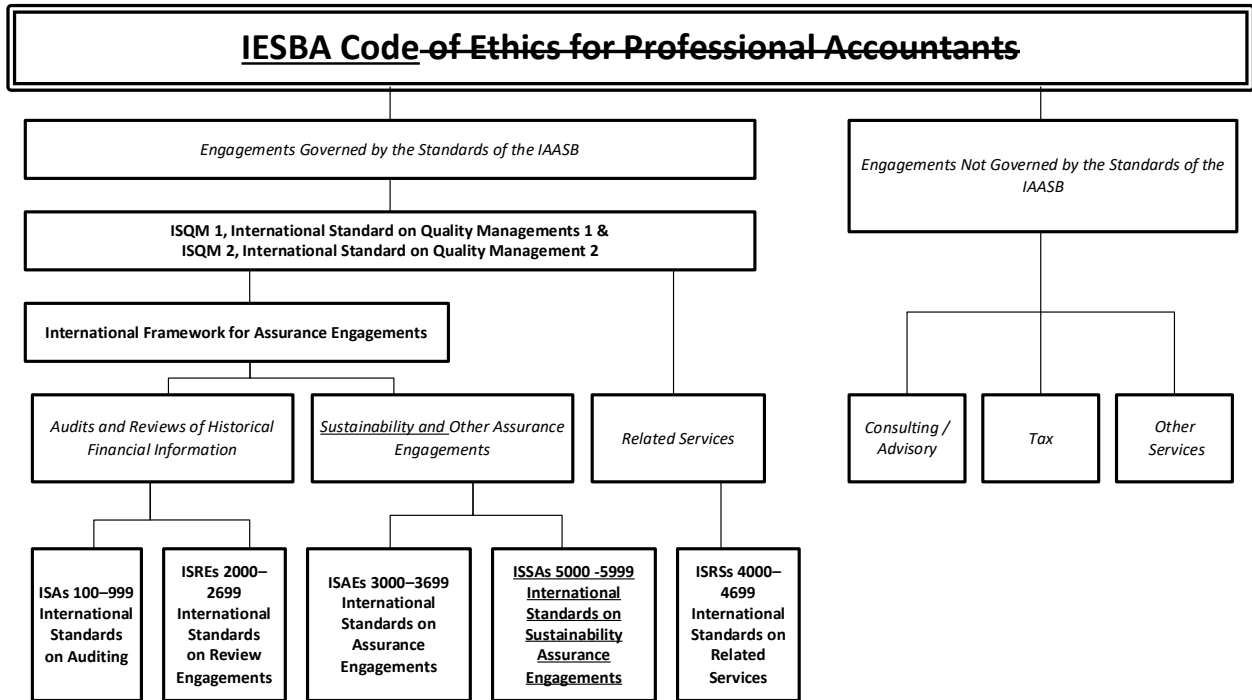
Appendix 1

Pronouncements Issued by the IAASB, and Their Relationship to Each Other and the IESBA Code

This Appendix illustrates the ambit of pronouncements issued by the IAASB, and their relationship to each other and to the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) ~~IESBA Code of Ethics for Professional Accountants.~~

¹⁵ ISAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*

¹⁶ International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements



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Explanatory Memorandum
August 2023
Comments due: December 1, 2023

International Standard on Sustainability Assurance

**Explanatory Memorandum for
Proposed International
Standard on Sustainability
AssuranceTM (ISSA) 5000
General Requirements for
Sustainability Assurance
Engagements**

***This Explanatory Memorandum is intended
to be read along with the separate
Exposure Draft of Proposed ISSA 5000.***

IAASB

**International Auditing
and Assurance
Standards Board**

About the IAASB

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

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related 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 for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Foundation for Ethics and Audit (IFEA).

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REQUEST FOR COMMENTS

This Explanatory Memorandum (EM) accompanies, and should be read along with, the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), which was developed and approved by the International Auditing and Assurance Standards Board® (IAASB®). This EM and the accompanying ED-5000 may be downloaded from the [IAASB website](#), see [ED-5000 web page](#). The approved text of ED-5000 is published in the English language.

The proposals in the Exposure Draft may be modified based on comments received before being issued in final form. **Comments are requested by December 1, 2023.** Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.

Use of Response Template

We encourage all respondents to submit their comments electronically using the [Response Template](#) provided. The response template has been developed to facilitate responses to the questions in **Section 2** of this EM. Use of the template will facilitate our automated collation of the responses. As we are using a new process for this project, submitting a traditional written comment letter will delay the electronic summary and analysis of comments received.

Recognizing that the IAASB utilizes software to support our analysis of comments received from respondents to public consultations, you can assist our review of the responses by bearing the following in mind in preparing your submission:

- Respond directly to the questions in the template and **provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements or application material. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.**
- You may respond to all questions or only those questions for which you have specific comments.
- When formulating your responses to a question, it is most helpful to identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
- Avoid inserting tables or text boxes in the template when providing your responses to the questions.

The completed response template can be uploaded using the “Submit Comment” link on the [ED-5000 webpage](#). When submitting your completed response template, it is not necessary to include a covering letter with a summary of your key issues. The response template provides the opportunity to provide details about your organization and, should you choose to do so, any overall views you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

The IAASB did not believe that field testing was needed before approval of ED-5000 based on the background and introduction that informed the project, as outlined in the approved project proposal, and the approach of leveraging existing IAASB standards and guidance when developing ED-5000. However, the IAASB recognizes that some firms may choose to undertake field testing to inform their response to ED-5000. Field testing may take different forms and may focus on all or specific requirements of ED-5000, and may be executed at different levels. Field testing is not required in order to respond to this ED.

EXPLANATORY MEMORANDUM

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Introduction

1. This memorandum provides background to, and an explanation of, the Exposure Draft of proposed International Standard on Sustainability Assurance (ISSA)TM 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), which was approved for exposure by the IAASB in June 2023.

Background

2. Reporting on sustainability information has quickly become a matter of global importance. The reliability of such reporting is a key issue for many stakeholders, in particular investors and other users of an entity's general purpose external reporting, regulators, and non-governmental organizations (NGOs). Stakeholders are increasingly demanding assurance on sustainability information, and mandatory assurance requirements have been promulgated or proposed in the European Union and other jurisdictions.
3. In 2022, the IAASB engaged with key stakeholders, who are a driving force behind promoting reliable sustainability information and assurance thereon. Key stakeholders included the International Organization of Securities Commissions (IOSCO), the International Forum of Independent Audit Regulators (IFIAR), the Financial Stability Board (FSB), the European Commission (EC), the United States Securities Exchange Commission (SEC), the Committee of European Auditing Oversight Bodies (CEAOB), the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), the Forum of Firms (FOF) and the Global Public Policy Committee of the largest international network firms (GPPC), and Jurisdictional / National Standard Setters (NSS).
4. Engagement with these key stakeholders clearly indicated demand for international standards for assurance on sustainability reporting to reduce the risk of fragmentation in assurance standards globally and drive consistent, high-quality assurance engagements that enhance the degree of confidence of intended users about sustainability reporting. Stakeholders acknowledged that ISAE 3000 (Revised),¹ ISAE 3410² and the *Non-Authoritative guidance on Sustainability and Other Extended External Reporting Assurance Engagements* (EER Guidance) are widely accepted and currently used to perform these engagements. Although ISAE 3000 (Revised) and ISAE 3410 remain robust and appropriate, there is a need for standards that are focused on and provide more specificity for assurance on sustainability information.

Project to Develop ED-5000

5. In September 2022, the IAASB approved a [project proposal](#) to develop a new overarching standard for assurance on sustainability reporting, that is:
 - Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
 - Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
 - Implementable by all assurance practitioners.

¹ ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

² ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

6. The project proposal provides further background about the scope of the project, including the issues that were identified and an explanation of the information-gathering, targeted outreach and other activities that formed the basis for the project proposal.

Approach to Developing an Overarching Standard for Assurance on Sustainability Information

7. The project proposal describes the actions taken by the IAASB to guide its work in developing ED-5000. These actions included:
 - Identifying relevant definitions, requirements and application material in ISAE 3000 (Revised) and ISAE 3410 to be included in ED-5000.
 - Identifying which International Standards on Auditing (ISAs) may have concepts that are appropriate for an overarching standard for assurance engagements on sustainability information, and which requirements and application material to use from those ISAs.
 - Reviewing the EER Guidance to identify material that should be included in ED-5000.³
 - For priority areas (see **section 1-F** below), developing further material to provide more specificity as needed commensurate with an overarching standard.
8. In developing ED-5000, the IAASB also adhered to the [Complexity, Understandability, Scalability and Proportionality \(CUSP\) Drafting Principles and Guidelines](#).

International Ethics Standards Board for Accountants (IESBA) Liaison and External Engagement

9. The IESBA is undertaking a sustainability project to develop sustainability-related revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code). This project includes the development of ethics and independence standards for implementation and use by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements). In parallel with this project, the IESBA is also undertaking a project to develop ethics and independence standards addressing the use of experts, including in the preparation and presentation of information, and in audit and sustainability assurance engagements. The IAASB is coordinating with IESBA on matters relevant to the Boards' respective projects and will continue to do so until the Boards issue their final standards. Recognizing that changes may be needed to ED-5000 to align with final changes to the Code, certain material in ED-5000 that may require further revision before the standard is finalized to align those changes to the Code has been grey-shaded.
10. Ongoing coordination between IAASB and IESBA has included the following:
 - IAASB-IESBA liaison members were appointed to ensure coordination between the respective Sustainability Task Forces.
 - The IAASB staff provided an update on the development of proposed ISSA 5000 to the IESBA Board at IESBA's December 2022 and March 2023 meetings and gave virtual presentations at the four global sustainability roundtables held by IESBA in March and April 2023.

³ The EER Guidance will remain as non-authoritative guidance supporting extended external reporting assurance engagements, including assurance engagements on sustainability information.

- From January 2023, IAASB staff have held regular liaison meetings with IESBA staff, which have been focused on addressing concepts impacting both the development of ED-5000 and IESBA's proposals to amend the Code, including:
 - Alignment of definitions of certain terms, such as sustainability information, sustainability matters, engagement team, practitioner, engagement leader, and fair presentation and compliance criteria.
 - Using the work of others, including other assurance practitioners and the practitioner's external experts.
 - Obtaining evidence for a "group" sustainability assurance engagement and when information is reported from the value chain.
 - The applicability of ED-5000 and the Code to assurance practitioners, both professional accountants and other professionals.
 - Differential assurance and ethical requirements for different types of entities.

Reference Groups

11. The IAASB engaged with sustainability assurance practitioners and experts through two [IAASB Sustainability Reference Groups](#), Reference Group #1 comprising professionals from other professions and Reference Group #2 comprising professional accountants, to seek technical advice on matters considered in the drafting of ED-5000. The reference groups have met quarterly since they were [established](#) and have:
 - Provided input on the proposals to facilitate effective development of the overarching standard.
 - Provided practical perspectives on certain technical matters arising from challenges being experienced in sustainability assurance engagements, and how these may be taken into account in the overarching standard.
 - Advised on other matters that should be taken into consideration as the overarching standard is being developed.

Key Stakeholder Engagement

12. The IAASB has engaged in extensive outreach activity with key stakeholders throughout the project, including with:
 - IAASB Consultative Advisory Group (CAG)
 - Monitoring Group members, including the EC, FSB, IFIAR and IOSCO, as well as local regulators or auditing and assurance oversight bodies in certain countries or regions.
 - International and national regulatory bodies, such as the CEAOB, the Japan Financial Services Agency (JFSA) and the SEC.
 - International standard setters for sustainability reporting and assurance, such as the ISSB, the GRI and the International Organization for Standardization (ISO), as well as NSS.
 - International groups representing stakeholders, such as the International Corporate Governance Network (ICGN), the FOF and the GPPC.

Section 1 Significant Matters

Section 1-A – Overarching Standard Providing a Global Baseline for Sustainability Assurance

13. ED-5000 addresses the entirety of a sustainability assurance engagement, from acceptance or continuance to reporting. It is designed to provide a global baseline for sustainability assurance engagements and be the foundation for a future suite of ISSAs that will be developed over time to meet practitioners' and stakeholder needs.⁴ The IAASB developed ED-5000 to be principles-based, while still providing sufficient specificity to drive consistency in the conduct of sustainability assurance engagements for all entities, regardless of size and complexity, and to address the challenges in conducting these engagements.
14. In order to meet the project objectives set out in the project proposal (see paragraph 5), the IAASB has developed ED-5000 on the basis that it can be applied for:
- *All sustainability topics and aspects of topics:* Sustainability information reported can be very narrow or cover a wide range of sustainability matters, including topics relating to environmental, social, economic, and cultural matters, and the information disclosed about aspects of those topics such as risk and opportunities, governance, processes, strategy, scenario analysis, commitments, targets or historical performance. ED-5000 has been developed to allow its application to reporting on all sustainability topics and aspects of topics.
 - *All mechanisms for reporting:* Current practice in reporting of sustainability information varies widely, from inclusion in an integrated report or the annual report, such as within management commentary, to a stand-alone sustainability report or report on a specific topic. As regulatory requirements for sustainability reporting are being introduced in many jurisdictions, mechanisms for reporting will become more standardized over time. ED-5000 has been developed to allow its application to reporting via any mechanism and to accommodate evolving reporting practices. ED-5000 explains that when certain information about sustainability matters is required to be included in the entity's financial statements in accordance with the applicable financial reporting framework and is subject to audit, the International Standards on Auditing apply (see paragraph 11 of ED-5000).
 - *Any suitable criteria:* The sustainability reporting landscape is rapidly evolving, with frameworks and other criteria being developed, and mandatory reporting is being introduced in many jurisdictions. ED-5000 has been developed to be framework-neutral so that it can be used for assurance on sustainability information prepared using any suitable criteria, whether framework criteria, entity-developed criteria or a combination of both. In developing ED-5000, the IAASB has considered global sustainability reporting standards, including ISSB and GRI standards, as a basis for understanding whether the IAASB's proposals are appropriate and can be practically applied. Furthermore, the IAASB has been monitoring key jurisdictional developments in sustainability reporting, in particular the EU Corporate Sustainability Reporting Directive (CSRD) and related assurance requirements.

⁴ In the recent consultation on the IAASB's Proposed Strategy and Work Plan for 2024-2027, stakeholders' views on future standard-setting projects were obtained, including likely topics for standards on sustainability and other assurance engagements. The responses will be considered by the IAASB in finalizing that future strategy and work plan.

- *All intended users:* Intended users and their respective information needs often differ between sustainability reporting frameworks or other sources of criteria. Therefore, ED-5000 is designed to be suitable for assurance engagements on sustainability information regardless of the intended users. ED-5000 has been developed with a focus on entities' general purpose sustainability reporting (i.e., in accordance with criteria designed to meet the common information needs of intended users as a group). However, ED-5000 acknowledges that, in some cases, specific users may request or arrange for an assurance engagement to be performed on sustainability information that has been prepared using criteria that are designed for a specific purpose (see paragraph A27 of ED-5000). In addition, intended users such as investors or providers of capital may be concerned with the impacts of sustainability matters on the entity and users, while other intended users such as policy-makers, non-governmental organizations or advocacy groups may be concerned with the impacts of the entity on sustainability matters. ED-5000 has been developed to allow for criteria that provide for either perspective or for both, often referred to as "double materiality."
- *Limited and reasonable assurance engagements:* The prevalence and level of assurance on sustainability information is developing across jurisdictions at different rates. Some jurisdictions have yet to consider mandating assurance at this stage. Other jurisdictions mandate or plan to mandate assurance, with some requiring limited assurance initially with a shift to reasonable assurance over time. As a result, there will likely be increasing demand for both limited and reasonable assurance engagements. As an overarching standard, ED-5000 addresses both types of engagements in response to this demand and differentiates the requirements and application material that apply only to limited or reasonable assurance, as explained further in paragraphs 46-47 below.
- *Use by all assurance practitioners:* A wide range of skills, including assurance skills and techniques (see ED-5000 paragraph 17(e)) and sustainability competence (see ED-5000 paragraph 17(tt)), are required by assurance practitioners in order to conduct quality sustainability assurance engagements in accordance with ED-5000. While audits of financial statements are conducted by professional accountants holding registrations or professional memberships as required by the relevant law or regulation in the jurisdiction, the requirements for practitioners conducting sustainability assurance engagements are still evolving. Such requirements for practitioners are set by law or regulation in some jurisdictions, but have not yet been considered by policymakers in other jurisdictions. Nevertheless, voluntary and mandatory sustainability assurance engagements are being conducted currently by practitioners from different professions, who choose or may be required or permitted to use ISAE 3000 (Revised), ISAE 3410 or national equivalents, or standards issued by ISO. ED-5000 is intended to be used by both professional accountant and non-accountant assurance practitioners, subject to the fundamental premises in the standard regarding relevant ethical requirements and quality management (see **section 1-D** below).

Section 1-B – Public Interest Issues Addressed in ED-5000

15. In developing ED-5000, the IAASB considered the qualitative standard-setting characteristics set out in the Public Interest Framework (PIF)⁵ as criteria to assess the proposed standard’s responsiveness to the public interest.
16. **The Appendix** to this Explanatory Memorandum sets out a table that maps the key proposals in ED-5000 to the objectives and standard-setting action in the project proposal that support the public interest. The **Appendix** also highlights the qualitative standard-setting characteristics that were at the forefront, or of most relevance, in developing ED-5000.

Section 1-C – Scope and Applicability of ED-5000

17. Proposed ISSA 5000 deals with assurance engagements on sustainability information. As explained in paragraph 10 of ED-5000, the proposed standard is an overarching standard that includes requirements and application material for all elements of a sustainability assurance engagement. Accordingly, the practitioner is not required to apply ISAE 3000 (Revised) when performing the engagement.
18. The *International Framework for Assurance Engagements* notes that an assurance engagement may be either an attestation engagement or a direct engagement. ED-5000 deals only with attestation engagements (see paragraph 9 of ED-5000).

Relationship with ISAE 3410

19. The IAASB noted the need for a clear and straightforward approach regarding the relationship of ED-5000 and ISAE 3410. The IAASB recognized that in many cases a greenhouse gas (GHG) statement may be included with other sustainability information, and the practitioner may or may not be providing a separate conclusion on the GHG statement.
20. After discussing various alternatives, the IAASB concluded that ED-5000 should apply to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies (see paragraph 2 of ED-5000). The IAASB also has proposed a conforming amendment to the scope section of ISAE 3410 to mirror the approach described in paragraph 2 of ED-5000.
21. The IAASB was of the view that this straightforward approach helps to highlight ED-5000 as the global baseline standard for assurance engagements on sustainability information. Although certain requirements and application material from ISAE 3410 have been included in ED-5000 (see paragraph 7 above), ISAE 3410 contains additional requirements and guidance specific to a GHG statement and therefore remains appropriate for assurance engagements when a separate conclusion is provided on an entity’s GHG statement.
22. The IAASB acknowledged that questions may arise about the future of ISAE 3410 when proposed ISSA 5000 is finalized. Any decisions about whether extant ISAE 3410 may become part of the ISSA suite of standards, and how that may be done, will be a part of further deliberations by the IAASB in connection with a future strategy and work plan.

⁵ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#) (pages 22–23 of the PIF’s section on “What qualitative characteristics should the standards exhibit?”).

Section 1-D – Relevant Ethical Requirement and Quality Management Standards

23. Consistent with ISAE 3000 (Revised), paragraph 5 of ED-5000 explains the two fundamental premises on which ED-5000 is based. These premises are that:
- The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and
 - The practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1.
24. These fundamental premises are also reflected in the requirements of ED-5000, specifically paragraphs 29 and 33 and the related application material. Paragraphs A48 and A56 further explain when other professional requirements, or requirements imposed by law or regulation, are at least as demanding as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm's responsibility for its system of quality management.
25. The concept of "at least as demanding" is not new. It exists currently in ISAE 3000 (Revised), as amended based on the issuance of the IAASB's quality management standards in December 2020. However, the IAASB discussed that regulators and national standard setters share the responsibility for determining what may be considered "at least as demanding" in their respective jurisdictions. Paragraph A3 of ED-5000 was added to acknowledge this point.
26. The IAASB recognizes the importance of the fundamental premises in ED-5000 and the need for a consistent understanding of the related requirements and the concept of "at least as demanding" to underpin the performance of quality sustainability assurance engagements in the public interest. Therefore, the IAASB is specifically seeking input from respondents on this matter.

Section 1-E – Key Definitions and Terminology

Sustainability Information and Sustainability Matters

27. The IAASB acknowledged the importance of having a clear and understandable definition of sustainability information. At the same time, the IAASB recognized that "sustainability information" is difficult to define given the different uses and descriptions of the term in different sustainability reporting standards and frameworks, and in numerous documents and publications from NSS and other sources.
28. In simplest terms, sustainability information is information about sustainability matters. The IAASB recognized, however, that matters to be reported ordinarily are driven by the sustainability reporting framework or other applicable criteria, and that the term "sustainability matters" is described or used differently in various reporting frameworks and other sources. Therefore, the IAASB concluded that the best approach would be to define sustainability matters. The term "sustainability matters" would then serve as the foundation for the definition of sustainability information.

29. The IAASB was of the view that the definitions of sustainability information and sustainability matters (see paragraphs 17(uu) and 17(vv), respectively, of ED-5000) should be reflective of the current sustainability environment and the concepts embedded in various sustainability reporting frameworks, but also maintain framework neutrality consistent with other IAASB standards.
30. Regarding the definition of sustainability matters, the IAASB considered input from Reference Group #1, which indicated that environmental, social and governance matters, or the acronym “ESG,” while still widely used, may not be consistent with the current environment and evolving views about the nature and scope of sustainability matters. Therefore, the IAASB broadened the definition to include environmental, social, economic and cultural matters, and to also include a reference to the impacts of an entity’s activities, products and services on the environment, society, economy or culture, or the impacts on the entity.
31. The definition of sustainability matters also includes a reference to the entity’s policies, performance, plans, goals and governance relating to such matters. The IAASB discussed whether governance was an overarching topic similar to environmental, social, economic and cultural matters. Although an important consideration for the entity when deciding on the matters to report and the related disclosures about those matters, the IAASB was of the view that governance is related to the actions taken by the entity to address sustainability matters, and therefore is an aspect of a topic (e.g., governance related to the topic of climate, including emissions) that can apply to all topics being disclosed. See further discussion about topics and aspects of topics in paragraphs 35-36 below.
32. In developing these definitions, the IAASB discussed the benefits of *clarity and conciseness*, but also recognized the importance of *coherence* with the IAASB’s other assurance standards. By referring to “information about sustainability matters,” the core definition of sustainability information is less technical. However, the IAASB also noted the need to remain consistent with foundational concepts and related terminology in its other assurance standards, in particular the concepts of “underlying subject matter” and “subject matter information.” Therefore, the IAASB expanded the definitions to note that, for purposes of the ISSAs:
- Sustainability matters being measured or evaluated in accordance with the applicable criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.
 - Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria, and therefore is the equivalent of “subject matter information” in other IAASB assurance standards.

Coordination with IESBA on the Definition of Sustainability Information

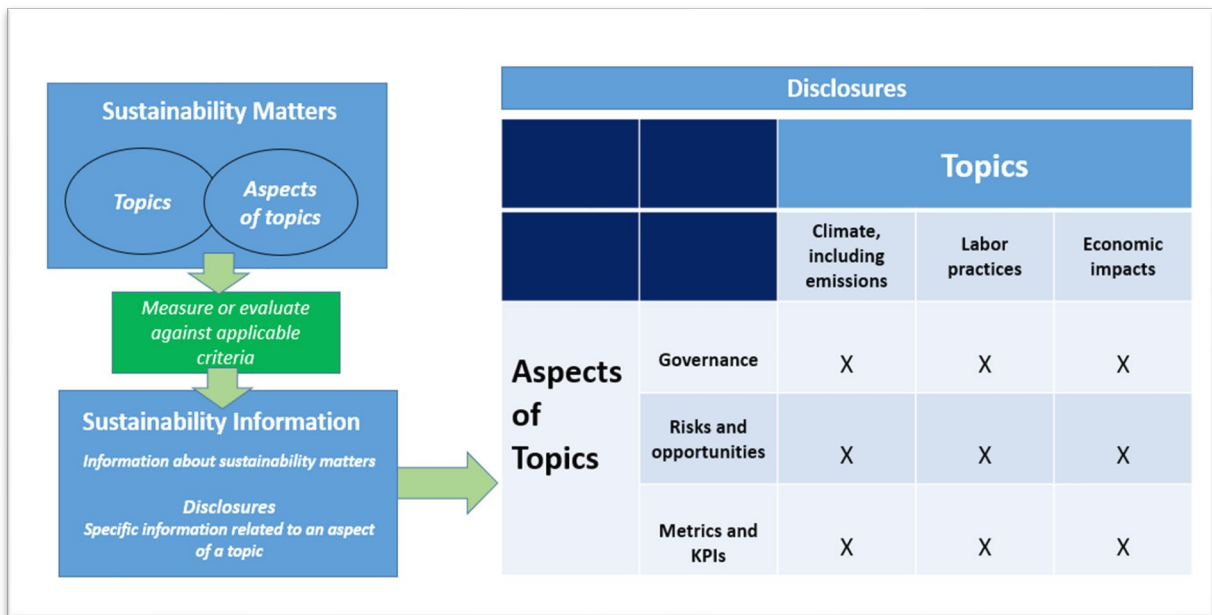
33. Another important consideration for the IAASB was aligning, to the greatest extent possible, the definition of sustainability information in ED-5000 with the corresponding definition being developed by IESBA in connection with its sustainability project. In discussions with the IESBA project Task Force and staff, it was noted that the concept of “sustainability information” in the IESBA Code needs to be understood and applied in the context of sustainability reporting as well as in the context of assurance on sustainability information. Accordingly, IESBA is contemplating a more general approach to defining “sustainability information” that would be relevant to both sustainability reporting and assurance engagements on sustainability information.
34. In that regard, the IAASB noted that its definition would be included in ED-5000 before IESBA issues its proposed revisions to the IESBA Code. The IAASB recognized that ongoing collaboration with

IESBA will be needed, and there will be further opportunities to align this definition, and other terminology, after both Boards have received and considered input from their respective stakeholders.

Topics, Aspects of Topics and Disclosures

35. Paragraph 3 of ED-5000 indicates that an entity’s disclosures about sustainability matters may relate to several different topics (e.g., climate, labor practices, biodiversity) and aspects of topics (e.g., risks and opportunities, governance, metrics and key performance indicators). Management of the entity determines the topics and aspects of topics to be reported (which may be referred to as the “materiality process”) and the disclosures represent the specific information reported by the entity about a topic and aspect of a topic.
36. Appendix 1 of ED-5000 explains the relationship between sustainability matters (i.e., the underlying subject matter); sustainability information (i.e., the subject matter information); and the related disclosures. A more comprehensive list of examples of topics and aspects of topics is included in paragraph A32 of ED-5000. This list builds on the examples included in paragraph 19 of the project proposal.

Figure 1: The relationship between sustainability matters, sustainability information and the related disclosures. (ED-5000, Appendix 1)



Sustainability Information Subject to the Assurance Engagement

37. The scope of an assurance engagement on sustainability information may extend to all of the sustainability information expected to be reported by the entity or only part of that information. The IAASB considered whether separate terms might be useful to clarify the difference between sustainability information reported by the entity and the sustainability information subject to the assurance engagement. The IAASB concluded that separate terms were unnecessary and clarified in paragraph 4 of ED-5000 that, when the assurance engagement does not cover the entirety of the

sustainability information, the term “sustainability information” is to be read as the information that is subject to the assurance engagement. Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is “other information” as defined in paragraph 17(ee) of ED-5000.

38. References to “sustainability information expected to be reported” are principally used in reference to the preliminary knowledge of engagement circumstances obtained as part of engagement acceptance and continuance (see paragraph 69 of ED-5000).

Engagement Leader

39. ISAE 3000 (Revised) defines the engagement partner as the partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
40. The IAASB was of the view that assurance practitioners not previously familiar with the IAASB’s standards may perceive this term as unique to the accountancy profession. The IAASB therefore changed the term to “engagement leader” in ED-5000 (see paragraph 17(k) of ED-5000). Paragraph A18 of ED-5000 explains that the term engagement leader is the equivalent of “engagement partner” in ISQM 1.⁶

Fair Presentation Criteria and Compliance Criteria

41. The IAASB discussed that certain sustainability reporting frameworks may be considered fair presentation criteria due to an explicit acknowledgment 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 (e.g., IFRS S1 *General Requirements for Disclosure of Sustainability Related Financial Information*—June 2023).⁷ Accordingly, the definition of criteria in ED-5000 (paragraph 17(h)) indicates that framework criteria are either fair presentation criteria or compliance criteria and further defines the terms “fair presentation criteria” and “compliance criteria.”
42. When the sustainability information has been prepared in accordance with fair presentation criteria, ED-5000 includes conditional requirements related to the practitioner’s evaluation of the overall presentation, structure, and content of the sustainability information (paragraph 164 of ED-5000), and to the wording of the practitioner’s conclusion in the assurance report (paragraph 170(c)(vi) of ED-5000).

Section 1-F – Priority Areas for Providing More Specificity

43. As noted in paragraph 7 above, the project proposal identified six priority areas for which the IAASB intended to provide more specificity in the requirements and application material, being:
- (a) The difference in work effort between limited and reasonable assurance, including sufficiency of evidence.

⁶ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 16(c)

⁷ IFRS Sustainability Disclosure Standard S1 issued by the International Sustainability Standards Board

- (b) The scope of the assurance engagement.
- (c) The suitability of the reporting criteria, including addressing concepts such as “double materiality.”
- (d) Evidence, including the reliability of information and what comprises sufficient appropriate evidence.
- (e) Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information.
- (f) The entity’s system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence.

44. How these priority areas were addressed in ED-5000 is explained in more detail below.

Differentiation in the Work Effort Between a Limited Assurance and a Reasonable Assurance Engagement

45. The IAASB concluded that addressing limited and reasonable assurance in a single overarching standard is appropriate because:
- Limited assurance is a concept that is relative to reasonable assurance and the differential work effort is likely to be better understood when it is addressed in the context of reasonable assurance.
 - When a practitioner performs a limited assurance engagement with a view to shifting to reasonable assurance in the future (e.g., because law or regulation mandates the practitioner to do so), it is important to be clear about how the work performed in a limited assurance engagement overlaps with, or can be evolved to, a reasonable assurance engagement.
 - There are some engagements in which the practitioner may provide limited assurance on aspects of the sustainability information, and reasonable assurance on other aspects of the sustainability information, within a single engagement.
46. In developing ED-5000, the IAASB considered input from the CAG and other stakeholders that indicated the importance of clearly distinguishing between limited assurance and reasonable assurance, particularly in relation to the practitioner's work effort. In particular, input indicated that clearly distinguishing the work effort is important to highlight the incremental procedures that would be required for a shift from a limited assurance engagement to a reasonable assurance engagement in the future (e.g., if mandated by law or regulation).

“Signposting” in ED-5000

47. Consistent with the approach in ISAE 3000 (Revised) and ISAE 3410, requirements and application material in ED-5000 that apply to only limited assurance or reasonable assurance engagements have the letter “L” (limited assurance) or “R” (reasonable assurance), respectively, after the paragraph number. ED-5000 also uses a columnar format to differentiate requirements that are specific to limited and reasonable assurance engagements, which helps to illustrate when there are corresponding requirements for both limited and reasonable assurance related to aspects of the engagement for which the work effort is different. The columnar format is used to differentiate certain requirements for limited and reasonable assurance engagements related to risk procedures, responding to risks of material misstatement and preparing the assurance report.

48. The IAASB will consider whether there are further opportunities for signposting and identification of relevant material for limited and reasonable assurance throughout ED-5000 in the electronic version of the Handbook after ED-5000 is issued as a final standard.

Scope of the Assurance Engagement

49. The sustainability information reported may relate to multiple topics and aspects of the topics, or may be focused only on a particular sustainability matter. The reporting boundary of the sustainability information may be complex (e.g., may include the value chain), may differ across disclosures (the applicable criteria may require different reporting boundaries), or may be subject to management bias when it does not reflect the group structure.
50. The scope of the assurance engagement can vary from all to just part of the sustainability information reported. In some cases, the practitioner's assurance engagement may include all of the sustainability information. In other cases, the engagement may relate to only certain disclosures, or sustainability information for particular activities, regions, or operations within the reporting boundary. The practitioner needs to have knowledge of the sustainability information outside of the scope of the assurance engagement, so that the practitioner can avoid being associated with information that is materially false or misleading and to determine whether the scope of the engagement is appropriate.

Obtaining a Preliminary Knowledge of the Engagement Circumstances

51. Consistent with the requirements in ISAE 3000 (Revised), ED-5000 paragraph 69 requires the practitioner to obtain a preliminary knowledge of the engagement circumstances as a basis for determining whether the preconditions for an assurance engagement are present in order to accept or continue the assurance engagement. In doing so, the IAASB discussed that the practitioner's preliminary knowledge needs to encompass both the sustainability information to be expected to be reported and whether the scope of the proposed assurance engagement extends to all or part of that sustainability information. How this preliminary knowledge is obtained will depend on the engagement circumstances. The practitioner builds on this preliminary knowledge obtained in accepting or continuing the engagement when planning the engagement (see paragraphs 88 and A263 of ED-5000) and performing risk procedures (see paragraphs 95 and A292 of ED-5000).

Entity's Process to Identify Reporting Topics and Aspects of Topics

52. The IAASB recognized that understanding the entity's process to identify topics and aspects of topics to be reported, and the reporting boundaries, is critical to determining whether the reporting complies with certain frameworks or entity-developed criteria. The IAASB debated whether understanding that process would form part of the practitioner's preliminary knowledge of the engagement circumstances. As ED-5000 is an overarching standard that will be applicable to all sustainability assurance engagements, and because the work effort to understand the entity's process to select sustainability matters to be reported may be straightforward (e.g., when the reporting topics are specified by the criteria, such as under law or regulation), the IAASB concluded that the entity's process could be addressed in the application material (see paragraphs A156-A157 of ED-5000). This application material is anchored to the requirement in paragraph 69(a) of ED-5000 to evaluate the scope of the sustainability information expected to be reported.
53. The IAASB sought to avoid imposing requirements on the practitioner that may be unnecessarily onerous prior to acceptance or continuance of the engagement. The extent of the preliminary

knowledge needed in paragraph 69 of ED-5000 would be limited to what is sufficient for acceptance or continuance of the engagement. As mentioned in paragraph 51 above, the practitioner builds on the preliminary knowledge, including understanding the entity's policies or procedures to apply the applicable criteria and relevant components of the entity's system of internal control as a basis to identify disclosures where material misstatements are likely to arise (limited assurance engagements), or to identify and assess risks of material misstatement at the assertion level for the disclosures (reasonable assurance engagements).

54. The IAASB noted in the application material (paragraph A157 of ED-5000) that the entity's process may often be referred to as the "process to identify reporting topics," "materiality assessment," or "materiality process", among other terms. These terms are differentiated from materiality considered or determined by the practitioner, which refers only to a threshold of significance to user decision-making considered by the practitioner in relation to potential and identified misstatements, in the circumstances of the engagement (see paragraph 91 of ED-5000).
55. In determining whether the preconditions of an assurance engagement are present (see paragraph 25(c) of ED-5000), the IAASB was of the view that the scope of the assurance engagement needs to be specifically considered and could be addressed most effectively as part of evaluating whether the engagement exhibits a rational purpose (see paragraph 74(c) of ED-5000). This is because the engagement may not have a rational purpose if, for example, the scope of the engagement includes only part of the sustainability information expected to be reported, and that would be misleading to intended users.

The Suitability and Availability of the Reporting Criteria

56. The approach in ISAE 3000 (Revised) has been used as the basis for developing the requirements in ED-5000 for determining whether the preconditions for an assurance engagement are present. This includes a requirement in paragraph 72 for the practitioner to evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances and will be available to the intended users.
57. Sustainability reporting frameworks and criteria from other sources are evolving. In addition, suitable criteria may not be available for measuring or evaluating all of the sustainability matters that the entity intends to report or may be developed outside of a due process applied by a recognized framework, by the entity or other parties. In response, ED-5000 includes requirements additional to those contained in ISAE 3000 (Revised) for the practitioner to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement and to identify the sources of those criteria (see paragraphs 72(a) and (b) of ED-5000 and related application material).
58. ED-5000 acknowledges that framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary, but may need to be supplemented by additional entity-developed criteria, if the framework criteria do not provide sufficient detail to measure or evaluate the sustainability matters. Over time reporting frameworks are likely to become more comprehensive, more frequently required by law or regulation and as a result more widely accepted.

Concept of Double Materiality

59. Some criteria require "double materiality" to be applied in preparing the sustainability information to assist the decision-making by intended users and thereby meet their information needs (e.g.,

European Sustainability Reporting Standards). Paragraph A180 of ED-5000 explains that the information needs of the intended users of sustainability information may relate to the impact of sustainability matters on the entity, or the impacts of the entity on sustainability matters. When the needs of the intended users relate to both the impacts on the entity and the entity's impacts, this can be referred to as double materiality. The needs of intended users will not always include both perspectives. Therefore, the concept of double materiality is not always relevant to every engagement.

60. In evaluating whether the criteria are suitable, ED-5000 requires the practitioner to evaluate whether the criteria exhibit the characteristics identified in paragraph 72(c) of relevance, completeness, reliability, neutrality and understandability. When evaluating the relevance of the criteria that will result in sustainability information that assists decision-making by the intended users (see paragraph A172(a) of ED-5000), the practitioner considers whether the applicable criteria relate to the impacts of sustainability matters on the entity, the impacts of the entity on sustainability matters or both (double materiality).

Sufficient Appropriate Evidence

61. Sustainability information may comprise disclosures about a wide range of topics and aspects of topics, and the underlying characteristics of the disclosures may vary (e.g., may be qualitative or quantitative, may relate to historical or forward-looking information, or may be factual or involve the use of judgment). As a result, the IAASB was of the view that a principles-based approach was appropriate for requirements related to evidence.
62. In developing the requirements for evidence in ED-5000, the IAASB incorporated key requirements and related application material from proposed ISA 500 (Revised) because of the principles-based approach in that proposed standard. In particular, proposed ISA 500 (Revised) accommodates the evolution of information sources used by practitioners in performing assurance engagements.
63. Many of the requirements in proposed ISA 500 (Revised) are suitable for an overarching standard like ED-5000. However, recognizing the potentially significant range of topics and disclosures within the scope of a sustainability assurance engagement, and to manage scalability concerns, the IAASB decided to address some of the more specific aspects of the requirements in proposed ISA 500 (Revised) in the application material in ED-5000.
64. The IAASB debated how best to address in ED-5000 the accuracy and completeness of information intended to be used as evidence. The IAASB noted concerns about the ability to obtain evidence about the accuracy and completeness of information from external sources, given the varying nature of sources and wide range of sustainability matters that may be within the scope of the engagement. Proposed ISA 500 (Revised) requires the auditor to obtain audit evidence about the accuracy and completeness of information intended to be used as audit evidence, including evidence from external sources, if the auditor considers that the accuracy and completeness attributes are applicable in the circumstances. However, until the deliberations on proposed ISA 500 (Revised) are concluded, the IAASB determined that the most appropriate approach was to include a requirement in ED-5000 focused on the accuracy and completeness of information produced by the entity (paragraph 84), similar to the requirement in paragraph 9 of extant ISA 500.

Materiality

65. Materiality considerations are important in planning and performing an assurance engagement on sustainability information and in evaluating whether the sustainability information is free from material misstatement. Throughout the course of developing ED-5000, the IAASB received input from stakeholders about the importance of materiality considerations for the practitioner and the entity.
66. The IAASB discussed whether the practitioner should be required to “consider” or “determine” materiality for purposes of planning and performing the engagement. The IAASB noted that some stakeholders may prefer a requirement to “determine” materiality as it may be deemed as being stronger than a “consideration.” While acknowledging this point, the IAASB also considered input that it is impracticable for practitioners to determine materiality for sustainability information as a whole given the nature of the disclosures, i.e., qualitative and quantitative disclosures about a number of different topics and aspects of topics.
67. After extensive discussion, the IAASB decided on a “bifurcated” approach. Accordingly, paragraph 91 of ED-5000 requires the practitioner to consider materiality for qualitative disclosures, and to determine materiality for quantitative disclosures. Paragraph 93 of ED-5000 requires documentation of the factors relevant to the practitioner’s consideration or determination of materiality. These factors are described in the application material (see paragraphs A278-A281 of ED-5000).
68. Materiality is a matter of professional judgment and is affected by the practitioner’s perception of the information needs of intended users of the sustainability information. The applicable criteria may include principles to assist the entity in identifying information relevant to users, which may include terms that refer to materiality. Such principles or terms, if present in the applicable criteria, may provide a frame of reference for the practitioner in considering or determining materiality for the engagement. However, the practitioner’s materiality for the engagement differs from management’s “materiality process,” as explained in paragraph A275 of ED-5000. The entity’s process to identify topics to be reported, including management’s “materiality process,” is discussed further in paragraphs 52-55 above.
69. Paragraph A277 of ED-5000 notes that not all disclosures involve the same materiality considerations. Ordinarily, materiality is considered or determined for different disclosures. 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. Considering qualitative factors may help the practitioner to identify disclosures that may be more significant to the intended users.
70. The practitioner’s judgments about materiality and the nature and likelihood of potential misstatements are also relevant to the practitioner’s approach to the assurance engagement, including the way in which the sustainability information is grouped for planning and performing the engagement. Paragraph A268 of ED-5000 describes this in more detail.
71. Paragraphs 137-144 of ED-5000 address the practitioner’s accumulation and consideration of identified misstatements. This includes determining whether uncorrected misstatements are material, individually or in the aggregate, which informs the practitioner’s conclusion in paragraph 163 about whether the sustainability information is free from material misstatement.

Performance Materiality

72. The IAASB discussed whether ED-5000 should include a requirement to determine performance materiality, similar to ISAE 3410 and ISA 320.⁸ The IAASB noted that ISAE 3000 (Revised) does not include such a requirement given that it is not always possible to determine an amount lower than materiality for the various types of information, including qualitative information, covered by ISAE 3000 (Revised).
73. The IAASB noted that the concept of aggregation risk (i.e., the probability that the aggregate of uncorrected and undetected misstatements in a quantitative disclosure is material) exists in a sustainability assurance engagement. Therefore, the IAASB concluded that it would be appropriate to include a requirement in ED-5000 (see paragraph 92) for quantitative disclosures to determine performance materiality as applicable in the circumstances to reduce aggregation risk to an appropriately low level. The definition of performance materiality in ED-5000 (see paragraph 17(gg)) is based on, and consistent with, the definition in ISAE 3410. Paragraph 93(b) of ED-5000 requires documentation of the basis for the practitioner's determination of performance materiality, when applicable.
74. The IAASB also discussed whether the concept of aggregation risk, and therefore the concept of performance materiality, would also extend to qualitative disclosures. The IAASB concluded that performance materiality relates only to quantitative disclosures and not the sustainability information as a whole. However, the IAASB added application material in ED-5000 (paragraph A285) from the EER guidance to give consideration to the concept of aggregation risk for qualitative disclosures.

Understanding the Entity's System of Internal Control

75. ED-5000 paragraphs 102L and 102R require the practitioner, as part of the risk procedures performed, to obtain an understanding of components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information. This understanding assists the practitioner in identifying the types of misstatements that may occur and factors that affect disclosures where material misstatements are likely to arise (for limited assurance engagements) or risks of material misstatement in the disclosures (for reasonable assurance engagements).
76. As explained in paragraph A313 of ED-5000, the level of formality of the entity's system of internal control may vary by size and complexity of the entity, and the nature and complexity of the sustainability matters and the applicable criteria.
77. The IAASB had detailed discussions about the required nature and extent of the understanding of the system of internal control, and how such understanding may differ for limited and reasonable assurance engagements. The IAASB noted that systems of internal control related to sustainability information may be in various stages of development. It was further noted that practitioners currently may be more likely to perform tests of the operating effectiveness of controls for reasonable assurance engagements, and therefore may need a more in-depth understanding of the system of internal control.
78. In developing the requirements related to understanding the system of internal control, and testing the operating effectiveness of controls, the IAASB considered the importance of *clarity*, appropriate

⁸ ISA 320, *Materiality in Planning and Performing an Audit*

scope, and *scalability*. The IAASB also sought a balance between building on the extant requirements in ISAE 3000 (Revised) and ISAE 3410, and adapting concepts and requirements from ISA 315 (Revised 2019), which represents the IAASB’s latest thinking about the understanding of the entity and its environment and the entity’s system of internal control.

79. Key requirements in ED-5000 related to the practitioner’s risk procedures for the system of internal control include the following:

Limited Assurance	Reasonable Assurance
<ul style="list-style-type: none"> Obtain an understanding of certain components (control environment, results of the entity’s risk assessment process, and the information system and communication) (Paragraph 102L) 	<ul style="list-style-type: none"> Obtain an understanding of all components (Paragraph 102R)
<ul style="list-style-type: none"> Conditional requirement to obtain an understanding of controls (and related IT general controls) if the practitioner plans to obtain evidence by testing the operating effectiveness of controls (Paragraph 107L) 	<ul style="list-style-type: none"> Obtain an understanding of controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, related IT general controls, and other controls that the practitioner judges are necessary to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to those assessed risks (Paragraph 107R)
<ul style="list-style-type: none"> Obtain an understanding, and evaluate the design and determine the implementation, of controls that the practitioner plans to test (Paragraph 108L) 	<ul style="list-style-type: none"> Obtain an understanding, and evaluate the design and determine the implementation, of controls that the practitioner plans to test (Paragraph 108R)
<ul style="list-style-type: none"> Based on the understanding of the components of internal control, consider whether one or more control deficiencies have been identified (Paragraph 109L) 	<ul style="list-style-type: none"> Based on the understanding of the components of internal control, determine whether one or more control deficiencies have been identified (Paragraph 109R)

80. The IAASB discussed whether the required understanding in accordance with paragraph 102L of ED-5000 should extend to all components of the system of internal control. The IAASB concluded that the three components addressed in paragraph 102L are appropriate as they are consistent with the corresponding requirement in ISAE 3410 and focusing on these three components differentiates the work effort for a limited assurance engagement.

81. Paragraphs 119-125 of ED-5000 address the testing of internal controls. These requirements apply to both limited and reasonable assurance engagements, but for limited assurance engagements are conditional based on the practitioner’s decision in paragraph 107L about whether to obtain evidence

by testing the operating effectiveness of controls. Paragraph 123R applies only to reasonable assurance engagements and is based on the requirement in paragraph 15 of ISA 330.⁹

Section 1-G – Other Significant Areas Addressed in ED-5000

Using the Work of Practitioner's Experts or Other Practitioners

82. ED-5000 requires the engagement leader to determine that:
- Sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner (paragraph 40 of ED-5000); and
 - Members of the engagement team, and any practitioner's external experts, collectively have the appropriate sustainability competence, competence and capabilities in assurance skills and techniques, and sufficient time, to perform the engagement (paragraph 41 of ED-5000).
83. Sustainability assurance engagements may be performed on a wide range of sustainability matters that require specialized skills and knowledge beyond those possessed by the engagement leader and other members of the engagement team, which may necessitate using the work of a practitioner's expert. A practitioner's expert may be either a practitioner's internal expert (who is a member of the engagement team), or a practitioner's external expert.
84. In addition, the sustainability information subject to the assurance engagement may include information for numerous entities within the entity's organizational boundary or for entities up and down the value chain. In those circumstances, the engagement team may seek to use the work of another practitioner, which may be from a firm other than the practitioner's firm.
85. As explained in paragraph A86 of ED-5000, the more complex the engagement, including its geographical spread and the extent to which information is derived from the entity's value chain, the more necessary it may be to consider how the work of practitioner's experts or other practitioner(s) is to be integrated across the engagement.
86. If the practitioner intends to use the work of a practitioner's external expert or a firm other than the practitioner's firm, paragraph 42 of ED-5000 requires the engagement leader to determine whether the practitioner will be able to be sufficiently and appropriately involved in such work (see also paragraph 30 of ED-5000).
87. The diagram below provides a visual illustration of the individuals that may be involved in an assurance engagement and the requirements in ED-5000 that are applicable to the work of such individuals.

⁹ ISA 330, *The Auditor's Responses to Assessed Risks*

Figure 2: Individuals Involved in the Engagement

	Practitioner is able to be sufficiently and appropriately involved in the work	Practitioner is unable to be sufficiently and appropriately involved in the work
Firm Personnel	Engagement Team Member – Direction, Supervision & Review (DS&R) applies (ED-5000, paragraphs 45-48)	N/A
Practitioner’s Internal Expert	Engagement Team Member – DS&R applies (ED-5000, paragraphs 45-48)	N/A
Practitioner’s External Expert	Using the Work of a Practitioner’ External Expert (ED-5000, paragraphs 42 and 49-50)	N/A
Other Practitioners (including Network Firms and Non-Network Firms)	Engagement Team Member – DS&R applies (ED-5000, paragraphs 42 and 45-48)	Using the Work of Another Practitioner (ED-5000, paragraphs 42 and 51-54)

Using the Work of a Practitioner’s External Expert

88. A practitioner’s external expert is not part of the engagement team. Therefore, to be able to use the work of an external expert, the practitioner is first required to meet the requirement for sufficient and appropriate involvement in paragraph 42 of ED-5000. This requirement focuses only on external experts because an internal expert is, by definition, a member of the engagement team and therefore is subject to the same direction, supervision and review requirements as other members of the engagement team.
89. If the practitioner expects to be able to be sufficiently and appropriately involved in the work of the external expert, paragraph 49 of ED-5000 specifies the other requirements and conditions that must be met to be able to use the work of that external expert.

Using the Work of Another Practitioner

90. Input from stakeholders during the development of ED-5000 noted the importance of clarifying whether individuals from a firm other than the practitioner’s firm are members of the engagement team for purposes of ED-5000. To bring additional clarity to this point, the IAASB added application material (paragraph A22 of ED-5000) to explain that the engagement team includes personnel (including any internal experts), and may include individuals from other firms within or outside of the

practitioner firm's network when such individuals perform procedures on the engagement and the practitioner is able to direct and supervise them and review their work. When another firm performs assurance work and the practitioner is unable to direct, supervise and review that work, such firms and the individuals from those firms who performed that assurance work are not members of the engagement team and are referred to in ED-5000 as "another practitioner."

91. When the practitioner considers that the work of a firm other than the practitioner's firm is relevant to the practitioner's assurance engagement, and such work has not yet been performed, the practitioner ordinarily plans to be sufficiently involved in that work (see paragraph A90 of ED-5000). If the practitioner is able to direct, supervise and review such work, the requirements in ED-5000 for the engagement team apply.
92. In other circumstances, the practitioner cannot be sufficiently involved in the work of another practitioner. An inability to be sufficiently involved may arise because:
 - The practitioner's access to the work of another practitioner is restricted by law or regulation, or the work that has been performed by that other firm relates to an entity that is part of the supply chain outside of the organizational boundary of the entity subject to the practitioner's engagement, and neither the entity's management nor the practitioner have any rights of access to that other firm's assurance work; or
 - The work may already have been completed. The IAASB received clear input from Reference Group #1 that it was critical for ED-5000 to accommodate the ability to use work of another practitioner that had already been performed for another purpose because evidence from that engagement may be relevant to the practitioner's assurance engagement.
93. In the circumstances described in paragraph 91, when the practitioner nevertheless considers that the work of another practitioner is relevant to the practitioner's assurance engagement and intends to use that work, the requirements in paragraphs 51-54 of ED-5000 apply (see paragraph A91 of ED-5000).

Estimates and Forward-Looking Information

94. Stakeholders noted the importance for ED-5000 to address the unique considerations related to estimates and forward-looking information. Such considerations include:
 - Estimation uncertainty, which may arise due to incomplete knowledge about the measurement of an area, activity or event, or the measurement or evaluation of an estimate may depend on the forecast of an outcome of one or more events or conditions.
 - The use of judgment by management in preparing the estimates (including the possibility of management bias) and the use of professional judgment by the practitioner.
 - Obtaining sufficient appropriate evidence about the estimates or forward-looking information.
95. Forward-looking information may include forecasts, projections, or future plans of the entity. Forward-looking information may be prepared using scenarios based on best-estimate assumptions or hypothetical assumptions, which are affected by management's judgment. A future event, occurrence or action relating to the sustainability matters may be subject to greater uncertainty, and

therefore ordinarily able to be evaluated with less precision than historical underlying subject matter(s).

96. As explained in paragraph A392 of ED-5000, regardless of the source or degree of estimation uncertainty, or the extent of judgment involved, it is necessary for management to appropriately apply the applicable criteria when developing estimates and forward-looking information and the related disclosures, including selecting and using appropriate methods, assumptions and data. Therefore, the IAASB concluded that the most appropriate approach was to address estimates and forward-looking information together in the “Responding to Risks of Material Misstatement” section of ED-5000 (see paragraphs 134L-135R). In developing these requirements and the related application material, the IAASB considered the requirements and application material in ISA 540 (Revised).¹⁰
97. The IAASB also noted that estimates and forward-looking information could be addressed further in a separate topic-specific ISSA in the future.

Risk Procedures for a Limited Assurance Engagement

98. For a limited assurance engagement, ED-5000 requires the practitioner to design and perform risk procedures sufficient to identify disclosures where material misstatements are likely to arise and thereby provide a basis for designing further procedures to focus on those disclosures (paragraph 94L of ED-5000). For a reasonable assurance engagement, the practitioner is required to design and perform risk procedures sufficient to identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures, and to design and perform further procedures (paragraph 94R of ED-5000).
99. The IAASB discussed the differentiation in work effort between limited and reasonable assurance, including whether the practitioner should also be required to identify and assess the risks of material misstatement at the disclosure level in a limited assurance engagement.
100. The IAASB concluded that the approach in ED-5000 should be consistent with ISAE 3000 (Revised), which does not require a risk assessment for limited assurance engagements. It was noted that ISAE 3410 requires the identification and assessment of risks of material misstatement at the GHG statement level and for material types of emissions and disclosures. However, the IAASB was of the view that the approach in ISAE 3000 (Revised) provides an appropriate framework for the practitioner’s consideration of disclosures where material misstatements are likely to arise for a sustainability assurance engagement due to the wide range of sustainability disclosures.
101. The IAASB acknowledged the importance of risk procedures that are sufficiently robust to identify disclosures where material misstatements are likely to arise, and to drive an appropriate work effort to design and perform further procedures to respond to the risks of material misstatement. In that regard, the IAASB concluded that the requirements and application material in ED-5000 are sufficiently robust to provide a basis for designing further procedures to focus on the disclosures where material misstatements are likely to arise.

Groups or “Consolidated” Sustainability Information

102. The IAASB considered the manner and extent to which ED-5000 should address “consolidated” sustainability information or sustainability assurance engagements for groups, recognizing that

¹⁰ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

sustainability reporting frameworks may require an entity's sustainability disclosures to be for the same reporting entity as the related financial statements, or that the entity's materiality assessment be performed for all entities in the consolidated group.

103. The IAASB is of the view that, on balance, the principles-based requirements in the proposed standard are capable of being applied for all sustainability assurance engagements. ED-5000 applies for all types of sustainability information, regardless of the manner in which that information is presented (paragraph 8 of ED-5000). Paragraph A11 of ED-5000 explains that, depending on the applicable criteria, the sustainability information may be for a single entity, or may include information for entities that are part of a group or other entities in the reporting entity's value chain.
104. In the circumstances described in paragraph 102, the practitioner needs to decide the most appropriate approach to obtaining evidence to support the assurance conclusion on the sustainability information. When information resides in multiple locations within the entity (i.e., within the entity's organizational boundary) or outside of the entity (e.g., in the value chain), the practitioner may decide that other practitioners (whether from within the practitioner's firm or network, or outside of the practitioner firm's network) are needed to perform procedures and obtain evidence. In those circumstances, the applicable requirements in ED-5000 depend on the practitioner's involvement in the work of the other practitioners, as described in the section "Using the Work of Another Practitioner" in paragraphs 89-92 above.
105. Paragraphs A117-A125 of ED-5000 provide guidance for the practitioner's evaluation of the work of another practitioner, including, to the extent necessary in the circumstances, communications with another practitioner about the findings from the other practitioner's work. This application material, and the related requirements in paragraphs 51-54 of ED-5000, are similar to, and to a degree have been based on, requirements and application material in ISA 600 (Revised).
106. The application material in ED-5000 also includes several references to groups or "consolidated" sustainability information, and examples of how certain requirements may be applied in those circumstances. For example:
- Paragraph A93 of ED-5000 describes the engagement's leader's determination about whether the resources assigned or made available are sufficient and appropriate when the sustainability information includes information for entities that are part of a group or other entities in the entity's value chain (which sustainability reporting frameworks may refer to as "consolidated sustainability information") and therefore work may be performed across multiple entities and jurisdictions.
 - Regarding the requirement in paragraph 47 of ED-5000 for the engagement leader to review engagement documentation relating to significant judgments, paragraph A105 of ED-5000 provides an example of significant judgments when the sustainability information includes information for more than one entity (e.g., information for entities that are part of a group or other entities in the reporting entity's value chain).
 - Paragraph A188 of ED-5000 indicates that evidence located at organizations not controlled by the entity, such as entities within the value chain but outside of the entity's group, is an example of the nature and availability of evidence that may impact the practitioner's ability to obtain evidence.
107. The IAASB discussed whether certain requirements or application material from ISA 600 (Revised) could be included in proposed ISSA 5000 to address group sustainability assurance engagements.

The IAASB noted that ISA 600 (Revised) is a special considerations standard, and is applied along with all other relevant ISAs for audits of group financial statements. As an overarching standard, the IAASB was of the view that it would be inappropriate for ED-5000 to include detailed requirements and guidance for groups. However, the IAASB will consider whether a separate ISSA addressing groups or “consolidated” sustainability information may be an appropriate approach.

Fraud

108. Stakeholders encouraged the IAASB to give appropriate consideration to the topic of fraud (including “greenwashing”) in ED-5000. It was noted that the reporting of sustainability information, and the system of internal control related to sustainability matters and preparation of the sustainability information, are continuing to develop and in many cases are less mature than for historical financial information. This may increase the susceptibility of the sustainability information to misstatements due to fraud, particularly when there are pressures for management to meet publicly announced targets or goals.
109. The IAASB recognized the importance of the practitioner’s consideration of the risks of material misstatement due to fraud and responding appropriately to actual or suspected fraud identified during the engagement. Therefore, ED-5000 has numerous references to fraud throughout the requirements and application material. Examples include the following:
- The definition of a misstatement (paragraph 17(aa)) -- Misstatements can arise from error or fraud, may be qualitative or quantitative, and include omitted information or information that obscures the presentation of the disclosures.
 - Requirements:
 - Maintain professional skepticism throughout the engagement, recognizing the possibility that a material misstatement due to fraud could exist (paragraph 59).
 - If doubts about the relevance or reliability of information intended to be used as evidence 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 (paragraph 87).
 - Design and perform procedures sufficient to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise (for limited assurance engagements), or to identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures (for reasonable assurance engagements) (paragraphs 94L and 94R).
 - Discuss (specifically the engagement leader and other key members of the engagement team, and any key practitioner’s external experts) the susceptibility of the disclosures to material misstatement, whether due to fraud or error (paragraph 96).
 - Design and perform further procedures whose nature, timing and extent are focused on the disclosures where material misstatements, whether due to fraud or error, are likely to arise (for limited assurance engagements), or whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the assertion level (for reasonable assurance engagements) (paragraphs 114L and 114R).

- Respond appropriately to actual or suspected fraud identified during the engagement and to evaluate the implications for assurance engagement, including the practitioner's risk procedures and the reliability of written representations, and take appropriate action (paragraphs 117 and 118).
- Consider whether identified misstatements, either individually or in the aggregate, may be due to fraud and respond appropriately if there are indicators that there may be material misstatements due to fraud (paragraph 138).
- When indicators of possible management bias are identified, evaluate the implications for the assurance engagement. When there is intention to mislead, management bias is fraudulent in nature (paragraph 161).
- Application material:
 - The characteristics of events or conditions that could give rise to 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 (paragraphs A295 and A296).
 - Examples of misstatements due to fraud in sustainability information (paragraph A406).

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

Communication with Those Charged with Governance

111. Paragraph 62 of ED-5000 requires the practitioner to determine whether, pursuant to the terms of the engagement and other engagement circumstances, any significant matters have come to the attention of the practitioner to be communicated with management, those charged with governance or others. Application material provides examples of significant matters that may be appropriate to communicate.

112. The IAASB discussed whether ED-5000 should address communications with those charged with governance in greater detail. The IAASB noted that the requirement in paragraph 62 is consistent with ISAE 3000 (Revised) and concluded that it remains appropriate, along with the related application material, given the evolving nature of sustainability assurance engagements and the different topics and aspects of topics that may be disclosed by the entity. However, the IAASB is interested in the views of respondents regarding communication with those charged with governance, including examples of types of matters that may be communicated.

Other Information

113. The IAASB considered the concept of "other information" in the context of a sustainability assurance engagement. Other information is information included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon. The IAASB obtained feedback, in particular from the Reference Groups, about the importance of requiring the practitioner to read the other information and consider whether there are any material inconsistencies between the other information and the sustainability information or the practitioner's knowledge obtained on the assurance engagement, and to remain alert for indications of misstatements in the other information. Reference Group Members further noted that the scope of

the assurance engagement is often limited, resulting in an increased risk of practitioners being associated with misleading information within the information reported by the entity, only some of which is the sustainability information subject to the assurance engagement.

114. The IAASB concluded that ISA 720 (Revised)¹¹ was appropriate as the basis for the relevant requirements in ED-5000, as it is the most recent relevant standard and therefore reflects the IAASB's latest thinking. The IAASB understands that the market is expecting reasonable assurance on sustainability information to be comparable to audits of financial statements. Therefore, similar expectations about the practitioner's responsibilities for other information should be reflected in ED-5000.
115. However, the Board did not consider it appropriate for the practitioner to be required to obtain and consider other information not available until after the date of the assurance report, as required in ISA 720 (Revised) for listed entities. Given that many sustainability assurance engagements may be narrow in scope, and the other information may therefore be voluminous in relation to the sustainability information within the scope of the assurance engagement, there are limitations as to what is practically achievable and reasonable to expect after the date of the assurance report. However, the practitioner is not precluded from reading and considering other information that becomes available after the date of the assurance report, and application material has been provided to provide guidance in these circumstances.

Reporting Requirements and the Assurance Report

116. In the IAASB's ongoing outreach, stakeholders have frequently raised issues related to reporting, such as clarifying the level of assurance obtained for users of the assurance report, the scope of the assurance engagement and the importance of consistency to enable comparability between reports.
117. Members of the IAASB's Reference Groups noted that there is a heightened need for communication by the assurance practitioner in the assurance report to meet the information needs of the intended users in a reporting environment that is evolving and maturing, reinforcing the need to allow for long-form reporting.
118. Overall, the IAASB's development of assurance reporting requirements was based on the requirements in ISAE 3000 (Revised) and ISAE 3410, but consideration was given to whether the latest thinking reflected in the ISAs was relevant to reporting on sustainability assurance engagements. In particular, the IAASB considered relevant requirements in ISA 700 (Revised)¹², ISA 710¹³, ISA 720 (Revised) and ISA 800 (Revised).¹⁴

Ordering and Content Elements of the Assurance Report

119. The IAASB's recently completed [auditor reporting post-implementation review](#) (PIR) indicated some demand from stakeholders for considering changes to assurance reports for other engagements to align with the auditor's report on an audit of financial statements, in accordance with ISA 700

¹¹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

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

¹³ International Standard on Auditing (ISA) 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

¹⁴ International Standard on Auditing (ISA) 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

(Revised). ISA 700 (Revised) requires the practitioner's opinion to be included first, followed by the basis for the opinion, and also requires the name of the engagement partner (for audits of listed entities) and a statement about independence and other ethical responsibilities. Feedback suggested that inclusion of such information in assurance reports would help to enable consistency across audit and assurance reports, particularly for reports on the same entity. The PIR also indicated that the requirement to disclose the name of the engagement partner (equivalent to the engagement leader) is often a jurisdiction-specific matter, and that there were many jurisdictions where the engagement partner's name was already required by regulation prior to introduction of the new requirements and was therefore not considered a significant or new change.

120. Given that ISA 700 (Revised) reflects the latest thinking about the form and content of the auditor's report, including the ordering of the report elements, the IAASB decided that it should be used as a guide for the elements of the assurance report on sustainability information (see paragraph 170 of ED-5000 for the basic elements of an assurance report). In addition, the IAASB decided to require the name of the engagement leader to be included in the assurance report on sustainability information of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see paragraph 171 of ED-5000). This mirrors the requirement in ISA 700 (Revised).

Key Audit Matters

121. The Board acknowledged the potential public interest benefits of communicating key audit matters (KAM) and considered the outcome of the auditor reporting PIR that explored demand for extending the concept of KAM to other assurance reports. Respondents to the PIR stakeholder survey were not supportive of communicating KAM in other assurance reports. Concerns expressed included that:
- Users may perceive a greater level of assurance than is intended to be reported if KAM are included in a limited assurance report;
 - Costs may outweigh benefits to report KAM for assurance engagements; and
 - A need to maintain a clear distinction between other types of assurance engagements and audits of financial statements, including flexibility in reporting for the former.
122. The IAASB also noted that KAM are mandatory only for auditor's reports on general-purpose financial reporting for listed entities under the ISAs. Therefore, the communication of KAM may not be appropriate for entities other than listed entities, narrow-scope engagements that do not encompass the entirety of the sustainability information reported, or sustainability information prepared in accordance with criteria that are designed for a specific purpose. In addition, KAM are not required for reviews of financial statements and so may not be appropriate or may even be misleading for limited assurance engagements. Overall, the IAASB considered that requirements to report KAM would not be relevant to all engagements conducted under ED-5000.
123. As a result, the IAASB decided that it is not appropriate to require communication of KAM or equivalent (e.g., "key sustainability assurance matters") in ED-5000 as it is an overarching standard that intends to provide the requirements necessary to conduct all types of assurance engagements on sustainability information. Instead, the IAASB will consider addressing KAM in the future suite of ISSAs.

Other Reporting Responsibilities

124. In some jurisdictions, practitioners may have other reporting responsibilities relevant to the sustainability information in addition to the reporting requirements in accordance with ISSA 5000. For example, the practitioner may be required to provide a conclusion on specific matters, such as compliance of the sustainability information with a digital taxonomy. In some cases, the relevant law or regulation may require or permit the practitioner to report on these other responsibilities as part of their assurance report on the sustainability information. In other cases, the practitioner may be required or permitted to report on them in a separate report.
125. The IAASB decided that the practitioner's report for sustainability assurance engagements may address other reporting responsibilities that are in addition to the practitioner's responsibilities in accordance with proposed ISSA 5000 (see paragraphs 173-176 of ED-5000).

Reporting on Other Information

126. As explained in paragraph 113 above, IAASB followed the approach in ISA 720 (Revised) with respect to the work effort required in reading and considering other information, except for other information obtained after the date of the assurance report. However, the IAASB considered that more specificity was needed on the reporting requirements, as ISAE 3000 (Revised) is silent on the reporting with respect to other information. Therefore, the IAASB followed the approach in ISA 720 (Revised) to require a separate section on other information in the assurance report (see paragraphs 170(e) and 181-182 of ED-5000).

Comparative Information

127. The IAASB considered that it would be appropriate for the approach to comparative information in ED-5000 to be consistent with the approach for audits of financial statements, as it is in the public interest for auditor's reports and assurance reports to be comparable and consistent. Therefore, the IAASB followed the approach to comparative information for financial statements audits in ISA 710, modified as needed for sustainability assurance engagements recognizing that the applicable criteria ordinarily dictate whether comparative information is required (see paragraphs 187-191 of ED-5000).

Illustrative Reports

128. Although illustrative reports were not included in ISAE 3000 (Revised), feedback from stakeholders was that the illustrative reports in the EER Guidance were well accepted and used. The IAASB discussed that generic examples containing just the basic content of the required reporting elements in ED-5000 (see paragraphs 170-171 of ED-5000) would reduce inconsistency in practice. Nevertheless, in addition to the basic elements described in paragraph 170 of ED-5000, the practitioner may decide to include additional information in the assurance report (see paragraph A490 of ED-5000).
129. Many jurisdictions that are introducing mandatory assurance will first require limited assurance, with reasonable assurance being introduced over time. Therefore, input from stakeholders indicated that illustrations of both reasonable and limited assurance illustrative reports are needed. It is also possible that entities may voluntarily or be required to obtain limited assurance on certain disclosures in the sustainability information and reasonable assurance on other disclosures, so a report illustrating both limited and reasonable assurance in one assurance report would be helpful. Finally, stakeholders noted that modified assurance reports on sustainability information are expected to be

more common given that sustainability reporting is still maturing, and therefore a report illustrating a qualified conclusion would also be helpful.

130. Appendix 2 to ED-5000 includes illustrative reports for the situations described in paragraph 128. In developing the illustrative reports, the IAASB sought to reflect the basic reporting elements required in ED-5000 (as set out in paragraphs 170-171) along with other common circumstances, such as other information (Appendix 2, Illustrations 1 and 3).
131. The IAASB considered it important to make clear to users of the assurance report that, in a limited assurance engagement, the procedures performed vary from and are less in extent than for, a reasonable assurance engagement and that the level of assurance obtained is substantially lower. The IAASB considered the appropriate placement of these statements in the assurance report to give them sufficient prominence and bring them to users' attention. The IAASB noted that these statements are included near the end of the illustrative limited assurance report in ISAE 3410. The IAASB did not consider it appropriate for these statements to be in the conclusion section. However, to give them additional prominence, the IAASB decided that these statements should be located in the Basis for Conclusion section in a limited assurance report.

Section 1-H – Proposed Conforming and Consequential Amendments

132. The IAASB is proposing a limited number of proposed conforming and consequential amendments arising from ED-5000. The proposed changes have been presented in marked text to the relevant paragraphs of the various standards. Only the paragraphs that are being proposed to be amended, or that are needed to provide context for the proposed amendments, are provided. In many cases, the changes relate to aligning the terminology and wording with ED-5000 or to appropriately reference the title of the revised standard.

Section 1-I – Other Matters

Scalability Considerations

133. As a principles-based standard, the requirements in ED-5000 are primarily written in terms of principles or outcomes rather than procedures or steps which allow the practitioner to apply professional judgment in planning and performing the assurance engagement. Unless identified as applicable only in identified circumstances (a conditional requirement), the requirements are applicable in virtually all engagements to which ED-5000 is relevant or relate to matters of overriding importance to the public interest (this prevents the need for the practitioner to depart from a relevant requirement). This approach supports the *scalability and comprehensiveness* of the standard by limiting the exceptions from the principles that apply and demonstrates how a requirement applies to all entities regardless of whether their nature and circumstances are less complex or more complex.
134. Consistent with the approach taken in other IAASB standards in relation to *scalability*, the IAASB included application material in ED-5000 to explain that the nature and extent of the auditor's procedures will vary depending on the circumstances (e.g., paragraph A287) and included examples such as when obtaining an understanding of the entity's system of internal control (e.g., paragraphs A314-A315L and A336) or in responding to risks of material misstatement (e.g., paragraph A372)).

Considerations Specific to Public Sector Entities

135. The IAASB remained cognizant of the fact that sustainability reporting is also relevant to public sector entities. The IAASB and the CAG considered that, in large measure, the requirements in ED-5000

would apply equally for an assurance engagement on the sustainability information of a public sector entity. However, the IAASB is seeking input from public sector stakeholders about whether conditional requirements may be needed, or whether additional guidance or examples are needed or would be helpful for public sector sustainability assurance engagements.

Effective Date Convention

136. In identifying the appropriate convention for the effective date, the IAASB considered that ED-5000 applies to:

- (a) Engagements on sustainability information either covering a period (e.g., performance against targets over a period) or at a point in time (e.g., a strategy or the implementation of a process or controls).
- (b) Attestation engagements, therefore the suitable period should be that of the sustainability information reported.
- (c) Performance of the engagement, including the planning stages of the engagement, so the convention in the [CUSP Drafting Principles and Guidelines](#) is that the effective date paragraph uses periods “beginning on or after.”

Accordingly, ED-5000 indicates that the effective date would be for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after [Month] 15, [Year]; or
- (b) As at a specific date on or after [Month] 15, [Year].

Proposed Implementation Period

137. The IAASB is cognizant of the urgent need for a global sustainability assurance standard to address the increasing number of jurisdictions with regulatory requirements being introduced for sustainability reporting, with assurance required on some or all of the sustainability information reported. However, the IAASB also recognizes that the development of an overarching standard to provide a global baseline for sustainability assurance engagements will have a significant effect across stakeholders within the external reporting ecosystem. There also is the need for national due process and translation, as applicable, relating to the adoption of the proposed standard, and incorporating the changes into firm methodologies, enablement tools and training materials.

138. Effective implementation of the proposed standard is important to support the consistent performance of quality engagements. Consequently, the IAASB proposes an implementation period of approximately 18 months after approval. This implementation period should balance the need for urgency with allowing sufficient time to implement the standard and the IAASB would permit and encourage early application of proposed ISSA 5000 (i.e., able to apply the proposed standard before the effective date specified therein).

Section 2 Questions for Respondents

Respondents are asked to respond to the questions below using the [Response Template](#) as explained in the **Request for Comments** on page 3 of this EM.

Questions for Respondents	Section or Paragraphs in this EM for reference
Overall Questions	
<i>Global Baseline Standard for Sustainability Assurance</i>	
1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).	Section 1-A, paragraph 14
<i>Public Interest Responsiveness</i>	
2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?	Section 1-B and Appendix
Specific Questions	
<i>Applicability of ED-5000 and the Relationship with ISAE 3410</i>	
3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?	Section 1-C
<i>Relevant Ethical Requirements and Quality Management Standards</i>	
4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?	Section 1-D
<i>Definitions of Sustainability Information and Sustainability Matters</i>	
5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?	Section 1-E, paragraphs 27-32

Questions for Respondents	Section or Paragraphs in this EM for reference
6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?	Section 1-E, paragraphs 35-36
<i>Differentiation of Limited Assurance and Reasonable Assurance</i>	
7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?	Section 1-F, paragraphs 45-48
<i>Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement</i>	
8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?	Section 1-F, paragraph 51
9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?	Section 1-F, paragraphs 52-55
<i>Suitability and Availability of Criteria</i>	
10. Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?	Section 1-F, paragraphs 56-58
11. Does ED-5000 appropriately address the notion of "double materiality" in a framework-neutral way, including how this differs from the practitioner's consideration or determination of materiality? If not, what do you propose and why?	Section 1-F, paragraphs 59-60 and 68
<i>Materiality</i>	
12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?	Section 1-F, paragraphs 65-74

Questions for Respondents	Section or Paragraphs in this EM for reference
<i>Understanding the Entity's System of Internal Control</i>	
13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?	Section 1-F, paragraphs 75-81
<i>Using the Work of Practitioner's Experts or Other Practitioners</i>	
14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?	Section 1-G, paragraphs 82-87
15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?	Section 1-G, paragraphs 88-93
<i>Estimates and Forward-Looking Information</i>	
16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?	Section 1-G, paragraphs 94-97
<i>Risk Procedures for a Limited Assurance Engagement</i>	
17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?	Section 1-G, paragraphs 98-101

Questions for Respondents	Section or Paragraphs in this EM for reference
<i>Groups and “Consolidated” Sustainability Information</i>	
18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?	Section 1-G, paragraphs 102-107
<i>Fraud</i>	
19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?	Section 1-G, paragraphs 108-110
<i>Communication with Those Charged with Governance</i>	
20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?	Section 1-G, paragraphs 111-112
<i>Reporting Requirements and the Assurance Report</i>	
21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.	Section 1-G Paragraphs 116-120; 124-130
22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?	Section 1-G, paragraphs 121-123
23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?	Section 1-G, paragraph 131

Questions for Respondents	Section or Paragraphs in this EM for reference
<i>Other Matters</i>	
24. Are there any public sector considerations that need to be addressed in ED-5000?	Section 1-I, paragraph 135
25. Are there any other matters you would like to raise in relation to ED-5000?	

Request for General Comments

The IAASB is also seeking comments on the matters set out below:

- 26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.
- 27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISA. If not, what do you propose and why?

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

1. This appendix maps the key aspects of proposed ISSA 5000 to the objectives and standard-setting action in the project proposal that support the public interest (see the [project proposal](#) paragraphs 13, 18 and 27).
2. This appendix also highlights the following qualitative standard-setting characteristics that were at the forefront, or of most relevance, in developing proposed ISSA 5000 (see the project proposal, paragraph 32):
 - (a) *Timeliness* – focuses on timely standard-setting action to address identified needs without sacrificing quality.
 - (b) *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments relating to sustainability reporting and assurance thereon; and, for sustainability assurance engagements, developing principles-based requirements that enable the objectives of those requirements to be achieved in differing circumstances (i.e., in the context of external reporting that provides information about the impacts of sustainability matters on the entity and the entity’s actual or potential impacts, positive or negative, on the environment, society, economy or culture).
 - (c) *Comprehensiveness* – addresses limiting the extent to which there are exceptions to the principles set out in the proposed standard.
 - (d) *Implementability* – focuses on the proposed standard being able to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as being adaptable to the different conditions prevalent in different jurisdictions.
 - (e) *Enforceability* – focuses on clearly stated responsibilities of the practitioner or the engagement leader, as applicable, and an appropriate balance of requirements and application material in the proposed standard.
 - (f) *Scalability* – including the proportionality of the proposed standard’s relative impact on different stakeholders by including requirements that can be applied to all entities, regardless of size and complexity (i.e., addressing both less and more complex circumstances commensurate to the nature and circumstances of the entity).

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
Project Objective (a): Develop a new overarching standard for assurance on sustainability reporting that is responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements (see PP, paragraph 13).			
Undertake timely standard-setting action in response to the demand to address the public interest need for a global baseline standard for assurance on sustainability reporting for use by all assurance practitioners.	[Overall approach]	The preliminary timetable included in Section G of the PP was aimed at addressing the need for timely standard-setting action. The Board agreed at the March 2023 IAASB meeting to accelerate the development of proposed ISSA 5000, while remaining committed to developing an appropriately robust standard. The approval of the Exposure Draft was moved up from September 2023 to June 2023.	<ul style="list-style-type: none"> • <i>Timeliness</i>
Project Objectives (b) and (c): Develop a new overarching standard for assurance on sustainability reporting that is (see PP, paragraph 13): (b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and (c) Implementable by all assurance practitioners.			
Developing a standard that addresses the conduct of an assurance engagement in its entirety by addressing all elements of the engagement, from engagement acceptance	Paras. 18–192, all the requirements and related application material	Proposed ISSA 5000 covers the entire engagement from acceptance or continuance to reporting and is applicable to assurance on sustainability information reported under any suitable criteria or sustainability reporting frameworks. The requirements and application material are organized under	<ul style="list-style-type: none"> • <i>Comprehensiveness</i> • <i>Enforceability</i>

¹ The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, in developing the relevant proposals.

EXPLANATORY MEMORANDUM - PROPOSED INTERNATIONAL STANDARD ON SUSTAINABILITY ASSURANCE (ISSA) 5000 GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
through to reporting (see PP, paragraph 18(a)).		appropriate headings and sub-headings that address all the elements of an assurance engagement.	
Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)).	[Overall approach]	<p>The priority areas are identified in paragraph 27 of the PP. The rows below describe how each of the priority areas have been addressed in the proposed standard and are identified as PA.1 to PA.6.</p> <p>In addition, the requirements and application material in proposed ISSA 5000 have been drafted following the CUSP Drafting Principles and Guidelines to help provide for more consistent understanding and application.</p>	<p>[As indicated for each of the priority areas in the rows below]</p> <ul style="list-style-type: none"> • <i>Implementability</i>
PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence	<p><u>Requirements</u> Paras. 94L – 136 Paras. 168 - 192</p> <p><u>Application Material</u> Paras. A286 – A397</p>	<ul style="list-style-type: none"> • Enables the identification of the difference in the work effort between limited and reasonable assurance, including sufficiency of evidence, throughout the engagement, with a focus on the risks of material misstatement, the practitioners’ responses to those risks and preparing the assurance report. • Although most of the requirements and application material apply to both reasonable and limited assurance engagements, uses a columnar format to distinguish when those requirements and application material differed between limited and reasonable assurance. 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Comprehensiveness</i> • <i>Implementability</i> • <i>Enforceability</i>

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The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
	<p>Paras. A463 – A521</p> <p><u>Appendix 2</u></p>	<ul style="list-style-type: none"> • Uses letters (R) and (L) as paragraph number suffixes to indicate which material applies to the respective engagements. • Includes illustrative assurance reports for each type of assurance engagement (reasonable, limited, or combined) to assist practitioners in understanding how the reporting requirements apply to the respective engagement. 	
<p>PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”</p>	<p><u>Requirements</u></p> <p>Paras. 72, 98, 145</p> <p><u>Application Material</u></p> <p>Paras. A166 – A186</p> <p>Paras. A299 – A301</p> <p>Paras. A424 – A426</p>	<ul style="list-style-type: none"> • Requires the practitioner, as part of determining whether the preconditions for an assurance engagement exist, to evaluate both the suitability of the reporting criteria and its availability to the intended users. • Requires the practitioner to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement. • Requires the practitioner to identify the sources of the criteria, and recognizes that the criteria may be framework criteria, entity-developed criteria, or a combination of both. • Requires the practitioner to evaluate whether the criteria exhibit the following five characteristics: relevance, completeness, reliability, neutrality, and understandability. • Provides detailed application material on each characteristic of suitable criteria. 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Implementability</i>

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
		<ul style="list-style-type: none"> • Application material provides guidance for the practitioner when determining the suitability of criteria for qualitative and forward-looking sustainability information. • Application material recognizes that framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary. • Application material clarifies that the information needs of the intended users may relate to both the impact of the underlying subject matter on the entity (which may be referred to as financial materiality), and the impacts of the entity on the underlying subject matter (which may be referred to as impact materiality). Applicable criteria may refer to both impacts as “double materiality.” 	
<p>PA.3: The scope of the assurance engagement</p>	<p><u>Requirements</u> Paras. 3-4, 7 – 9 Para. 17 Paras. 69 – 77 Para. 88 Para. 170</p>	<ul style="list-style-type: none"> • Includes definitions of sustainability matters and sustainability information. Appendix 1 to ED- 5000, further clarifies the relationship between sustainability matters (i.e., the underlying subject matter); sustainability information (i.e., the subject matter information); and the related disclosures about the sustainability information. • Application material clarifies that sustainability information relates to information about sustainability matters and may cover a number of topics and aspects of those topics. 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Implementability</i> • <i>Scalability</i>

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
	<p><u>Application Material</u></p> <p>Paras. A10 – A12</p> <p>Paras. A15 – A16</p> <p>Para. A32</p> <p>Paras. A154 – A202</p> <p>Para. A261</p> <p><u>Appendix 1</u></p>	<p>A comprehensive list of examples of topics and aspects of topics is provided.</p> <ul style="list-style-type: none"> • Requires the practitioner to obtain a preliminary knowledge of the engagement circumstances to determine whether the preconditions for an assurance engagement are present, and accordingly, decide whether to accept or continue the assurance engagement. • Includes application material on obtaining a preliminary knowledge of the sustainability information to be reported, and the entity’s process to identify the sustainability topics and aspects of topics to be included. • Requires the practitioner to evaluate whether the scope of the proposed assurance engagement encompasses all or part of the sustainability information and the reporting boundary covered by the sustainability information to be reported. • Requires the practitioner to determine whether the engagement exhibits a rational purpose. Related application material provides an explanation about what constitutes a meaningful level of assurance in a limited assurance engagement. • Requires the practitioner to describe the scope of the engagement in the assurance report. This includes identifying or describing the level of assurance, either reasonable or limited or different levels of assurance for 	

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The objectives and standard-setting action in the <u>Project Proposal (PP)</u>	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
		<p>different parts of the sustainability information, obtained by the practitioner.</p> <ul style="list-style-type: none"> Includes application material that addresses scalability in planning and performing a sustainability assurance engagement for a less complex entity. 	
<p>PA.4: Evidence, including the reliability of information and what comprises sufficient appropriate evidence</p>	<p><u>Requirements</u> Paras. 82 – 87 Paras. 94L – 113 Paras. 114L – 136</p> <p><u>Application Material</u> Paras. A209 – A258 Paras. A286 – A357L Paras. A358 – A397</p>	<ul style="list-style-type: none"> Uses a principles-based approach for evaluating the relevance and reliability of information intended to be used as evidence, including information obtained from sources external to the entity. The application material includes guidance on the attributes of relevance and reliability, as well as the factors that might affect the practitioner’s judgment regarding these attributes. Includes overarching requirements for the practitioner to design and perform procedures to obtain sufficient appropriate evidence, in a manner that is not biased. Requires an evaluation about whether information produced by the entity is sufficiently reliable for the practitioner’s purposes. Includes requirements related to information intended to be used as evidence that has been prepared by a management’s expert. Application material includes detailed guidance for the practitioner to evaluate the relevance and reliability of information intended to be used as evidence and for 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> <i>Implementability</i> <i>Enforceability</i> <i>Scalability</i>

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
		<p>information that has been prepared by a management's expert.</p> <ul style="list-style-type: none"> • Application material discusses in detail the characteristics of sufficiency and appropriateness of evidence, including the challenges in obtaining sufficient and appropriate evidence related to qualitative and forward-looking information. • Includes requirements and application material regarding the possible actions a practitioner may take when having doubts about the relevance and reliability of the information intended to be used as evidence. • Includes requirements and application material for procedures to be performed by the practitioner to obtain evidence in responding to risks of material misstatement. Such procedures include performing tests of controls, substantive procedures or a combination of both. • Requires the practitioner to evaluate the sufficiency and appropriateness of evidence obtained, and the engagement leader to determine that sufficient appropriate evidence has been obtained to support the conclusions reached and for the assurance report to be issued, and to document the basis for that determination. 	
<p>PA.5: The entity's system of internal control and its impact</p>	<p><u>Requirements</u></p>	<ul style="list-style-type: none"> • Requires the practitioner to obtain an understanding of certain components of the entity's system of internal 	<ul style="list-style-type: none"> • <i>Comprehensiveness</i> • <i>Enforceability</i>

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
<p>on the ability of the practitioner to obtain sufficient appropriate evidence</p>	<p>Paras. 102L – 109R</p> <p><u>Application Material</u></p> <p>Paras. A312 – A348</p>	<p>control for a limited assurance engagement and all components for a reasonable assurance engagement.</p> <ul style="list-style-type: none"> • The practitioner’s understanding of control activities for a reasonable assurance engagement includes identifying controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, and the related IT general controls. For a limited assurance engagement, the practitioner is required to obtain an understanding of those controls the practitioner plans to test. • Addresses scalability through the differentiation in work effort for limited and reasonable assurance engagements, and through conditional requirements for limited assurance (e.g., required to obtain an understanding of control activities, only if the practitioner plans to test the operating effectiveness of controls). • Application material highlights that the level of formality of the entity’s system of internal control, including the control environment, the entity’s risk assessment process, and process to monitor the system of internal control, may vary by size and complexity of the entity, and the nature and complexity of the sustainability matters and the applicable criteria. • Includes detailed application material about understanding the different components of the entity’s system of internal controls, evaluating the design and determining the 	<ul style="list-style-type: none"> • <i>Scalability</i>

The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
		<p>implementation of controls, and determining the extent of testing the operating effectiveness of controls.</p> <ul style="list-style-type: none"> • The application material clarifies that understanding the entity’s system of internal control and, when applicable, testing those controls may assist the practitioner in identifying appropriate sources of information to be used as evidence. 	
<p>PA.6: Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information</p>	<p><u>Requirements</u> Paras. 91 – 93 Para. 143</p> <p><u>Application Material</u> Paras. A270 – A285</p>	<ul style="list-style-type: none"> • For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, requires the practitioner to: <ul style="list-style-type: none"> ○ Consider materiality for qualitative disclosures; and ○ Determine materiality for quantitative disclosures. • Requires the practitioner to determine performance materiality for quantitative disclosures, as applicable in the circumstances. • Application material indicates that materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users. • Addresses in detail, in the application material, the factors relevant to the practitioner’s consideration (qualitative disclosures) or determination (quantitative disclosures) of materiality as well as the basis for the practitioner’s 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Comprehensiveness</i> • <i>Implementability</i>

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The objectives and standard-setting action in the <u>Project Proposal</u> (PP)	Reference to relevant paragraphs in proposed ISSA 5000	Description	Qualitative standard-setting characteristics considered ¹
		<p>determination of performance materiality (quantitative disclosures).</p> <ul style="list-style-type: none"> • Application material clarifies that, for the same sustainability assurance engagement, there may be more than one materiality as materiality is ordinarily considered or determined for different disclosures. • Application material explains that the entity’s “process to identify reporting topics,” “materiality assessment,” or “materiality process” relates to management’s determination of the topics and aspects of topics that may be relevant for intended users, and that management’s “materiality process” differs from the practitioner’s materiality. • Requires the practitioner to determine whether materiality remains appropriate, prior to evaluating the effect of uncorrected misstatements. 	

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Staff Guidance

Independence Considerations for GHG Emissions Assurance Practitioners

Non-Authoritative Guidance to NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures

September 2023



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Purpose of this Independence Guide

Introduction

NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* is a new standard covering the mandatory assurance of Greenhouse Gas (GHG) disclosures. Independent assurance plays a key role in building trust and confidence and is essential to the provision of high-quality GHG assurance services.

The provision of GHG assurance services is open to all competent and independent practitioners. The External Reporting Board acknowledges that the independence terminology used in NZ SAE 1 may not be familiar to all assurance practitioners. Different professions may use different terminology when examining independence (for example: in some professions certain NZ SAE 1 independence concepts may be similar, but not identical, to the concept of “impartiality”).

GHG assurance practitioners are encouraged to look past specific words and focus on applying the principles of independence required by NZ SAE 1.

This non-authoritative guidance provides an overview of independence threats and possible actions which can be taken. It also includes illustrative examples of potential independence matters which are relevant to GHG assurance, to help demonstrate how the independence principles of NZ SAE 1 might be applied to certain situations.

While the independence principles should be applied consistently in similar situations, it is important that assurance organisations and practitioners use their professional judgement to identify and respond to independence threats. Assurance practitioners who appear to be in similar situations may reach different conclusions around independence, based on the facts and circumstances of their specific situation.

This guidance is not intended to be an exhaustive list and is not a substitute for reading NZ SAE 1.





Fundamental Principles

NZ SAE 1 requires assurance organisations and practitioners who provide GHG assurance services to comply with the following fundamental principles:

Independence

- *Freedom from conditions or relationships which would compromise, or could be seen to compromise, integrity or objectivity.*

Integrity

- *To be straight forward and honest; complying with the spirit as well as the letter of applicable principles.*

Objectivity

- *To be impartial, to be free from bias, conflict of interest or influence from others.*

Professional Competence and Due Care

- *To attain and maintain knowledge and skills necessary to perform the GHG assurance engagement and act diligently and in accordance with applicable Standards, laws and regulations.*

Confidentiality

- *To respect the confidentiality of information acquired as a result of undertaking the assurance engagement.*

Professional Behaviour

- *To comply with relevant laws and regulations, behave in a manner consistent with the responsibility to act in the public interest, and avoid any conduct that the assurance practitioner knows, or should know, might discredit the assurance profession.*

While each of the above fundamental principles are inter-related and important for high quality assurance engagements, **independence in both mind and appearance**, is paramount. GHG assurance organisations and practitioners may encounter situations or relationships which could threaten their ability to act independently, or be seen to threaten independence, which may impact on following the fundamental principles.

Assurance organisations and practitioners need to continuously evaluate their independence. This is one of the most important judgements that will need to be made before accepting and then throughout performing an assurance engagement.



Overview of Independence Threats

Common types of independence threats



Independence threats fall into one or more of the categories outlined below. One situation may result in multiple threats, and some threats may also not be immediately obvious to assurance practitioners. It may require personal reflection, or discussions with those charged with governance or other practitioners, to identify and understand how a situation may threaten independence.



Independence in fact and appearance

Independence threats may be present where a condition or relationship creates:

- An actual conflict for assurance organisations and practitioners (independence in mind); or
- A perceived conflict for assurance organisations and practitioners (independence in appearance).

Assurance organisations and practitioners must act in ways that maintain trust and confidence in their assurance work. It is important that assurance organisations and practitioners use their professional judgement to evaluate whether a reasonable and informed third party would consider their independence to be threatened.

A third-party perspective is critical in all stages of evaluating independence, as third parties may perceive the same threats differently to assurance practitioners.





Other assurance services may impact on independence

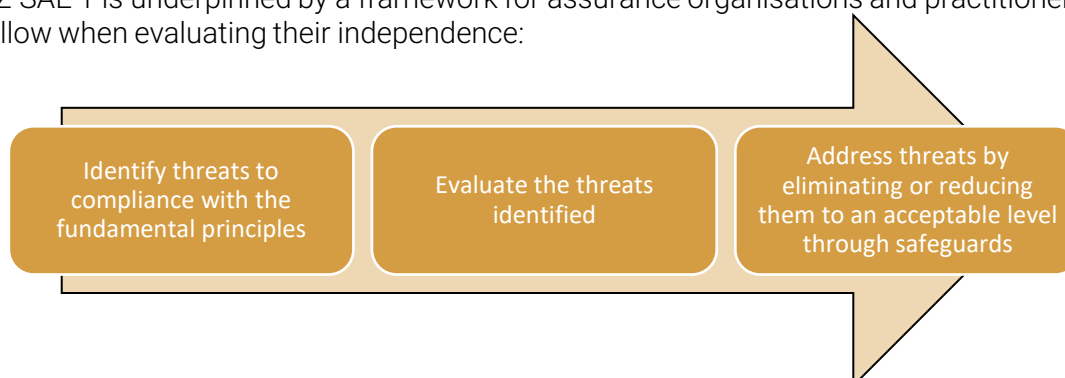
NZ SAE 1 has been developed to allow all competent independent practitioners to provide GHG assurance services. Climate reporting entities may engage their financial statement auditor or may appoint another practitioner who specialises in GHG assurance, to assure their GHG reporting. The financial statements audit is a separate engagement to the assurance of GHG disclosures. As a result, performing the financial statement audit does not, in itself, cause a threat to the provision of GHG assurance services to the same client.

Where assurance organisations and practitioners provide other assurance services to the client, this may require different considerations compared to standalone GHG assurance engagements. In particular:

- **Assurance organisations and practitioners may perform the audit of the financial statements** – Assurance organisation and practitioners who perform the audit or review of financial statements must comply with International Independence Standards (New Zealand), as set out in Part 4A of Professional and Ethical Standard 1 (PS 1). Users expect GHG assurance practitioners, who also audit or review the financial statements, to comply with the relevant independence requirements across both engagements.
- **Assurance organisations and practitioners may be engaged to assure other aspects of the climate statement** – Assurance organisations and practitioners who are also engaged to assure the climate statement should be mindful of threats across the climate statement when evaluating independence. Additional independence threats may be created if services have been provided which impact on the client's climate reporting. Assurance organisations and practitioners should carefully evaluate potential threats in the context of the scope of their assurance engagement.

Independence Assessment Framework

NZ SAE 1 is underpinned by a framework for assurance organisations and practitioners to follow when evaluating their independence:



Whether individual threats can be addressed will differ based on the facts and circumstances of each situation.



Safeguards which apply in one situation may not be appropriate for another, and certain situations may not have any effective safeguards which could be implemented. The facts of each situation will be different and will inform how assurance organisations and practitioners respond to identified threats. In some cases, a combination of multiple safeguards may be necessary.

Where there are self-review threats, or where the assurance organisations or practitioners have taken on management's responsibilities, safeguards cannot be applied to reduce the threat to an acceptable level. The assurance organisations and practitioner will need to adjust the nature of the service to eliminate the threat, or end either the other service or GHG assurance engagement.

Documentation

Assurance practitioners should document their judgements, along with supporting evidence and consultations, when arriving at their independence conclusions. It is of equal importance for assurance organisations and practitioners to demonstrate that they have maintained their independence, as well as obtained sufficient evidence to support their assurance conclusions.

All documentation should be retained on the individual assurance files and should cover the full process of identification and evaluation of threats and the determination and implementation of safeguards.

Additional Guidance

Assurance organisations and practitioners should seek guidance in relevant professional standards where appropriate, where a matter is not covered by NZ SAE 1, or this guidance. This may include:

- Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*; or
- International Organization for Standardisation (ISO) Standards relevant to independence, including but not limited to:
 - ISO 9001: 2015 *Quality management systems – Requirements*.
 - ISO 14065: 2020 *General principles and requirements for bodies validating and verifying environmental information*.
 - ISO 17029: 2019 *Conformity assessment – General principles and requirements for validation and verification bodies*.
 - ISO 19011: 2018 *Guidelines for auditing management systems*.



Transparency

NZ SAE 1 requires the assurance report to disclose a statement as to the existence of any relationships (other than undertaking the GHG assurance engagement) which the assurance organisation, and assurance practitioners involved in the engagement, have with the reporting entity. Transparency about other relationships should enhance users trust and confidence in the GHG assurance regime.

Assurance organisations and practitioners should ensure independence is at the forefront throughout the engagement. All personal and business relationships should be identified and monitored, so that the disclosures in the assurance report, are accurate and complete.





Self-Review Threats

Marking your own homework – Self-review threats are risks that an assurance practitioner may not appropriately evaluate the results of a previous judgement made, or an activity performed by the assurance practitioner, or by another individual within the assurance organisation, on which the assurance practitioner will rely when forming a judgement as part of performing a current activity.

Self-review threats compromise independence and cannot be mitigated

NZ SAE 1 includes a prohibition on assurance organisations and practitioners:

- Preparing GHG emissions information and then assuring that work.
- Providing any other services which might possibly create a self-review threat, or
- Assuming management's responsibilities in relation to GHG reporting.

A self-review threat cannot be eliminated, or reduced, by applying safeguards, even if the assurance work and non-assurance work is performed by different teams within the assurance organisation for the same client.

The self-review prohibition is a deliberately high bar and is designed to capture a broad range of non-assurance services which may impact on the GHG disclosures. Non-assurance services which might create a self-review threat may include services which result in source data, assumptions or methodologies, tools, systems, or controls that are used by a climate reporting entity to prepare GHG disclosures.

It is critical that assurance practitioners evaluate the nature of any non-assurance services they provide, when they have occurred, and how the outputs are utilised by clients, to evaluate whether any services might create possible self-review threats.

The External Reporting Board recognises that this prohibition is a higher requirement than the principles in Part 4B of PES 1 and/or in other professional and ethical standards. This may necessitate significant changes to some assurance organisations, as this prohibition covers all possible self-review threats, and cannot be safeguarded against.

This prohibition is important to ensure that reasonable informed third parties see assurance organisations and practitioners to be acting independently and without bias.

It is essential that all climate reporting entities and GHG assurance practitioners understand this prohibition and recognise that previously provided non-assurance services may need to change, as GHG assurance becomes mandatory in New Zealand.



Self-Review Threats (continued)

Examples of possible self-review threats



Below are some examples of situations which may create possible self-review threats. Assurance organisations and practitioners will need to use their professional judgement to identify possible self-review threats based on their circumstances and evaluate whether this impacts on their ability to perform the GHG assurance engagement.

- **Emission factor calculations** – The assurance organisation or practitioner assists in calculating GHG emission factors, by providing underlying source data, which is not publicly available, based on their experience and knowledge of other entities within the same industry.
- **IT tools and implementation services** – The assurance organisation or practitioner provides IT services around a new tool which can be used to measure and quantify emissions. This may involve using an advisory team, to assist in implementing the software and integrating into the clients other existing systems.
- **Climate statement preparation** – The assurance organisation or practitioner prepares other climate related disclosures which are included within the client's overall climate statement and impact on their GHG disclosures.
- **Preparation services to the supply chain** – The assurance organisation or practitioner provides preparation services to organisations within the same GHG emissions supply chain, where the assurance client's scope 3 GHG emissions are heavily dependent upon the source information from these other organisations.
- **Previous preparation services** – The assurance organisation or practitioner has provided GHG preparation services in previous periods, after NZ SAE 1 takes effect, and the previous services continue to form the basis of the client's current year GHG reporting and used in trend assessments.



Self-Interest Threats

Getting personal benefits – Self-interest threats are the risk that a financial or other interest may inappropriately influence an assurance practitioner’s judgement or behaviour.

Self-interest threats impact independence if not identified and responded to

NZ SAE 1 prohibits any direct financial interest, or a material indirect interest, to be held by the assurance organisation, assurance practitioner, or their immediate family member, within the client, or the parent entity of the client. The existence of these financial interests creates an unmanageable independence threat.

Assurance organisations and practitioners should be aware of their financial interests (including investments held through trusts where the practitioner is a trustee, collective investment schemes and pension schemes) to ensure that all direct and indirect financial interests are identified and evaluated in a timely manner before GHG assurance engagements are accepted or performed.

It is also important to be aware of the level of fees being earned from clients, and where these fees represent a substantial level of revenue for the assurance organisation, considering whether this creates any threats to independence, and the assurance practitioner’s ability to challenge management effectively.

Example 1 – Personal financial interests by assurance practitioner

The assurance practitioner, and their spouse, are trustees of a trust which holds investments in several listed entities, which includes the GHG assurance client.

Factors to consider when assessing whether there is a threat

- **Direct interest or indirect interests** – Whether financial interests are directly held by the assurance practitioner or their trusts, or indirectly held through managed investments or pension funds, may impact on the threat. Where indirect interests are identified, practitioners may need to evaluate how material that interest is to them personally. This may involve significant judgements.
- **Timing of investments** – Where financial interests are created part way into the assurance engagement, assurance practitioners need to evaluate these threats in real-time and assess whether there are any self-interest threat impacts on their independence, before significant assurance work is completed.

Potential responses if threats are identified

- **Apply safeguards** – No safeguards can be applied in a situation where a financial interest is directly held, or where an indirect financial interest is material. For an immaterial indirect interest, safeguards to address self-interest threats may include a combination of:
 - Appointing an additional appropriate reviewer who has not been involved in the GHG assurance engagement, and independent of the client, to review the engagement leader's judgements.
 - Holding a pre-issuance panel of assurance practitioners to review the assurance conclusion.
 - Obtaining approval from the assurance organisation’s leadership around the engagement leader's involvement on the engagement and judgements made around the materiality of indirect interests.
- **Eliminate circumstances** – Disposing of the personal interests may remove the financial interest threat. If the GHG assurance work has already commenced, then replacing the engagement leader to an individual who does not have any financial interests, and re-performing any assurance work which was already performed, may eliminate the circumstances.



Self-Interest Threats (continued)

Example 2 – Personal financial interests by individuals within the assurance organisation

Another senior individual within the assurance organisation, not involved in providing assurance services, holds shares in several listed entities, which includes the GHG assurance client.

Factors to consider when assessing whether there is a threat

- **Structure of the assurance organisation** – The structure of the assurance organisation, and whether this is a separate legal entity (through a limited company), or the same legal entity (through a partnership) may impact on threats. Where the organisation has a clear legal differentiation from individuals, the financial interests should be considered separately.
- **Influence of the individual on the assurance organisation** – When individuals have influence over the decision-making on the assurance engagement, their financial interests could be relevant to independence considerations. If individuals cannot influence the assurance organisation or GHG assurance engagements, then this may not be as significant of a threat.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address self-interest threats may include a combination of:
 - Holding a pre-issuance panel of assurance practitioners to consider whether the individual who has a financial interest could exert influence over the GHG assurance team (for example: by being direct line manager of an assurance practitioner) and responding to this risk.
 - Informing the assurance organisation's leadership of the financial interest, to approve the assurance team's structure and reporting lines to prevent and respond to self-interest threats.
- **Eliminate circumstances** – If the individual is assessed to have influence over the GHG assurance team, then disposing of personal interests, may eliminate the threat. However, if the GHG assurance work has already commenced, replacing assurance practitioners with individuals who could not be impacted by the financial interest, and re-performing any assurance work which was already performed, may eliminate threats.

Example 3 – High level of fees from assurance client

The assurance organisation provides several non-assurance services to the GHG assurance client, and the total level of fees from the client represents a large proportion of the total fees of the assurance organisation.

Factors to consider when assessing whether there is a threat

- **Operating structure** – The assurance organisation's operating structure may impact on threats, as where the organisational structure has separate responsibility lines for assurance and non-assurance business services, then actual or perceived pressures of fees earned across the business lines may be limited.
- **Engagement leader compensation** – The fees as a proportion of the assurance practitioner's total budget, and the extent to which personal compensation of the engagement leader is dependent upon the fees from the client, may impact on the extent of threats.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address self-interest threats may include a combination of:
 - Holding a panel of assurance practitioners to consider the ratio of non-assurance fees to assurance fees, and whether the assurance approach remains appropriate from a third-party perspective.
 - Holding discussions with those charged with governance of the client throughout the engagement to explain how self-interest threats have been managed in the context of the GHG assurance engagement compared to other non-assurance services provided.
- **Eliminate circumstances** – It may not be possible for any actions to eliminate the self-interest threats created by a high level of fees from an assurance client for the current engagement. In such a situation, the assurance practitioner may need to withdraw from the assurance engagement.



Familiarity Threats

Being cosy with clients – Familiarity threats are the risk that due to a long or close relationship with a client, an assurance practitioner may be too sympathetic to their interests or too accepting of their work.

Familiarity threats may be common and should be actively considered

NZ SAE 1 requires assurance organisations and practitioners to address familiarity threats that arise due to long associations with clients. Individuals may have a long-standing history with a client through services provided prior to the start of the mandatory GHG assurance regime. It is important that assurance organisations and practitioners evaluate the length and nature of their previous dealings with the client, to ensure they can be objective and sceptical in their decision-making.

Furthermore, given the relatively small number of individuals with expertise around GHG measurement, assurance organisations and practitioners may have had previous dealings with GHG experts used by clients. It is important that familiarity threats are considered against both the client, and any experts which clients may use.

Example 4 – Engagement leader’s long relationship with client

The engagement leader has a long association with the client and has performed the GHG assurance engagements for the client for several years, prior to the start of the mandatory assurance regime.

Factors to consider when assessing whether there is a threat

- **Length and nature of past relationships** – Where there has been a long uninterrupted relationship between the client and assurance practitioners, this may impact on the actual and perceived ability to challenge and question management and their judgements.
- **Management staff changes** – Management involved in previous GHG assurance engagements may have changed over time. Individual relationships and associations should be carefully considered, when assessing whether an objective and sceptical assessment of management can be made.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address familiarity threats may include a combination of:
 - Appointing an additional appropriate reviewer, who has not been involved in past GHG assurance engagements with the client, to review the work performed.
 - Holding a pre-issuance panel of assurance practitioners to review the assurance conclusion and the critical judgements made by the engagement leader.
 - Holding discussions with those charged with governance of the client throughout the engagement to explain how familiarity threats have been managed, and how the engagement leader has objectively evaluated significant management judgements.
- **Eliminate circumstances** – Rotating the engagement leader to another individual who had not been involved in the client’s previous GHG assurance engagements, may eliminate familiarity threats for the current engagement leader.



Familiarity Threats (continued)

Example 5 – Gifts or hospitality provided to and from client

The engagement leader, and members of management and those charged with governance of the client, take each other out to dinner to discuss the status of the GHG assurance engagement. The cost of the dinners is alternated between the client and the engagement leader.

Factors to consider when assessing whether there is a threat

- **Value of gifts and hospitality** – The value of any gifts and hospitality may impact on familiarity and self-interest threats, as highly valued items or high costing dinners, may create more significant threats, while lower valued hospitality, like a cup of coffee, may not create any threats.
- **Timing of gifts and hospitality** – The timing of potential gifts and hospitality may impact on the nature of the threats. Gifts and hospitality received during the engagement may create more significant threats than those after the assurance engagement is completed.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address familiarity threats may include a combination of:
 - Informing the assurance organisation’s leadership of the level of hospitality which is expected to occur with clients, to ensure hospitality is pre-approved before being offered/accepted.
 - Appointing an additional appropriate reviewer, who has not been involved in GHG assurance engagement with the client, to review the work performed.
 - Holding a pre-issuance panel of assurance practitioners to review the significant judgements which were made by management and those charged with governance of the client.
- **Eliminate circumstances** – The assurance practitioner declining all hospitality and paying for their own expenses, and not offering to pay for the client’s expenses, may help prevent and eliminate familiarity and self-interest threats caused by client meetings.





Advocacy Threats

Promoting your clients – Advocacy threats are the risk that an assurance practitioner may promote a client's position to the point that the assurance practitioner's objectivity is compromised. This can occur when the client and the assurance practitioner have multiple business relationships, beyond just the GHG assurance engagement.

Advocacy threats may be present in situations and require careful consideration

Assurance organisations and practitioners should ensure they do not promote their client's position, as this may cause actual or perceived threats that they cannot act objectively when subsequently assuring the client's position.

NZ SAE 1 also prohibits assurance organisations and practitioners from assuming management's responsibilities. It is critical that assurance organisations and practitioners ensure management understand their responsibilities and evaluate whether management have the appropriate ability to accept and discharge these responsibilities. These upfront assessments will help ensure appropriate actions to advocacy threats can be identified and implemented.

As GHG reporting and measurement processes are rapidly changing, there may be new types of advocacy threats which emerge, due to new subject matter. It is important that clients and assurance practitioners openly communicate and learn from each other, to ensure independence is maintained throughout the assurance engagement.

Example 6 – Climate conferences and events

The assurance practitioner is involved in organising and presenting at climate conferences and events which include the client. This involves a joint presentation between the engagement leader and management discussing the client's GHG measurement processes and sharing examples of good practice.

Factors to consider when assessing whether there is a threat

- **Event organisation process** – The way events are organised, including how presenters, participants and attendees are selected and compensated, as well as how any complementary tickets are allocated, may impact on perceived advocacy threats.
- **Joint involvement** – Joint presentations between the client and the assurance practitioner may create an unintended impression of jointly endorsing and advocating messages. This may impact on the perceived independent of the assurance organisation and practitioner.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address advocacy threats may include a combination of:
 - Using a neutral party who is not part of the client or the assurance organisation, to be involved in leading presentations.
 - Using other knowledgeable practitioners within the assurance organisation, who are not involved in the GHG assurance engagement, to present instead of the engagement leader.
- **Eliminate circumstances** – Requesting the client not jointly-present or using disclaimers to differentiate client assertions from the assurance organisation's assertions, may eliminate circumstances leading to an advocacy threat through a joint presentation.



Intimidation Threats

Being pressured by clients – Intimidation threats are the risk that an assurance practitioner may be deterred from acting objectively because of actual or perceived pressures, including attempts by others to exercise undue influence over the assurance practitioner.

Intimidation threats may occur due to the nature of GHG measurement

As GHG measurement and reporting evolves, there may be heightened intimidation risks as management and experts gain specialised subject matter knowledge and look to ensure their GHG messaging is appropriately communicated to the public.

Assurance organisations and practitioners should remain aware of the risks around management bias and fraud in GHG reporting, and the potential for management to be reluctant to include information which unfavourably impacts on their reporting. There may also be risks of management potentially pressuring assurance organisations and practitioners to avoid any non-standard assurance conclusions.

It is important that assurance organisations and practitioners remain alert for, and appropriately respond to, intimidation threats, or actions which may attempt to unduly influence their independent decision-making.

Example 7 – Reputation of management and experts

Management have used a well-known climate specialist to assist in preparing their climate and GHG reporting. This individual has been involved in several publicised events to promote the company's climate initiatives. The assurance practitioner is aware of this individual's public reputation and status within the industry, given the public nature of their previous work and media attention.

Factors to consider when assessing whether there is a threat

- **Assurance practitioner compensation** – The extent to which personal compensation is dependent upon the fees from the client, and pressures to avoid negative feedback and client dissatisfaction, may influence on the degree of the intimidation threat on their judgements.
- **Attitudes around challenging management** – The attitudes within the assurance organisation, and the support provided to engagement leaders around challenging management, may impact on possible intimidation threats. Threats may be enhanced if there are risks of potential negative media attention on the assurance organisation, as a result of challenging management.

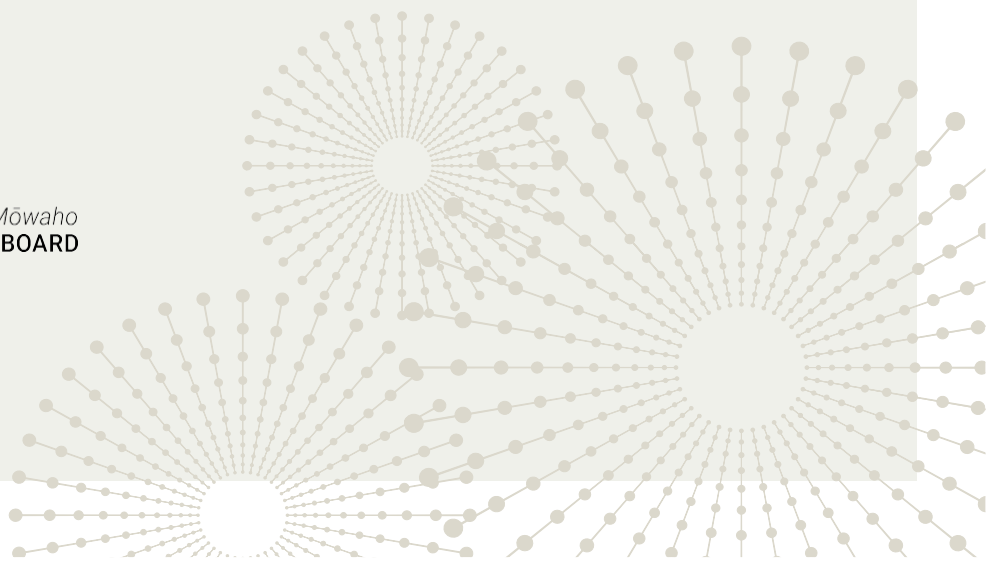
Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address intimidation threats may include a combination of:
 - Engaging an auditor's expert, who has the appropriate skills and competence around GHG measurement and reporting, may be necessary to ensure that appropriate challenges can be made of management's specialists without being intimidated.
 - Holding a panel of assurance practitioners to consider the key judgements made by management's specialists and whether the engagement leader should perform further procedures to ensure actual and perceived intimidation threats have been addressed.
- **Eliminate circumstances** – It may not be possible for any actions to eliminate intimidation threats created by the reputation of management and their experts in this situation. In such a situation, the assurance practitioner may need to withdraw from the assurance engagement.



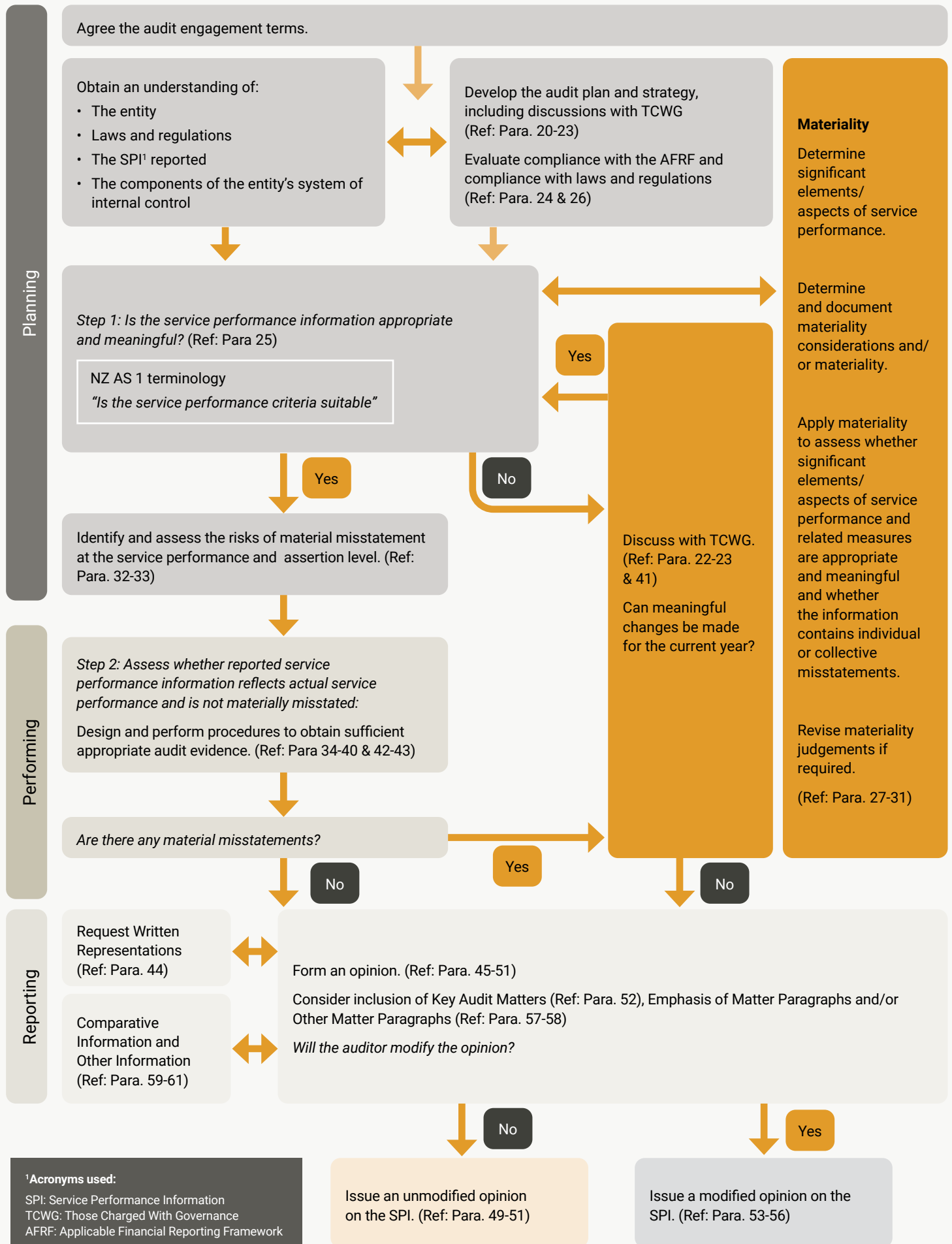
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What is different between NZ AS 1 and NZ AS 1 (Revised)?

Click on the blue speech bubbles to understand the key change to transition from NZ AS 1



Survey Results

Who we reached out to

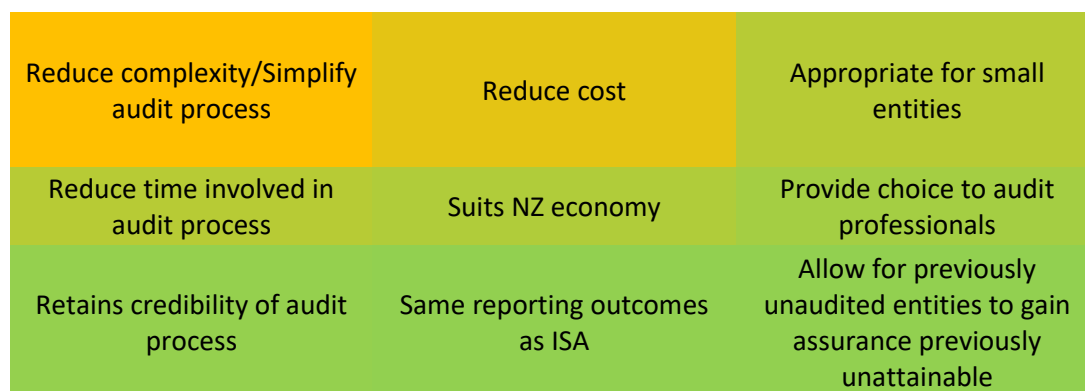
1. CAANZ and CPA Australia helped distribute our survey to their stakeholders. The survey link was distributed through the following XRB channels:
 - a. Via SurveyMonkey invite directly to 373 stakeholders – including accountants, charities, our audit technical reference group members, and the majority of qualified auditors in NZ;
 - b. Advertised at the SPI deep dive webinar to 139 participants;
 - c. Via email from myself directly to public sector agencies and regulators, audit software providers, grant providers, CPA Australia and CAANZ;
 - d. Three XRB LinkedIn posts with a possible reach of 3,293 LinkedIn followers;
 - e. Via the Audit and Assurance Alert to 1,615 subscribers; and
 - f. Via Pitopito kōrero to 2,855 subscribers.

Who we heard from

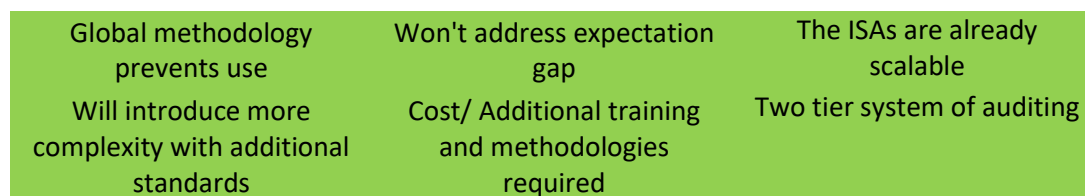
- | | |
|--|--|
| a. Auditors (varying in size from Big 4 to sole practitioners) | g. CAANZ |
| b. Office of the Auditor General | h. Ministry of Education |
| c. FMA (email) | i. Department of Internal Affairs: Gaming |
| d. NZX (email) | j. Ministry of Business, Innovation and Employment |
| e. Community Housing Regulatory Authority (email) | k. Audit Assistant Limited |
| f. Perpetual Guardian | l. Preparers (accounting firms, charities) |

What we heard

2. Key themes arising from those supporting the ISA for LCE are summarised in the following heatmap:



The key themes from those few that were **not** supportive of the standard are summarised as follows:



Scale



Lowest

Highest

3. The table below is a summary of what we heard:

What we heard
<p>89.74% (70 of 78) of the survey participants supported the adoption of the ISA for LCE in New Zealand.</p> <p>Key regulators in the charity, education and not-for-profit sectors, including the OAG, expressed their support for NZ adopting the ISA for LCE.</p> <p>Regulators of FMC HLPAs had no view over whether we should adopt the ISA for LCE, particularly since this standard would not apply to that sector.</p>
<p>There was a majority support (76.81%) for the ISA for LCE to be aligned with the Tiers, so that the ISA for LCE would apply to entities reporting under Tier 2 and below (including special purpose financial statements).</p> <p>In a follow-up survey question, we asked participants specifically which tiers they believe should be eligible for ISA audits of less complex entities. Only 7 participants supported Tier 1 PBE, and 4 participants supported Tier 1 For profit.</p> <p>The majority of stakeholders strongly supported prohibiting audits of FMC HLPAs entities from being eligible to be conducted under the ISA for LCE.</p> <p>Other ideas canvassed included a threshold based on a quantitative amount or a threshold based on the number of employees. 26 survey participants supported a quantitative threshold (although some may have confused this with the tier thresholds) – only four provided a suggestion of a possible threshold (less than \$5 mill in expenditure and less than \$15 mill in assets, less than \$2 mill of expenditure, less than \$1 mill of expenditure, and one suggested less than \$550k in expenditure). Only 8 supported a threshold based on the number of employees – with suggestions between 5 to 200 employees. Although the ideas provided interesting feedback, we recommend going with the majority view and adopting a tier threshold – ie, excluding tier 1 entities.</p> <p>We have drafted our initial thinking around the quantitative thresholds in Supplementary Agenda item 9.3. We will discuss this further in the <i>November</i> NZAuASB meeting.</p>
<p>There was broad support for an audit of service performance information to be included in the ISA for LCE. 51 of 69 participants supported the use of the ISA for LCE for the audit of SPI.</p> <p>Some of those who voted <i>no</i> were of the view that SPI should not be audited or even prepared.</p>

Comments received

1. The following are selected survey comments from survey participants. Note that not all survey participants provided comments, and comments of the same theme have been excluded.

What we heard

Selection of comments received why they support the ISA for LCE:

- *In many cases full application of isas is not relevant and makes audit fee high, not time efficient.*
- *Feel often that we over audit small less complex entities*
- *Current auditing standards are not compatible with LCE in New Zealand. Discussions with others in the profession agree in relation to the entities these current applicable standards are to complex, long etc*
- *I think it will be ideal for auditors who carry out work in the regional and small charity and club space as it reduces the requirements down to one cohesive standard.*
- *The requirements under the existing standards is a very large burden for smaller enterprises who choose or are required to be audited. Many of the requirements just do not apply or require responses out of proportion to the organisation. Many of the current standards are designed for large organisations with independent Boards and multi-layered control systems. The majority of NZ businesses are not like that.*
- *Most of our client base is small entities and cost of audit is a concern for a lot of charities and very small entities. Most of them also have very simple operations, typically only one revenue stream and one expense stream (usually payroll) and so the use of full ISA can be quite time consuming - especially when we are asked to get an understanding and perform evaluations on the processes of the origination which typically have no or very little controls given they are so small. In areas like this, it feels like we are just writing to fill the space rather than provide a well targeted and risk based audit - which is something the LCE standards could achieve.*
- *Because the international standards are over the top for most small entities that I audit, ie rugby clubs level. The level of work required is too high. Thus the cost for these small entities is far too high. Now most of them are going for reviews or even worse - nothing at all. I predict a lot of small entities will in 5 years time, find the treasurer has made mistakes or there has been fraud at some level in the entity and there is no oversight at all. The current attitude is an audit is an audit and they must all be treated the same. this costs far too much for small entities.*
- *Currently over-bearing audit requirements for less complex entities*
- *Save costs for small firms undertaking small size entity audits.*
- *Scalability for smaller audits will allow for previously unaudited entities to gain assurance previously unattainable.*
- *I think for the smaller non-complex entities it will be a good idea to reduce some of the more intense standards or at least to the extent that would be expected for larger and riskier entities.*
- *I believe the nature of some entities is quite simple and non-complex, so the normal auditing procedures which take time actually don't bring a lot of value for the audit.*
- *The standards wouldn't create a two tier audit environment, if anything it would create a greater focus and understanding on the risks and what reporting the LCE's should adhere to.*

Those against provided comments, such as:

- *Concern that it will create a two-tier system of auditing. Additional training and methodologies required.*
- *The ISAs are already scalable.*
- *Our methodology and audit tool is based on the ISAs and therefore we are unlikely to adopt the ISA for LCE unless adopted by [the Global network].*

Comments received supporting the Tier thresholds:

- *Aligning ISA for LCE in line with reporting thresholds will add clarity and will assist in maximizing compliance with regulations*
- *Make it as inclusive as possible and their auditors to make a professional judgement.*
- *I think having another threshold for audit is likely to cause further confusion for auditors.*
- *Would keep it simple to remember and implement.*
- *Align with the Tiers - as quite often Tiers reflects complexity of businesses, accounting processes and controls in place, number of different revenue streams, different activities occurring and the number of different locations a business may be operating in.*
- *This would help align with the reporting standards*
- *Tiers are already aligned to dollar values and it keeps it simpler*

- *Why reinvent the wheels when we already have the tiers system*

Comments received supporting excluding FMC HLPAs entities:

- *The current auditing standards are more applicable to these entities.*
- *There needs to be a level of commonality in the capital markets globally, and if NZ does not follow the global rules then our access to overseas capital would be further restricted.*
- *Public accountability leads to more complexity, not less.*
- *Hard to imagine any of those [FMC HLPAs], would be less complex entities.*
- *This prohibition appears to align to the draft ISA for LCE.*
- *Financial Markets are by nature and definition [are] complex entities. That is Not LCE*

Other comments received.

- *As soon as possible. ISAs are making audits too expensive for small entities to bear.*
- *Even though I said no in the beginning I do support ISA for LCE if it applies to all levels under tier 1*
- *I really appreciate the insights and the work done on this project by the XRB team. Thank you.*
- *Please adopt the ISA for LCE's, this will be beneficial to smaller entities without taking away the level of assurance provided by the auditors.*
- *The revised NZ AS 1 is much more suited to LCE than the original one.*
- *Good luck.*

Supplementary Agenda item 9.3

Preliminary recommendations around quantitative thresholds

Based on the feedback detailed in Supplementary Agenda item 9.2, our preliminary recommendations around quantitative thresholds are detailed below. This is for information purposes only, we will discuss this further in the *November* NZAuASB meeting.

Draft Standard ISA for LCE from IAASB	Proposed Exposure Draft ISA (NZ) for LCE
<p><i>Specific Prohibitions</i> A.1. The ISA for LCE shall not be used if: ... (b) The entity is a listed entity. (c) The entity falls into one of the following classes: ... (iii) A class of entities where use of the ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard-setting authority in the jurisdiction.</p>	<p><i>Specific Prohibitions</i> NZ A.1. The ISA for LCE shall not be used if: ... (b) The entity is an FMC HLPAs entity. (c) The entity falls into one of the following classes: ... (iii) A class of entities where use of the ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard-setting authority in the jurisdiction. (iv) An entity that meets the tier 1 criteria in accordance with XRB A1¹. ¹ XRB A1 <i>Accounting Standards Framework</i></p>
<p><i>Quantitative Thresholds</i> A.4. Determining quantitative thresholds assists in the consistent and appropriate use of the ISA for LCE in a jurisdiction. This section anticipates that legislative or regulatory authorities or relevant local bodies with standard setting authority will determine quantitative threshold(s) for use of the ISA for LCE in their respective jurisdictions.</p>	<p><i>Quantitative Thresholds</i> NZ A.4. There are no additional quantitative thresholds.</p>



EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho

5 September 2016

External Reporting Board Policy for dealing with audit reports received under the Companies Act 1993 and the Financial Markets Conduct Act 2013

Purpose of the Policy

1. The Companies Act 1993 and the Financial Markets Conduct Act 2013 both require an auditor to send a copy of the audit report, and a copy of the financial statements or group financial statements, to the External Reporting Board (XRB), and other specified parties, if the financial reporting requirements of the respective Acts have not been complied with. However, the two Acts are silent on the purpose of the provisions and on the actions, if any, that the XRB (and the other specified parties) must take when it receives the audit reports.
2. This Policy sets out the processes that the Board of the XRB and its sub-Boards, the New Zealand Accounting Standards Board (NZASB) and the New Zealand Auditing and Assurance Board (NZAuASB), will follow when audit reports are sent to the XRB by auditors in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. The Policy also applies when audit reports are referred to the XRB by any other party.

Policy¹

3. Audit reports received by the XRB will be reviewed by both the NZASB and the NZAuASB.
4. The NZASB's review will be focused on modified audit opinions in relation to material misstatements in the financial statements.
5. The NZAuASB's review will be focused on modified audit opinions in relation to when the auditor has been unable to obtain sufficient audit evidence.
6. Where the reviews raise issues or trends that relate to XRB strategy, these will be referred to the XRB Board for consideration.
7. Reviews by the NZASB and the NZAuASB will consider implications for the relevant standards by ensuring that the modified audit opinions do not raise any issue about the appropriateness, applicability, clarity and/or completeness of the relevant standards.
8. No action needs to be taken by the XRB, the NZASB or the NZAuASB if the modification of the audit opinion results from non-compliance by an entity of an otherwise appropriate standard (that is, a standard that is applicable, clear, complete and has

¹ The Background and Basis for the Policy is set out in Appendix 1.

appropriate accompanying guidance). Such non-compliance is a matter for the appropriate regulator to deal with.

9. Where the modification of the audit opinion has implications for standards, the NZASB and the NZAuASB will consider their respective standards' convergence and/or harmonisation policies. Matters raised may need to be addressed through, or in cooperation, relevant international standards Boards rather than unilaterally, or, where appropriate, through the provision of additional New Zealand guidance.
10. The actions that may be taken by the NZASB and/or the NZAuASB where the modified audit opinions have implications for any XRB standards include, for example:
 - a. amend a domestic standard;
 - b. raise an issue with the relevant international standards board;
 - c. issue guidance; and/or
 - d. re-examine the initial cost-benefit analysis undertaken when the relevant standard was developed.
11. Reviews by the XRB Board (when necessary) will consider the implications for the XRB strategy to ensure that the multi-standards, multi-tier system remains appropriate. The actions that the XRB Board may take where the modified audit opinions have implications for XRB strategy and/or the standards frameworks include, for example:
 - a. Review the XRB strategy and/or standards frameworks;
 - b. Refer a matter an appropriate party for their further action (for example, the regulators and/or policy makers);
 - c. Refer a matter to the appropriate professional body after consultation with the regulators (for example in the rare and unusual circumstances where an audit qualification was considered to be incorrect);
 - d. Engage with or liaise with policy makers and/or regulators;
 - e. Engage with relevant organisations or industries directly and after consultation with the regulators, to determine the cause of the non-compliance, before taking any further action (for example, where the modified audit opinions indicate a trend of persistent non-compliance by a particular industry or with a particular standard); and/or
 - f. Engage with auditors on their duties under the Companies Act 1993 and the Financial Markets Conduct Act 2013 to send audit reports with modified audit opinions to the XRB.
12. In each instance before the XRB Board takes any action, it would, where necessary, liaise with the regulators and/or policy makers.

Review of this Policy

13. This Policy will be reviewed every three years to ensure that it is still appropriate.

Appendix 1: Background and Basis for the Policy

Legislative provisions

1. The Companies Act 1993 and the Financial Markets Conduct Act 2013 both require an auditor to send a copy of the audit report, and a copy of the financial statements or group financial statements, to the XRB (and other specified parties) if the financial reporting requirements of the respective Acts have not been complied with. However, the two Acts are silent on the purpose of the provisions and on the actions, if any, that the XRB (and the other specified parties) must take when it receives the audit reports.

Companies Act 1993

2. Part 11 of the Companies Act 1993 specifies, among other matters, the requirements for a company's financial reporting and audit of its financial statements. It specifies the companies that must prepare financial statements, and that those financial statements must comply with generally accepted accounting practice (GAAP)². Part 11 also specifies whose financial statements must be subject to audit and that the audit must be carried out in accordance with applicable auditing and assurance standards³. GAAP, applicable financial reporting standards and applicable auditing and assurance standards are defined in the Companies Act 1993 by reference to the Financial Reporting Act 2013. GAAP, applicable financial reporting standards and applicable auditing and assurance standards in the Financial Reporting Act 2013 refer to standards issued by the XRB⁴.
3. Within Part 11, section 207C of the Companies Act 1993 provides that the auditor's report of a company must be sent to the Registrar of Companies and the XRB if the requirements of the Companies Act 1993 have not been complied with:

"If the auditor's report indicates that the requirements of this Act have not been complied with, the auditor must, within 7 working days after signing the report, send a copy of the report and a copy of the financial statements or group financial statements to which it relates to the Registrar and the External Reporting Board".

4. In the context of the requirements of Part 11 of the Companies Act 1993 about audits of a company's financial statements, the reference to non-compliance with "*the requirements of this Act*" in section 207C is read to mean non-compliance with applicable financial reporting standards and applicable auditing and assurance standards.

Financial Markets Conduct Act 2013

5. Part 7 of the Financial Markets Conduct Act 2013 sets out the financial reporting requirements of an "FMC reporting entity"⁵, including the requirements for the

² Sections 200 – 202 of the Companies Act 1993.

³ Sections 206 – 207A of the Companies Act 1993.

⁴ Section 5 of the Financial Reporting Act 2013.

⁵ The meaning of an "FMC reporting entity" is set out in section 451 of the Financial Markets Conduct Act 2013.

preparation⁶ and audit of the financial statements⁷. Financial statements of an FMC reporting entity must comply with GAAP⁸ and the audit of those financial statements must comply with applicable auditing and assurance standards⁹.

6. Similar to the Companies Act 1993, GAAP, applicable financial reporting standards and applicable auditing and assurance standards are defined in the Act by reference to the Financial Reporting Act 2013 (and hence refer to standards issued by the XRB).
7. Within Subpart 3 *Preparation, audit, and lodgement of financial statements* of Part 7 *Financial reporting* of the Financial Markets Conduct Act 2013, section 461G on the auditor's report states:

- “(1) The auditor's report on the financial statements or group financial statements that are required to be audited under this subpart must comply with the requirements of all applicable auditing and assurance standards.*
- (2) If the auditor's report indicates that the requirements of this Part have not been complied with, the auditor must, within 7 working days after signing the report, send a copy of the report, and a copy of the financial statements or group financial statements to which it relates, to—*
 - (a) the FMA; and*
 - (b) the External Reporting Board; and*
 - (c) in the case of an issuer of debt securities or a manager of a registered scheme, the supervisor.”*

8. In the context of the requirements of Subpart 3 of Part 7 of the Financial Markets Conduct Act 2013 about financial statements and audit of an FMC reporting entity's financial statements, the reference to non-compliance with *“the requirements of this Part”* in section 461G is read to mean non-compliance with the applicable financial reporting standards and applicable auditing and assurance standards.

Functions of the XRB

9. The functions of the XRB are set out in the Financial Reporting Act 2013. Section 12 of the Financial Reporting Act 2013 provides:

- “The Board has the following functions:*
- (a) to prepare and, if it thinks fit, issue financial reporting standards for the purposes of any enactment that requires—*
 - (i) financial statements or group financial statements to comply, or be prepared in accordance, with generally accepted accounting practice or non-GAAP standards; or*
 - (ii) a statement, report, or other information to comply, or be prepared in accordance, with financial reporting standards:*
 - (b) to prepare and, if it thinks fit, issue auditing and assurance standards for—*

⁶ Sections 460 – 461 of the Financial Markets Conduct Act 2013.

⁷ Section 461D of the Financial Markets Conduct Act 2013.

⁸ Sections 460 – 461 of the Financial Markets Conduct Act 2013.

⁹ Sections 461F – 461G of the Financial Markets Conduct Act 2013.

- (i) *the purposes of the Auditor Regulation Act 2011 or any other enactment that requires a person to comply with those standards; or*
- (ii) *the purposes of any rules or codes of ethics of an association of accountants where those rules or codes require the association's members to comply with those standards; or*
- (iii) *any other purpose approved by the Minister by notice in writing to the Board:*
- (c) *to prepare and, if it thinks fit, issue authoritative notices for the purposes of the definition of generally accepted accounting practice:*
- (d) *to develop and implement strategies for the issue of standards in order to provide a framework for the Board's overall direction in the setting of standards (including implementing a strategy for tiers of financial reporting in accordance with sections 29 to 33):*
- (e) *to liaise with international or national organisations that perform functions that correspond with, or are similar to, those conferred on the Board:*
- (f) *to perform and exercise the functions, duties, and powers conferred or imposed on it by or under this Act and any other enactments."*

Interpretation of the legislative intent of the provisions of the Companies Act and the Financial Markets Conduct Act for the XRB

10. In determining the intent of legislation in providing for the XRB to receive the audit reports under section 207C of the Companies Act 1993 and Section 461G of the Financial Markets Conduct Act 2013, regard needs to be had to the functions (and role) of the XRB under the Financial Reporting Act 2013.
11. Under the Financial Reporting Act 2013, the key function of the XRB is the setting of accounting and auditing & assurance standards, and the development and implementation of a strategy for an accounting standards framework (XRB strategy). The standard-setting and strategic functions of the XRB are in contrast to the functions of the other specified parties. Those parties have, among other functions, regulatory powers to take enforcement action (where necessary). The functions of the XRB do not extend to the ability to take enforcement action against an entity's non-compliance with the respective Acts. Therefore, unlike the other specified parties, the XRB does not have a legislative responsibility to take any direct regulatory action or make contact with the preparers or auditors of the financial statements about any aspect of the non-compliance.
12. Any action the XRB takes in relation to receiving the audit reports should be consistent with the XRB's role and functions: the actions taken should be for the primary objective of assessing, based on the nature of the non-compliance, whether the non-compliance set out in the audit reports indicates a need to clarify and/or modify accounting standards, auditing & assurance standards and/or the XRB strategy.

What type of audit opinions are we concerned with?

13. Audit reports may contain unmodified audit opinions (unqualified opinions) or modified audit opinions (qualified opinions, adverse opinions or disclaimers of opinion).

14. In the context of the requirements of section 207C of the Companies Act 1993 and section 461G of the Financial Markets Conduct Act 2013, audit reports that are sent to the XRB would be all audit reports that contain modified audit opinions. These would be audit reports that contain audit opinions that indicate non-compliance with the financial reporting and/or audit requirements of the Companies Act 1993 or the Financial Markets Conduct Act 2013.
15. Accounting standards require financial statements to present fairly the financial position, financial performance and cash flows of an entity. There is a presumption in accounting standards that application of applicable financial reporting standards, with additional disclosures when necessary, results in financial statements that achieve such a fair presentation¹⁰. In auditing standards¹¹, the recognition of this presumption requires the financial reporting framework that is used to be a “fair presentation framework”. Auditing standards acknowledge that in complying with a fair presentation framework, additional disclosures may sometimes be necessary and, in extremely rare circumstances, departures may also be necessary.
16. Auditing standards¹² set out the types of modified audit opinions and the circumstances when a modification of an audit opinion is required. An auditor is required to modify the opinion in the auditor’s report when:
 - a. The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
 - b. The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.
17. A material misstatement of the financial statements, based on the audit evidence obtained, may arise in relation to:
 - a. The appropriateness of the selected accounting policies;
 - b. The application of the selected accounting policies; or
 - c. The appropriateness or adequacy of disclosures in the financial statements.
18. A material misstatement of the financial statements, based on auditor’s inability to obtain sufficient appropriate audit evidence (also referred to as “a limitation on the scope of the audit”), may arise in relation to:
 - a. Circumstances beyond the control of the entity;
 - b. Circumstances relating to the nature or timing of the auditor’s work; or
 - c. Limitations imposed by management.
19. The XRB’s interest (and ability to take some action) is more likely to be in those modified audit opinions that indicate material misstatements in the financial statements that arise from audit evidence obtained by the auditor. As these modified

¹⁰ NZ IAS 1 *Presentation of financial statements* and PBE IPSAS 1 *Presentation of financial statements*.

¹¹ ISA(NZ) 700 *Forming an opinion and reporting on financial statements*.

¹² See ISA(NZ) 700 *Forming an opinion and reporting on financial statements*.

opinions focus on material misstatements in financial statements, the issues that arise are more likely to be related to accounting standards (than to auditing & assurance standards or the XRB strategy).

20. The XRB interest (and ability to take action) is less likely in relation to the audit reports received that cover modified opinions that arise from “a limitation on the scope of an audit”. This is because these are often more likely to arise from “practical” issues and are often less likely to arise as a direct result of applying, or not applying, XRB standards or the XRB strategy. Therefore, the XRB is less likely to need to modify accounting standards, auditing & assurance standards or the XRB strategy or take other action (for example, issuing further guidance) in response to this type of modified audit report.
21. Nevertheless, limitations imposed by management may be related to, for example, the governing body considering that an accounting standard requirement is not practicable. Similarly, while auditors not complying with auditing & assurance standards falls, prima facie, within the role of the regulator to take action (rather than within the role of the XRB), such non-compliance may indicate that further guidance is required.
22. As such, for the purpose of this policy, all modified audit opinions will be reviewed to determine if any XRB action is required.

What entities and standards are involved?

23. The Companies Act 1993 covers all companies incorporated under that Act. These may be for-profit companies or public benefit entities (PBEs).
24. The Financial Markets Conduct Act 2013 covers FMC reporting entities. These may be entities under any organisational structure (companies, credit unions, building society etc).
25. Entities under both Acts may be in:
 - a. For-profit Tier 1 and Tier 2¹³; or
 - b. PBE Tier 1, Tier 2 or Tier 3¹⁴.
26. Therefore, the modified audit opinions could potentially affect all the accounting standards (except the Tier 4 standards) and all auditing & assurance standards issued by the XRB.

¹³ A Tier 2 for-profit entity that is not an FMC reporting entity may opt out of the audit requirements.

¹⁴ A Tier 4 PBE is not required to have an audit. A Tier 3 PBE with expenses of less than \$1 million is also not required to have an audit.