

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

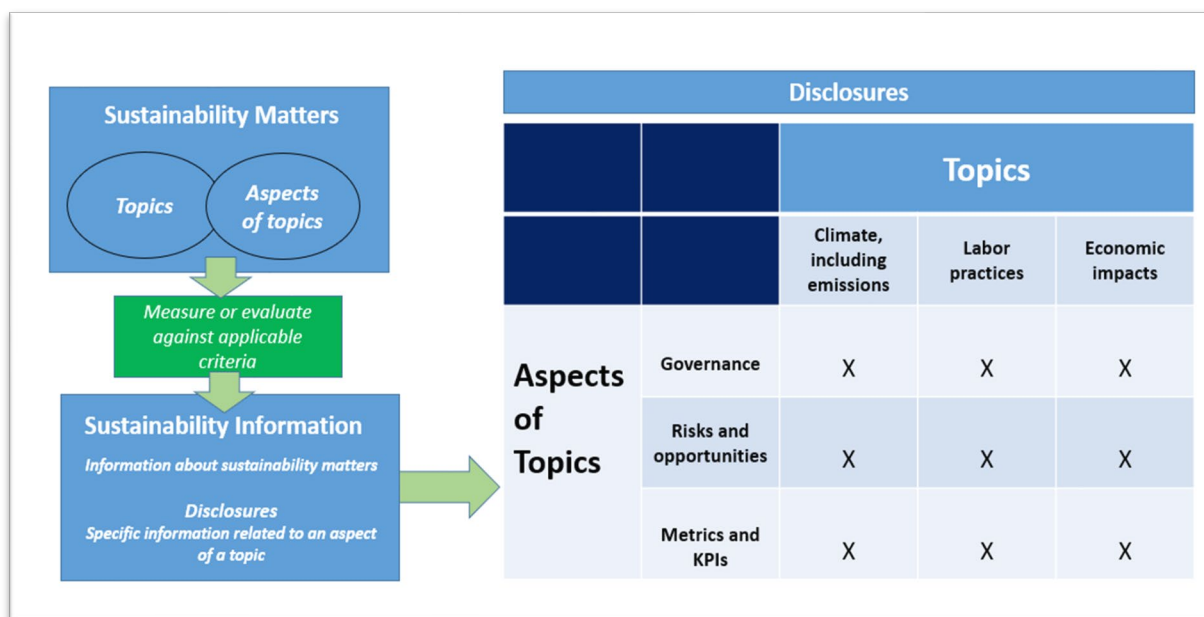
33. Another important consideration for the IAASB was aligning, to the greatest extent possible, the definition of sustainability information in ED-5000 with the corresponding definition being developed by IESBA in connection with its sustainability project. In discussions with the IESBA project Task 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
Obtain an understanding of certain components (control environment, results of the entity's risk assessment process, and the information system and communication) (Paragraph 102L)	Obtain an understanding of all components (Paragraph 102R)
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)	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)
Obtain an understanding, and evaluate the design and determine the implementation, of controls that the practitioner plans to test (Paragraph 108L)	Obtain an understanding, and evaluate the design and determine the implementation, of controls that the practitioner plans to test (Paragraph 108R)
Based on the understanding of the components of internal control, consider whether one or more control deficiencies have been identified (Paragraph 109L)	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 <u>is able to be</u> sufficiently and appropriately involved in the work	Practitioner <u>is unable to be</u> 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 (<i>including Network Firms and Non-Network Firms</i>)	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.	• <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	• <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.

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]	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. 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.	[As indicated for each of the priority areas in the rows below] • <i>Implementability</i>
PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence	<u>Requirements</u> Paras. 94L – 136 Paras. 168 - 192 <u>Application Material</u> Paras. A286 – A397	• 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.	• <i>Relevance</i> • <i>Comprehensiveness</i> • <i>Implementability</i> • <i>Enforceability</i>

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
	Paras. A463 – A521 <u>Appendix 2</u>	• 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.	
PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”	<u>Requirements</u> Paras. 72, 98, 145 <u>Application Material</u> Paras. A166 – A186 Paras. A299 – A301 Paras. A424 – A426	• 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.	• <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
		• 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.”	
PA.3: The scope of the assurance engagement	<u>Requirements</u> Paras. 3-4, 7 – 9 Para. 17 Paras. 69 – 77 Para. 88 Para. 170	• 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.	• <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
	<u>Application Material</u> Paras. A10 – A12 Paras. A15 – A16 Para. A32 Paras. A154 – A202 Para. A261 <u>Appendix 1</u>	A comprehensive list of examples of topics and aspects of topics is provided. - 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	

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
		different parts of the sustainability information, obtained by the practitioner. Includes application material that addresses scalability in planning and performing a sustainability assurance engagement for a less complex entity.	
PA.4: Evidence, including the reliability of information and what comprises sufficient appropriate evidence	<u>Requirements</u> Paras. 82 – 87 Paras. 94L – 113 Paras. 114L – 136 <u>Application Material</u> Paras. A209 – A258 Paras. A286 – A357L Paras. A358 – A397	- 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	<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
		information that has been prepared by a management's expert. • Application material discusses in detail the characteristics of sufficiency and appropriateness of evidence, including the challenges in obtaining sufficient and appropriate evidence related to qualitative and forward-looking information. • Includes requirements 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.	
PA.5: The entity's system of internal control and its impact	<u>Requirements</u>	• Requires the practitioner to obtain an understanding of certain components of the entity's system of internal	• <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
on the ability of the practitioner to obtain sufficient appropriate evidence	Paras. 102L – 109R <u>Application Material</u> Paras. A312 – A348	control for a limited assurance engagement and all components for a reasonable assurance engagement. • 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	• <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
		implementation of controls, and determining the extent of testing the operating effectiveness of controls. 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.	
PA.6: Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information	<u>Requirements</u> Paras. 91 – 93 Para. 143 <u>Application Material</u> Paras. A270 – A285	- For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, requires the practitioner to: - 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	<i>Relevance</i> <i>Comprehensiveness</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
		determination of performance materiality (quantitative disclosures). • 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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