

Sustainability Assurance – Limited and Reasonable Assurance

This Agenda Item includes the analysis of comments received on Questions 7, 13 and 17 in the Explanatory Memorandum (EM) to ED-5000, and the related SATF views and recommendations. These questions address the following interrelated topics, respectively, which are presented in the three main sections of this Agenda Item:

- Overall differentiation between limited assurance and reasonable assurance engagements
- Differentiation in the approach to understanding the system of internal control
- Approach to risk procedures for limited assurance engagements

Overall Differentiation between Limited and Reasonable Assurance

Background

1. As an overarching standard, ED-5000 addressed both limited and reasonable assurance engagements. The requirements and application material that applied to only limited assurance or reasonable assurance engagements were differentiated with the letter “L” (limited assurance) or “R” (reasonable assurance), respectively, after the paragraph number. ED-5000 also used a columnar format to differentiate requirements that are specific to limited and reasonable assurance engagements.

What We Asked

2. Question 7 asked respondents:

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?

119 of 143 respondents provided a response to question 7, including all four Monitoring Group (MG) members. See **Agenda Item 3-I.6** for further details on the overall responses and **Agenda Item 3-J.6** for comments received.

What We Heard

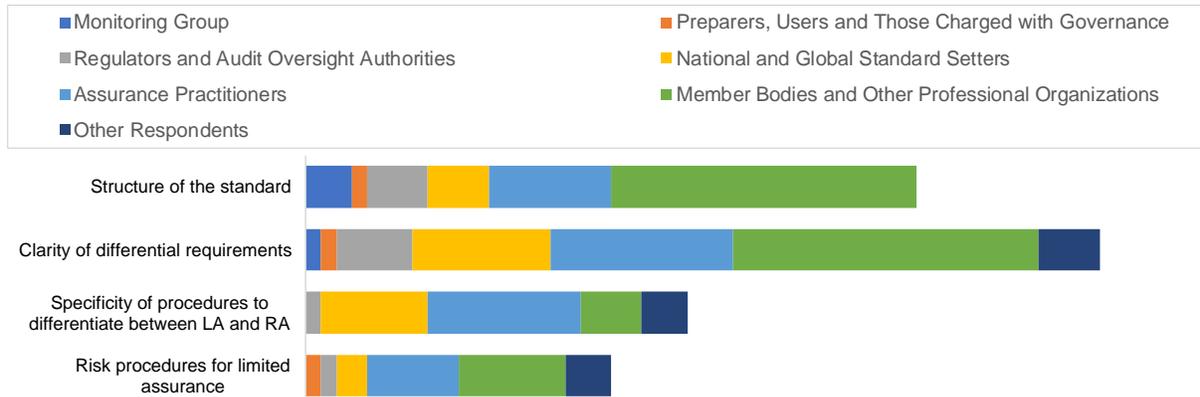
Highlights

- Respondents strongly supported the structure of the standard, including requirements for both limited and reasonable assurance in one standard, and the tables that present the requirements for limited and reasonable assurance side-by-side.
- Nevertheless, many respondents expressed the need for further clarity around the differentiation between limited assurance and reasonable assurance, and more specificity as to the minimum requirements, especially for limited assurance engagements.

- Respondents had differing opinions on the nature, timing and extent of procedures that should be required in a limited assurance engagement.

3. The chart below shows a breakdown of the comments on question 7 by theme and stakeholder group.

Differentiation Between Limited and Reasonable Assurance



Monitoring Group Comments

4. Overall, the MG members agreed that ED-5000 provides an appropriate basis for performing these engagements, and supported the IAASB's approach of having a single standard that covers both limited and reasonable assurance engagements. However, they suggested some clarifications and additions to enhance understanding of the levels of assurance and the differential objectives and requirements related to limited and reasonable assurance.

Other Respondents' Comments

5. The three overarching themes emerging from the comments received related to:
- Clarification of the distinction between limited assurance and reasonable assurance engagements (i.e., the structure of the standard and general points about differences);
 - Specificity of procedures to differentiate between limited and reasonable assurance; and
 - Work effort for limited assurance (i.e., work effort being either too onerous or insufficient).

Clarification of the Distinction Between Limited Assurance and Reasonable Assurance Engagements

Structure of the Standard

6. Respondents agreed that ED-5000 provides an appropriate basis for performing both limited assurance and reasonable assurance engagements, and in particular respondents:
- Supported the IAASB's approach of having a single standard that covers both types of engagements.
 - Supported the use of a columnar format, with "L" and "R" labels to differentiate between limited and reasonable assurance.

- Suggested that the final standard should be published electronically in a way that allows practitioners to easily access the relevant requirements based on the type of engagement being performed.
7. However, many respondents that supported the structure and direction of ED-5000 included additional comments related to the differentiation of work effort between limited and reasonable assurance engagements. These comments conveyed a wide range of viewpoints across all stakeholder groups, with no clear majority view. Key viewpoints expressed by stakeholders are further summarized below.

General Points About Differences

8. The comments from respondents highlighted the need for additional guidance, examples, and educational materials to clarify the distinctions between the two levels of assurance. Respondents expressed concerns about potential confusion and misunderstanding among users, and the need to minimize expectation gaps.
9. There was a call for further clarification on the differences in procedures, evidence, and documentation required for each level of assurance. The comments highlighted the need for more guidance on risk assessment, internal controls, and responses to risks, including the nature and extent of further procedures. Respondents also recommended providing more information on the level of work effort and the degree of understanding of the entity and its environment required for each level of assurance.

Specificity of Procedures to Differentiate between Limited and Reasonable Assurance

10. Many respondents observed that providing more specificity as to the required procedures for both limited and reasonable assurance engagements (and particularly for limited assurance engagements), would:
- Clarify the differences between the two levels of assurance.
 - Maintain the integrity of limited assurance engagements by requiring minimum procedures.
 - Align with current market practices.
 - Facilitate consistent application of ED-5000.
11. Specific suggestions as to where clarity around differential requirements would be beneficial included:
- Materiality (and understanding the entity's materiality process)
 - Analytical procedures
 - Sampling
 - Estimates and forward-looking information
 - Evaluating evidence
 - Using the work of others
 - Communications with management and those charged with governance
 - Documentation

Work Effort for Limited Assurance

12. Respondents had mixed views on the specificity of risk procedures in limited assurance engagements, with views grouped as follows:
- (a) Some respondents called for risk procedures to be more aligned with those required in reasonable assurance engagements. Those respondents also provided comments regarding understanding all five components of internal control in a limited assurance engagement, and assessing the risk of material misstatement at the assertion level for a limited assurance engagement, believing that this is necessary to:
 - (i) Understand where the risks or material misstatement may be;
 - (ii) Be consistent with what practitioners are currently doing; and
 - (iii) Maintain the integrity of the limited assurance engagement.
 - (b) Other respondents called for less onerous (or no) required risk procedures in limited assurance engagements. These respondents focused on the:
 - (i) Differences between ED-5000 and ISAE 3000 (Revised),¹ ISAE 3410,² and ISRE 2400 (Revised),³ and the need for consistency in performing limited assurance engagements; and
 - (ii) Lack of maturity in the market.
13. See also the analysis of the responses to Question 13 in the *Differentiation in the Approach to Understanding the System of Internal Control* section below.

Other Comments

14. Respondents also noted the following:
- (a) Confusion about how the practitioner would plan to obtain evidence from testing the operating effectiveness of controls in a limited assurance engagement. The requirements for limited assurance engagements in ED-5000 did not explicitly include control activities in the understanding phase, making it unclear how the practitioner would test controls without that understanding.
 - (b) Concerns about the exclusion of a separate inherent and control risk assessment in ED-5000, suggesting that it should be explicitly addressed, especially when testing controls in limited or reasonable assurance engagements.
 - (c) Requests for non-authoritative guidance, practical examples, and educational material, aimed at both practitioners and users of sustainability information, to enhance understanding and reduce the expectation gap related to the differential objectives and requirements related to limited and reasonable assurance.
15. Several respondents, including one MG member, called for more clarity in the meaning of the following terms in ED-5000:

¹ ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

² ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

³ ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

- Limited assurance, “meaningful level of assurance,” and “more than inconsequential.”
- “Likely to arise” and “spectrum of risk.”
- The verbs “evaluate,” “determine,” “consider,” and “understand.”

Observations from the Survey

The questions in the stakeholder survey did not cover the differentiation of limited assurance and reasonable assurance.

SATF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-H		
Introduction and Requirements	Application Material	Related Definitions
132LA, 132RA, 133L	A385	NA

- The SATF considered the feedback to question 7, which addressed the overall differentiation between limited and reasonable assurance engagements, together with the feedback to questions 13 and 17, which addressed more specific aspects about such differentiation, namely understanding the entity’s system of internal control and risk procedures, respectively. The SATF views and recommendations in this regard are addressed in the remaining sections of this paper.
- In addition, the SATF recommends the following to address two other items that emerged from the comments to question 7:
 - Emphasizing the difference between the “deep dive” in a limited assurance engagement and the need to obtain evidence to enable the expression of a reasonable assurance conclusion in a reasonable assurance engagement (see paragraphs 132LA, 133RA and 133L of **Agenda Item 3-H**).
 - Clarifying that, when a practitioner is selecting an item as part of risk identification or assessment procedures, or to evaluate the reliability of information, it is not “sampling,” and the requirements associated with sampling do not necessarily apply (see paragraph A385 of **Agenda Item 3-H**).
- The SATF identified several gaps in ED-5000 when discussing the risk procedures that the SATF proposed to address in the following new requirements and application material:
 - For the practitioner to determine whether the criteria are suitable for the engagement circumstances when understanding the applicable criteria, which was omitted in ED-5000 (see paragraph 98A of **Agenda Item 3-H**);
 - When new information results in revision of the assessment of the risks of material misstatement (see paragraph 132LA of Agenda Item 3-H); and
 - Clarification of the depth of the understanding necessary of the entity and its environment in a limited assurance engagement (see paragraph A303 of **Agenda Item 3-H**).

Matters for IAASB Consideration:

1. The IAASB is asked for its views on the SATF's recommendations and proposed revisions to ED-5000, with respect to the specific matters described in paragraphs 17 and 18 above.

Differentiation in the Approach to Understanding the System of Internal Control

Background

19. ED-5000 required 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. The understanding was required to be obtained for certain components of the system of internal control for limited assurance engagements, and all components for reasonable assurance engagements. 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).

What We Asked

20. Question 13 asked respondents:

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?

103 of 143 respondents provided a response to question 13, including three MG members. See **Agenda Item 3-I.7** for further details on the overall responses and **Agenda Item 3-J.7** for comments received.

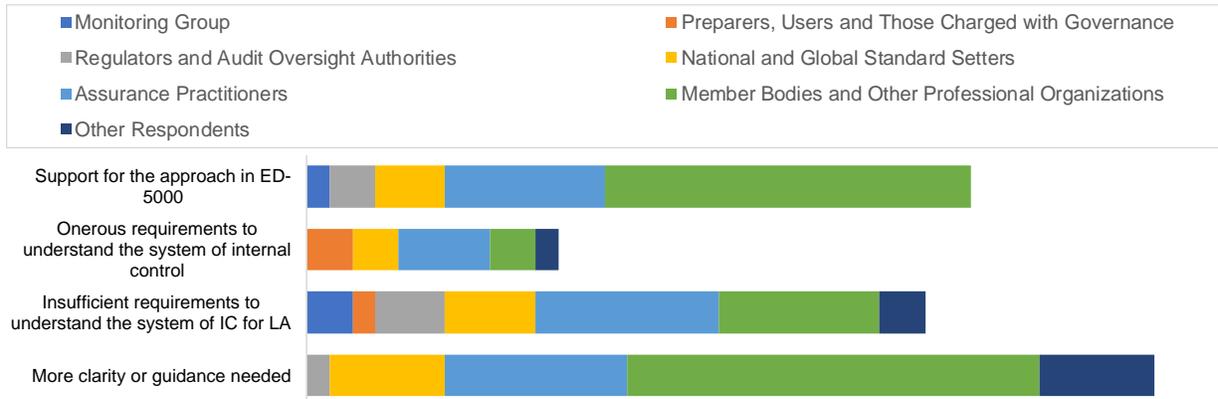
What We Heard

Highlights

- Mixed views as to whether:
 - The requirements in ED-5000 were appropriate; or
 - Practitioners performing a limited assurance engagement should be required to:
 - Understand more or all of the components of internal control; or
 - Obtain a less rigorous or no understanding of the components of internal control.
- A need for further guidance or examples to demonstrate the differentiation in approach to understanding the system of internal control and the extent of the work effort required to obtain the understanding for each level of assurance.

21. The chart below shows a breakdown of the comments on question 13 by theme and stakeholder group.

Differentiation in the Approach to Understanding the System of Internal Control



Monitoring Group Comments

22. In general, the three MG members that responded to this question agreed that the requirements for internal controls should be less rigorous for limited assurance engagements. However, two of the MG members suggested that, for a limited assurance engagement, the practitioner should also be required to evaluate the control environment and understand both the risk assessment and monitoring processes (not just the results). The MG members considered that the understanding required would be less in extent for a limited assurance engagement than for a reasonable assurance engagement.

Respondents' Comments

23. The three overarching themes emerging from the comments received related to:
- (a) Support for the approach in ED-5000 (for obtaining an understanding of the entity's system of internal control for all assurance engagements);
 - (b) Required understanding of the system of internal control (i.e., work effort being too onerous, overall and specifically for limited assurance, or that it is not sufficient for limited assurance); and
 - (c) Further clarification of the distinction.

Support for the Approach in ED-5000

24. Many respondents expressed agreement with the differentiation in the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements. The differentiation was seen as necessary and practical, with the level of work performed being commensurate with the level of assurance being provided. It was also considered cost-effective and in line with the principles of a risk-based approach. The respondents generally supported the alignment with existing standards and the flexibility provided by the proposed standard, indicating that it strikes an appropriate balance between clarity, scope, and scalability.

Required Understanding of the System of Internal Control

Requirements to Understand the System of Internal Control are Too Onerous

25. Some respondents raised concerns about the feasibility of understanding the components of internal control, for both limited and reasonable assurance engagements, in the context of sustainability information where the controls are often immature, operated by various departments, and cover a wide range of disparate topics. Others thought the work effort was too onerous for a limited assurance engagement. Those respondents expressed concerns about potential conflicts with ISRE 2400 (Revised), ISAE 3000 (Revised) and ISAE 3410 and the need for consistency in expectations for limited assurance engagements.
26. Respondents that expressed concerns that the requirements in the standard were too onerous were concerned specifically about the fact that the conditional requirement to understand the controls the practitioner plans to test in a limited assurance engagement implied a requirement to test the operating effectiveness of controls. Respondents highlighted that existing assurance standards do not expect or require testing controls in assurance engagements unless the practitioner intends to obtain evidence about their operating effectiveness in determining the nature, timing and extent of further procedures. Others requested guidance on when operating effectiveness testing is expected in limited assurance engagements and what alternative procedures can be performed if testing is not possible.

Requirements to Understand the System of Internal Control in a Limited Assurance Engagement are Insufficient

27. Many respondents questioned the rationale behind the differentiation in requirements for obtaining an understanding of the components of the entity's system of internal control for limited and reasonable assurance engagements. Some of these respondents focused on the system of internal control overall, while others were focused on individual components.
28. These respondents had concerns that the requirements for limited assurance engagements may be insufficient and that the nature of the work for understanding internal control should be the same regardless of the level of assurance. They suggested that consistent requirements would drive greater consistency in performance and help with the transition from limited to reasonable assurance engagements. Some respondents suggested alternative approaches to differentiation. Instead of scaling down the breadth of understanding required, they focused on scaling down the depth of understanding, or the extent of risk procedures required to obtain the understanding for limited assurance engagements.
29. Some respondents had comments related to the practitioner's understanding about each of the individual components of internal control, as explained below.
30. **Control environment:** Several respondents commented that the procedures to understand the control environment, including the evaluation of the control environment, in a reasonable assurance engagement should be applicable to limited assurance engagements as well.
31. **The entity's risk assessment process:** Some respondents found the distinction between understanding the results of the entity's risk assessment process (limited assurance) and understanding the entity's risk assessment process (reasonable assurance) to be unclear. Some respondents suggested an explicit requirement to understand the results of the risk assessment process in a reasonable assurance engagement and other respondents (some firms and one MG

member) suggested a requirement to understand the risk assessment process in a limited assurance engagement.

32. **Monitoring:** Some firms and one MG member noted that a requirement for the practitioner to understand the entity's process to monitor the internal control system is appropriate for both limited and reasonable assurance engagements. They were of the view that the monitoring process is equally relevant to a limited assurance engagement, observing that, particularly as systems mature, sustainability information is likely to be captured and maintained in an IT environment, subject to monitoring.
33. **Information system and communication:** There were a wide range of comments requesting additional requirements and guidance on understanding the entity's information system and communication, including controls over the reliability of information produced by the entity and controls over the entity's process to identify sustainability information to be reported.
34. **Control activities:** Respondents expressed various concerns and offered recommendations related to the requirements and guidance for understanding and testing controls in limited assurance engagements:
 - (a) Some respondents (including one MG member, one regulator, and some firms) were of the view that there should be consistency in the requirements between limited and reasonable assurance engagements with respect to understanding the control activities component and testing controls.
 - (b) Other respondents suggested that the language used in the standard could be misleading and imply that testing controls is expected or required in a limited assurance engagement (see also paragraph 26 above). Furthermore, they did not believe that the requirements in a limited assurance engagement to understand controls would support the ability to test controls.
 - (c) Some respondents requested additional application material with respect to general IT controls.

Further Clarification of the Distinction

35. Many respondents requested additional guidance or examples explaining the differentiation in the approach to obtain the understanding of the system of internal control for limited and reasonable assurance.
36. Respondents also requested further guidance on a variety of specific topics, including:
 - What to do when deficiencies in controls are identified.
 - Additional clarity on the requirement for the practitioner to consider the need to perform substantive procedures for disclosures that, in the practitioner's judgment, are important to the information needs of intended users.
 - Further clarity around the use of certain terminology.
 - When controls are the aspects of topics subject to assurance.
 - The effect of controls on the practitioner's evaluation of relevance and reliability of information produced by the entity to be used as evidence.
 - Engagements requiring both limited and reasonable assurance.

- Testing at an interim date.
- Initial engagements.
- Service organizations.

Observations from the Survey

The questions in the stakeholder survey did not cover the understanding the entity’s system of internal control.

SATF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-H		
Introduction and Requirements	Application Material	Related Definitions
102L/R, 103L/R, 104L/R, 105L/R, 106, 107R, 108L and 108R.	A339A-339C, A345LA and A349.	NA

- Overall, the SATF recommends retaining the requirements to understand the components of internal control for reasonable and limited assurance engagements.
- The SATF suggests presenting the requirements to understand the components of internal control for limited and reasonable assurance side-by-side in the columnar format, with separate requirements for each component to clarify the differences between the understanding required and the work effort necessary to obtain the understanding. The SATF has proposed amendments to clarify the differentiation in the requirements between limited and reasonable assurance (see paragraphs 102L/R, 103L/R, 104L/R and 105L/R and A333A-A333C of **Agenda Item 3-H**).
- The SATF recommends clarifying that understanding the entity’s risk assessment process and the entity’s process to monitoring controls in a reasonable assurance engagement includes understanding the results of those processes. While this was the intent of the requirement in ED-5000, it was unclear to respondents (see paragraph 104R(b) of **Agenda Item 3-H**).
- The SATF further recommends adding a requirement for limited assurance engagements to understand the results of the entity’s process to monitor controls (see paragraph 105L and A326A of **Agenda Item 3-H**). The SATF was of the view that:
 - This change is responsive to comments received, which were largely supportive of the approach in ED-5000, with a preference (including from two MG members) toward requiring a greater understanding of all of the components of internal control in a limited assurance engagement; and
 - This understanding of the results of the entity’s process to monitor controls is relevant to the practitioner’s decision as to whether to obtain evidence through tests of controls for a limited assurance engagement, and to the identification and assessment of risks at the disclosure level in a limited assurance engagement (see also the SATF recommendations in the Approach to Risk Assessment for Limited Assurance Engagements section below).
- With respect to the control activities component, the SATF recommends relocating the conditional

requirement to understand control activities in a limited assurance engagement so that it is not next to (and therefore does not appear parallel to) the requirement to understand control activities in a reasonable assurance engagement. This emphasizes that understanding control activities is in principle not required in a limited assurance engagement. In addition, the SATF proposes adding application material to clarify that understanding the control activities in a limited assurance engagement, in accordance with the ‘new’ paragraph 108L, is conditional on the practitioner’s decision to obtain evidence about the operating effectiveness of controls. While this was included in the requirement in ED-5000, it was misunderstood by several respondents (see paragraphs 107R, 108L/R and A345LA of **Agenda Item 3-H**).

42. The SATF also proposes additional application material:
 - (a) For identifying IT applications and other aspects of the IT environment, relating to risks arising from IT and general IT controls to address those risks (see paragraphs A339A-339C of **Agenda Item 3-H**).
 - (b) In response to comments that the “spectrum of risk” needed further explanation, leveraging established wording from paragraph A205 of ISA 315 (Revised 2019)⁴ on identifying and assessing risks (see paragraph A349 of **Agenda Item 3-H**).
43. The SATF proposes additional application material to address a number of the specific matters raised by respondents in paragraphs 35-36 above, as follows:
 - (a) As the response to deficiencies identified is addressed in paragraphs A346-A347 already, further examples of indicators of deficiencies in controls were proposed (See paragraph A347A).
 - (b) Additional clarity on the requirement in paragraph 127R of ED-5000 for the practitioner to consider the need to perform substantive procedures for disclosures that, in the practitioner’s judgment, are important to the information needs of intended users (see paragraph A376RA).
44. The SATF was of the view that the remaining matters for which further guidance was requested in paragraph 36 above can be addressed in separate guidance (see paragraph 21 of **Agenda Item 3**).

Matters for IAASB Consideration:

1. The IAASB is asked for its views on the SATF’s recommendations and proposed revisions to ED-5000 for understanding the system of internal control, including:
 - (a) Separate requirements for each component of internal controls in the columnar format (see paragraph 38 above).
 - (b) Requirements for the results of both the entity’s risk assessment process and monitoring of controls for both limited and reasonable assurance engagements (see paragraphs 39-40 above).
 - (c) Relocation and clarification of the conditional requirement to understand control activities for limited assurance (see paragraph 41).
 - (d) Application material (see paragraph 43 above).

⁴ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Approach to Risk Procedures for Limited Assurance Engagements

Background

45. For a limited assurance engagement, ED-5000 required the practitioner to design and perform risk procedures “sufficient to identify disclosures where material misstatements are likely to arise” and thereby provide a basis for designing further procedures to focus on those disclosures. This approach was consistent with ISAE 3000 (Revised) for limited assurance engagements. The IAASB noted that ISAE 3410 requires, for limited assurance engagements, the identification and assessment of risks of material misstatement at the GHG statement level and for material types of emissions and disclosures. However, the IAASB was of the view that the approach in ISAE 3000 (Revised) provided an appropriate framework for the practitioner’s consideration of disclosures where material misstatements are likely to arise for a sustainability assurance engagement (for further explanation see paragraphs 98-101 the Explanatory Memorandum.)

What We Asked

46. Question 17 asked respondents:

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?

101 of 143 respondents provided a response to question 17, including one MG member. See **Agenda Item 3-I.8** for further details on the overall responses and **Agenda Item 3-J.8** for comments received.

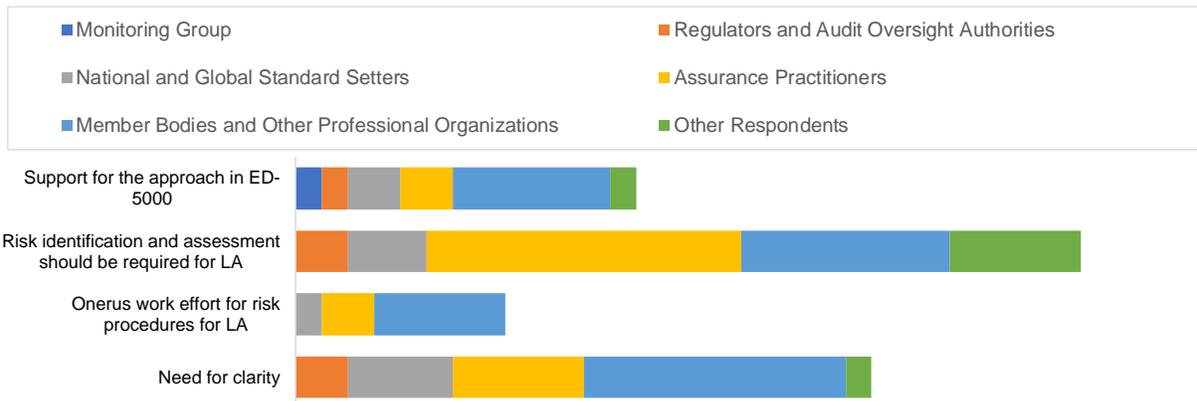
What We Heard

Highlights

- Overall support for a requirement for a risk assessment for limited assurance engagements, with differing opinions as to whether the risk assessment should be at the level of the disclosure or at the assertion level.
- Calls for clarity regarding the difference in the risk assessment approach between limited and reasonable assurance engagements.

47. The chart below shows a breakdown of the comments on question 17 by theme and stakeholder group.

Approach to Risk Procedures for Limited Assurance Engagements



Monitoring Group Comments

48. The MG member that responded to this question supported the approach in ED-5000.

Other Respondents' Comments

Support for the Approach in ED-5000

49. Some respondents, across stakeholder groups, supported the approach to designing and performing risk procedures for limited assurance engagements in ED-5000. These respondents broadly agreed that the practitioner’s consideration of disclosures where material misstatements are likely to arise is appropriate for a limited assurance engagement due to the wide range of sustainability disclosures. Support for the approach included the following:

- (a) The differentiation between limited and reasonable assurance engagements in terms of risk assessment is seen as aligned with other IAASB standards, such as ISAE 3000 (Revised).
- (b) The proposal to differentiate procedures based on the level of assurance is seen as vital, with limited assurance being the starting point for most companies on their sustainability assurance journey.
- (c) The targeted focus on understanding riskier disclosures at the disclosure level is seen as suitable for limited assurance engagements, with flexibility to use assertions in limited assurance engagements.

Risk Identification and Assessment Should be Required in Limited Assurance Engagements

50. A majority of respondents were of the view that risks of material misstatement should always be identified and assessed, regardless of the level of assurance. Respondents had differing views on whether the risk assessment should occur at the level of the disclosure, as in ISAE 3410, or at the assertion level.

51. Those respondents in support of a risk assessment for limited assurance engagements, commented that:

- (a) It is not clear how to identify risks that are "more likely to arise" in the absence of a full risk assessment.
- (b) The approach in ED-5000 may not provide an appropriate basis for designing and performing

further procedures and may negatively impact the quality and effectiveness of limited assurance engagements. A more comprehensive risk assessment process, similar to what is required for reasonable assurance engagements, is necessary to obtain a meaningful level of assurance and to ensure consistency and quality in sustainability assurance engagements.

- (c) Current practice in sustainability assurance often involves a more robust risk assessment process for limited assurance engagements, similar to what is required for reasonable assurance engagements.
- (d) Language used in ED-5000, such as "where material misstatements are likely to arise," may not be sufficiently clear and actionable for assurance practitioners. These comments recommended a more explicit requirement to assess risks of material misstatement at the assertion level for both limited and reasonable assurance engagements.
- (e) The need for alignment with existing standards and guidance, such as ISAE 3410 and ISAE 3000 (Revised). These respondents noted that the proposed approach in ED-5000 may create inconsistencies and confusion with the existing standards. They suggested that a more harmonized and unified approach to risk assessment would promote consistency and quality in sustainability assurance engagements.

Work Effort for Risk Procedures for Limited Assurance is too Onerous

52. Some respondents considered that ED-5000 required too great a work effort for identifying risk in limited assurance engagements. These respondents suggested that:
- (a) There should be a clear distinction in the work effort required for risk procedures for limited and reasonable assurance engagements. The approach in ED-5000 did not provide a significant reduction in the work effort for limited assurance engagements, which could result in an unnecessary burden for practitioners and engaging entities.
 - (b) Regulatory requirements, such as the EU's Corporate Sustainability Reporting Directive (CSRD), often mandate limited assurance engagements as a transitional provision. The proposed approach should align with the intent of these reporting requirements, which seek to ease the administrative burden on preparers. Reducing the requirements relating to risk assessment in limited assurance engagements would better align with regulatory expectations.
 - (c) The ED-5000 approach, which included a robust process for risk procedures, may not be practical or proportionate for engagements of limited scope or complexity. There is a need for efficiency and cost-effectiveness in limited assurance engagements. A more streamlined approach would better serve the needs of practitioners and reporting entities.

Need for Clarity

53. Some respondents considered that:
- (a) Clearer guidance is needed on the procedures to be performed once a likely misstatement is detected in identified areas in a limited assurance engagement. A few respondents suggested applying the notion that "the higher the risk, the more persuasive evidence is required" to limited assurance engagements, while acknowledging that the level of evidence may differ from reasonable assurance engagements.
 - (b) There is an overall lack of clarity and consistency in risk assessment requirements and

procedures for limited assurance engagements. Recommendations included providing more examples and application guidance to add clarity and ensure consistent and high-quality sustainability assurance engagements.

- (c) Paragraphs 94L and 94R of ED-5000 illustrate the differentiation in approach between limited and reasonable assurance in terms of the reference to assertions. However, paragraph A354L introduces confusion because it states that practitioners are not required to identify and assess risks of material misstatement at the assertion level, but may find it useful to do so.

Other Comments Related to Risk Assessment Procedures

- 54. Respondents requested further guidance in a number of areas related to risk assessment procedures, including aggregation and disaggregation of disclosures; fraud and management bias; measurement uncertainty; hybrid engagements; initial engagements; pervasive risks; boundaries, including the consideration of upstream and downstream risks; and the transition from limited to reasonable assurance.
- 55. Several respondents, including a MG member, called for more clarity for certain terms and definitions, including:
 - (a) “Limited assurance,” “meaningful level of assurance,” and “more than inconsequential.”
 - (b) “Likely to arise.”
 - (c) “Spectrum of risk.”
 - (d) The verbs “evaluate,” “determine,” “consider,” and “understand.”

Observations from the Survey

The questions in the stakeholder survey did not cover risk procedures in a limited assurance engagement versus a risk assessment in a reasonable assurance engagement.

SATF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-H		
Introduction and Requirements	Application Material	Related Definitions
94L, 110L, 111, 114L, 115, 125(c) and 126L	A349 Conforming amendments: A286-A288, A290L (deleted), A291, A294, A298, A299, A302, A311-A312, A315L, A318, A322, A333, A336, A352L (deleted), A354L (deleted), A356, A357L (deleted), A360, A362, A363, A365-A367 and A381.	N/A

56. In considering the differing views from respondents, the SATF noted that the approach to limited assurance engagements in ED-5000 and ISAE 3410 are both risk-based. This is the case for all of the IAASB’s standards, when undertaking audits, reviews, and other assurance engagements (also see the IAASB’s International Framework for Assurance Engagements). The difference is in the nature and application of the risk-based approach. The approach in ED-5000 is simpler (both in terms of performance and documentation), as the practitioner’s procedures focus on identifying those disclosures where material misstatements “are likely to arise.”
57. ISAE 3410 is more specific about the practitioner’s risk-based approach, as the practitioner is required to identify and assess risk of material misstatement based on their understanding of the likelihood and magnitude of material misstatements at the disclosure level, and the practitioner designs and performs procedures based on the assessed risks to reduce engagement risk to a level that is acceptable for the limited assurance engagement.
58. However, the SATF agrees with those respondents who note that the approach in ISAE 3410 provides greater clarity and consistency in the work effort for limited assurance engagements, and in the explanation of the work performed in the assurance report. In addition, if adopted for proposed ISAE 5000, it provides a consistent approach to that already applies under ISAE 3410 for assurance on GHG statements, thereby addressing respondents’ confusion about this anomaly.
59. Consequently, in response to the comments received, the SATF recommends aligning the risk-based approach with ISAE 3410 and requiring the practitioner, in a limited assurance engagement, to identify and assess the risks of material misstatement for disclosures as a basis for designing and performing further procedures. The SATF has amended the requirements for risk procedures and the related application material to align with the approach for a risk assessment and to clarify the “spectrum of inherent risk” (see paragraphs 94L, 110L, 111, 115, 125(c) and 126L and A349 of **Agenda Item 3-H**). The SATF is of the view that this approach will:
- (a) Address concerns from respondents about the difference in work effort for risk identification and assessment between ED-5000 and ISAE 3410 (also see **Agenda Item 3-A**).
 - (b) Provide a basis for designing and performing further procedures to obtain a meaningful level of assurance.
 - (c) Drive consistency and quality in sustainability assurance engagements.
 - (d) Better facilitate the transition from limited assurance to reasonable assurance in the future.
60. The SATF concluded that the additional matters raised by respondents, such as those noted in paragraphs 54 and 55 above, can be addressed in separate guidance (see paragraph 21 of **Agenda Item 3**).

Matters for IAASB Consideration:

1. The IAASB is asked for its views on the SATF’s recommendations and proposed revisions to ED-5000 to require a risk assessment at the disclosure level for limited assurance (see paragraph 59).