ISSA 5000 in Focus Webinar Series:

Webinar #1: Foundational Principles and Concepts, and Accepting the Engagement

October 1, 11:00 UTC | October 2, 18:00 UTC

Outline of Webinar #1

FOUNDATIONAL PRINCIPLES AND CONCEPTS, AND ACCEPTING THE ENGAGEMENT

- Overview of ISSA 5000
  – Josephine Jackson, IAASB Vice Chair
- Understanding the Foundational Principles and Concepts
  – Dan Montgomery, IAASB Consultant
- Engagement Level Quality Management
  – Dan Montgomery
  – Claire Grayston, IAASB Sustainability Assurance Lead
- Accepting a Sustainability Assurance Engagement
  – Claire Grayston

➢ Followed by Questions & Answers

Overview of ISSA 5000

Josephine Jackson, IAASB Vice Chair

ISSA 5000: Global Baseline

FOR SUSTAINABILITY ASSURANCE FOR A TRUSTWORTHY SUSTAINABILITY REPORTING ECOSYSTEM

A suitable sustainability reporting framework

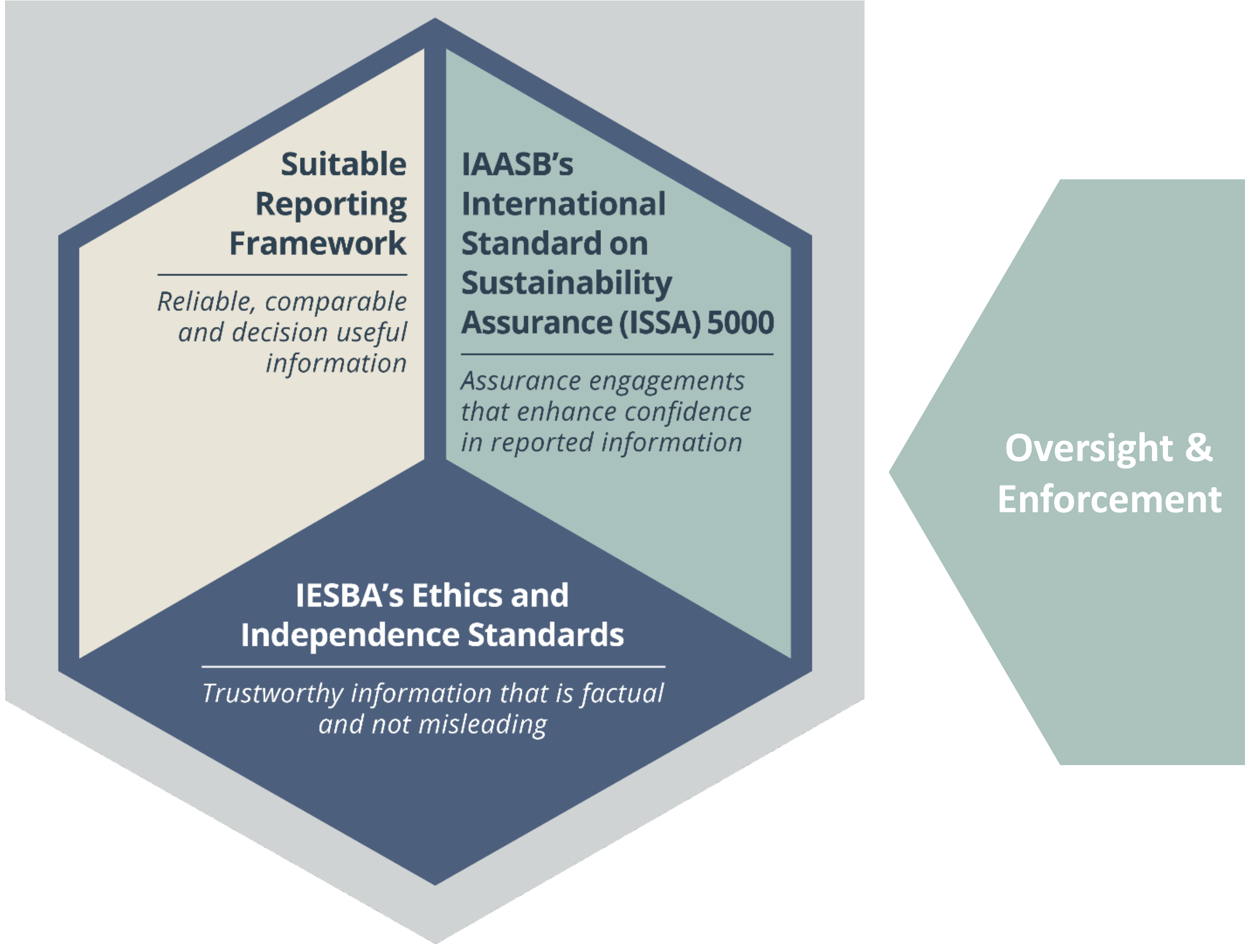
Assurance under ISSA 5000

- Clear principles-based requirements for consistent performance of quality limited or reasonable assurance engagements globally
- Underpinned by quality management – ISQM 1 or system “at least as demanding” at the firm

Ethics and Independence

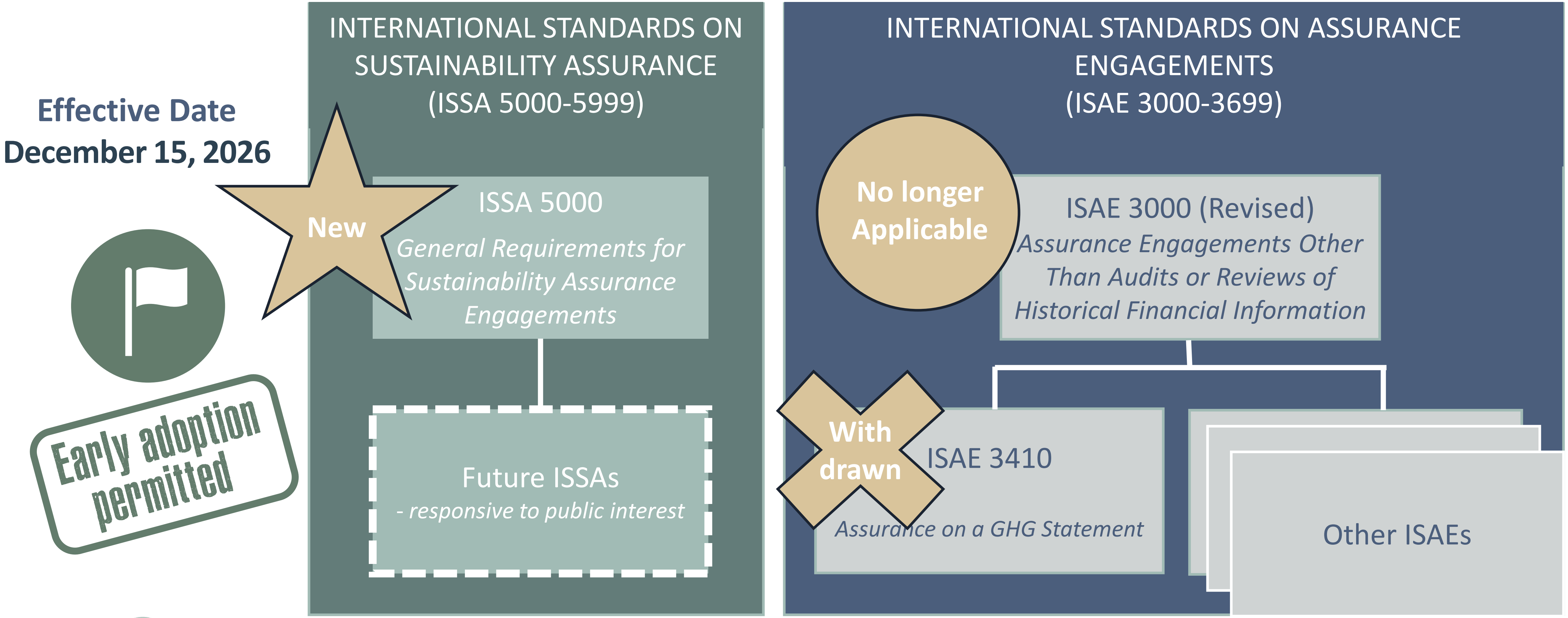
- Robust ethics and independence requirements for both sustainability reporting and assurance
- The IESBA Code or requirements “at least as demanding”

Overseen and enforced



Stand–alone Standard

FIRST IN A POSSIBLE FUTURE SUITE OF STANDARDS FOR SUSTAINABILITY ASSURANCE



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What Does ISSA 5000 Encompass?

- Applies globally to sustainability information prepared under any suitable reporting framework – fair presentation or compliance
- Covers both limited assurance and reasonable assurance engagements with requirements clearly distinguished
- Available to any assurance practitioners whose firm has a system of quality management in place and apply relevant ethical requirements
- Covers the entire assurance engagement from acceptance to reporting
- Is scalable for assurance on specific sustainability information or a complete sustainability report reported by any entity
- Provides greater specificity for sustainability assurance engagements than ISAE 3000 (Revised) and covers scope of ISAE 3410
- Is principles based and aligned with concepts in the International Standards on Auditing

Key Differences Between ISSA 5000 and ISAE 3000 (Revised)

Estimates and forward-looking information

Not addressed in ISAE 3000 (Revised)

Groups and value chain

Not addressed in ISAE 3000 (Revised)

Risk assessment & understanding controls for limited assurance

Aligned with ISAE 3410

Not required in ISAE 3000 R

Engagement team vs. using the work of others

More extensive requirements and clarification in ISSA 5000

Connectivity with the financial statement auditor

Reference only to reporting NOCLAR in ISAE 3000 (Revised)

Work effort for preconditions

ISSA 5000 clarifies the extent of work effort prior to acceptance and continuance

Materiality

- Consider vs determine
- Entity's Process to identify SI to be reported
- Double Materiality

Aspects not addressed in ISAE 3000 (Revised)

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Understanding the Foundational Principles and Concepts

Dan Montgomery, IAASB Consultant

Sustainability Matters and Sustainability Information

Sustainability Matters

Topics

Aspects of topics

- *Environmental, social and governance matters or other sustainability-related matters*
- *Defined or described by law or regulation, reporting framework or the entity*

Measure or evaluate against criteria

Sustainability Information

Information about sustainability matters

		Topics (examples)		
		Climate, including emissions	Human rights	Governance
Aspects of Topics (examples)	Impacts, risks and opportunities			
	Metrics and KPIs	X		
	Description of processes or controls			

Disclosure(s)

Sustainability information about an aspect of a topic

(e.g., the "X" represents metrics and KPIs for emissions)

- *Sustainability information = Disclosures subject to the assurance engagement*

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Fair Presentation vs Compliance Criteria

CRITERIA

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

FAIR PRESENTATION CRITERIA	COMPLIANCE CRITERIA
A sustainability reporting framework that requires compliance with the requirements of the framework **AND** a) Acknowledges explicitly or implicitly that, **to achieve fair presentation** of the sustainability information, it may be necessary for management to provide information **beyond that specifically required** by the framework; or b) Acknowledges explicitly that it may be necessary for management to **depart from a requirement** of the framework to achieve fair presentation of the sustainability information. Such departures are expected to be necessary only in extremely rare circumstances.	A sustainability reporting framework that requires compliance with the requirements of the framework **BUT** does <u>not</u> contain the acknowledgments in (a) or (b)

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Fundamental Differences Between Limited and Reasonable Assurance

Limited Assurance

- Goal: Engagement risk is reduced to a level that is **acceptable**
- **Risk is greater** than for RA
- Risk assessment at the **disclosure level**, with understanding of **fewer control components**
- Procedures **vary in nature** & timing and **less in extent** than RA
- **Deep dive** if something comes to attention
- **Conclusion** in the negative form

Substantially lower but meaningful

High but not absolute

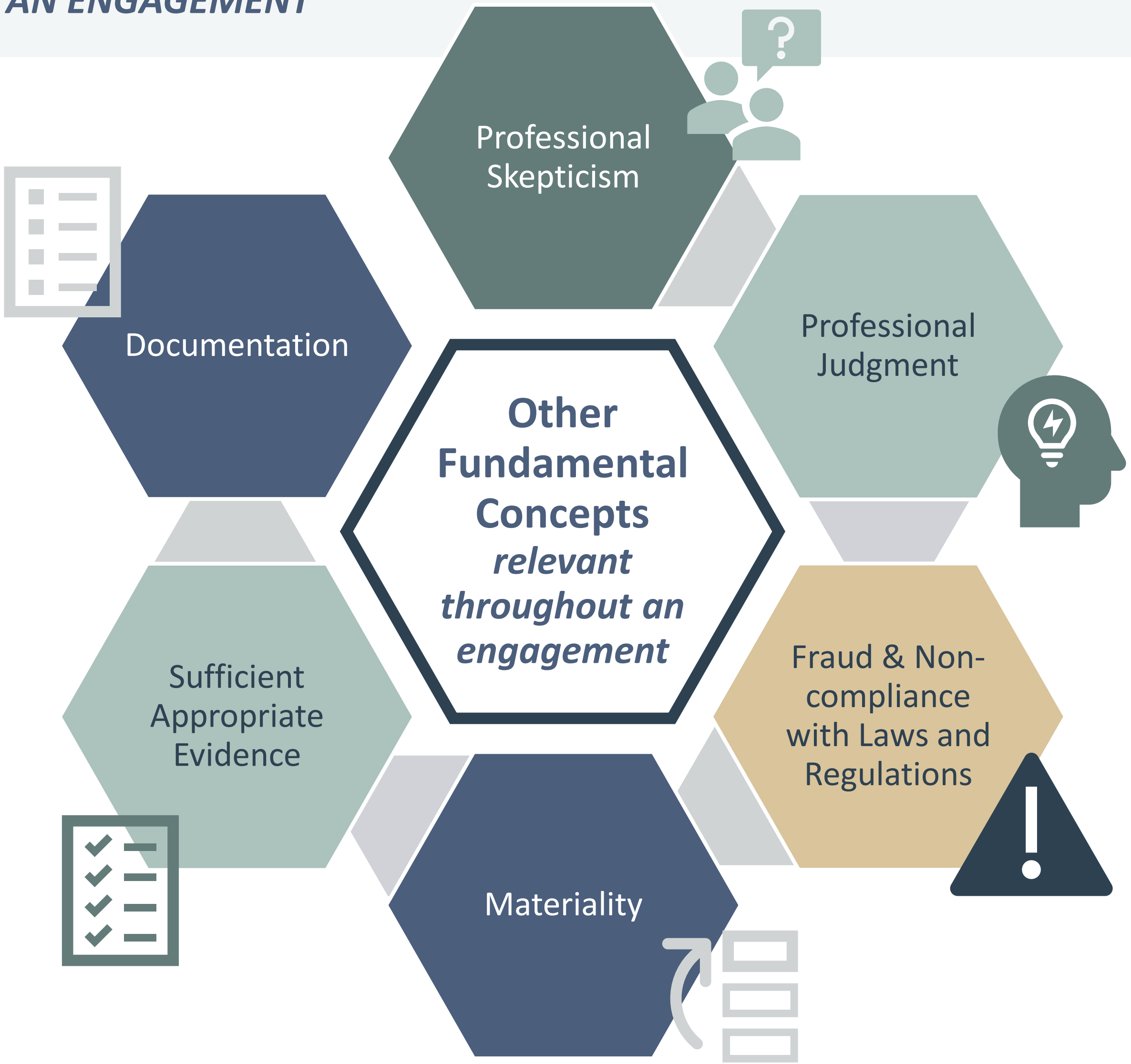
Degree of confidence of the intended users

Reasonable Assurance

- Goal: Engagement risk is reduced to an **acceptably low level**
- Risk assessment at the **assertion level**, with understanding of all **control components** and evaluate design & determine implemented
- Procedures **vary in nature** & timing, and **are more extensive** than LA
- Substantive procedures for **all risks at upper end of the spectrum** & consider for **material disclosures**
- **Opinion** in a positive form

Fundamental Concepts

RELEVANT THROUGHOUT AN ENGAGEMENT



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Demonstrating Exercise of Professional Skepticism

TRIGGERS FOR HEIGHTENED PS

- ❑ Complexity
- ❑ Rapid changes
- ❑ Disclosures attracting scrutiny
- ❑ Immaturity of entity systems & controls

IMPEDIMENTS TO PS

- ❑ Budget constraints
- ❑ Tight deadlines
- ❑ Entity uncooperative
- ❑ Difficulties in access to evidence
- ❑ Overreliance on IT
- ❑ Optionality in criteria

THE ENGAGEMENT TEAM'S BEHAVIORS OR SKILLS

Behaviors or skills that support the exercise of professional skepticism

- Awareness of impediments and other factors affecting exercise of professional skepticism
- Courage of convictions when things do not seem right
- Critical thinking
- Questioning mind
- Ability to pause decision-making
- Assurance skills and experience
- Sufficient knowledge of engagement circumstances
- Confidence to question management and subject matter experts when appropriate

Possible actions:

- Questioning assumptions
- Obtaining more persuasive evidence
- Looking for other sources of evidence

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Quality Management & Relevant Ethical Requirements

KEY PREMISES FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS UNDER ISSA 5000

Firm Level Quality Management	**Relevant Ethical Requirements**
Engagement leader must be a member of a firm that:	The practitioner must comply with:
➢ Applies **ISQM 1**	➢ The **IESBA Code** & national requirements
OR	OR
➢ Requirements "**at least as demanding**" as ISQM 1	➢ Requirements "**at least as demanding**" as the IESBA Code

What is "at least as demanding"?

- *Professional requirements, or requirements in law or regulation*
- *Address matters listed in ISSA 5000 and achieve the aims of the IESBA Code and ISQM 1*

Who Makes the Determination?

- *An* ***appropriate authority****: a national standard setter, regulator, or oversight body with responsibility for audit, assurance or related relevant ethical requirements, or a designated accreditation organization recognized by a public authority*
- *The firm or engagement leader cannot make this determination, even if an authority has not done so*

Engagement Level Quality Management

Dan Montgomery, IAASB Consultant
Claire Grayston, IAASB Sustainability Assurance Lead

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Engagement Level Quality Management - Resources

Human Resources

Engagement Team

Engagement leader **CAN** be sufficiently & appropriately involved in the work

- Firm Personnel
  - Leader
  - Staff
- Component Practitioners
- Practitioner's internal experts

Others External to the Engagement Team

Engagement leader **NOT** able to be sufficiently & appropriately involved in the work

- Practitioner's External Expert
- Another practitioner
- Internal Audit providing direct assistance

Other Resources

Technological tools

Intellectual resources

- Methodology
- Implementation tools
- Checklists
- Templates
- Guides

Engagement Level Quality Management - Leader

Engagement Leader's Characteristics

- Competence & capabilities in assurance skills & techniques
- Sustainability competence
- Understanding of the relevant ethical requirements

Engagement Leader's Responsibilities

Sufficiently and appropriately involved

- Throughout the engagement
- Significant judgments and conclusions are appropriate
- In work of the team, including component practitioners

Direction, supervision & review of team's work

- Assigns the design or performance of procedures, tasks or actions to the team
- Retains overall responsibility for quality

Communication & consultation

- At appropriate times
- On difficult, contentious matters or raised by EL or firm
- Discuss with Engagement Quality Reviewer
- Firm's monitoring and remediation information

Relevant ethical requirements

- Team's awareness of relevant ethical requirements
- Evaluating threats to compliance
- Alert to evidence of breaches and determines action

Documentation

- Review for significant matters & judgments and other relevant
- matters
- Review written communications to management, TCWG or regulators

Engagement resources

- Sufficient and appropriate and timely resources assigned
- Human resources collectively have appropriate competencies and sufficient time.

Engagement Level Quality Management - Team

Engagement Team & Others Collectively

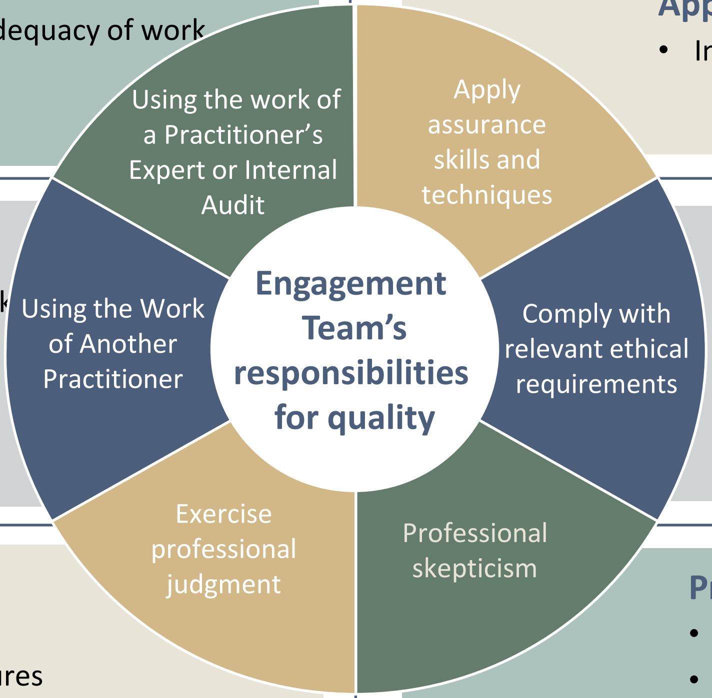
- Competence & capabilities in assurance skills & techniques
- Sustainability competence
- Sufficient time

Engagement Team's Responsibilities

Using the Work of a Practitioner's Expert
- Competence, capabilities and objectivity
- Determine nature, scope and objectives and evaluate adequacy of work

Using the Work of Internal Audit
- Objectivity, competence, quality control & adequacy

Apply assurance skills and techniques
- In iterative, systematic engagement process



Using the Work of Another Practitioner
- Comply with relevant ethical requirements to using work
- Competence and capabilities
- Nature, scope and objectives of that work appropriate
- Evidence obtained is adequate

Comply with relevant ethical requirements
- Ethics, including independence
- IESBA Code plus national requirements

OR

- Requirements at least as demanding

Exercise professional judgment
- In planning and performing the engagement
- In determining the nature, timing and extent of procedures

Professional skepticism
- In planning and performing the engagement
- Sustainability information may be materially misstated

Accepting a Sustainability Assurance Engagement

Claire Grayston, IAASB Sustainability Assurance Lead

Basis for Accepting a Sustainability Assurance Engagement

Assess once potential client or engagement identified prior to seeking appointment

Once previous steps are satisfied can proceed with engagement

Firm applies System of Quality Management

ISQM 1 or requirements at least as demanding

Expects to satisfy relevant ethical requirements including independence

IESBA Code or requirements at least as demanding

Engagement Team & others have appropriate competence, capabilities, and sufficient time

Assurance skills & techniques

Sustainability competence

Establish preconditions are present

Obtain preliminary knowledge of the engagement circumstances & discuss

Agree the terms of engagement

If preconditions are present & firm's policies & procedures followed

To be in place prior to seeking sustainability assurance engagements

Access to client necessary in order to discuss

Establishing Whether the Preconditions are Present

Work effort required on preconditions is limited to:

"the preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies)"

Preconditions	Considerations
✓ Consider if the entity has a process to identify sustainability information to be reported	➢ Absence of an entity's process may indicate a lack of a reasonable basis for preparing the sustainability information
✓ Roles and responsibilities are suitable	
✓ Reasonable basis for the sustainability information	➢ A process and controls to enable preparation of sustainability information free from misstatements
✓ Sustainability matters within the scope of the engagement are appropriate	➢ Identifiable & measurable sustainability matters supported by evidence > appropriate sustainability matters

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Establishing Whether the Preconditions are Present

Preconditions	Considerations
✓ Criteria are suitable and will be available to the intended users, meeting characteristics of: ✓ Relevance ✓ Completeness ✓ Reliability ✓ Neutrality ✓ Understandability	➢ Framework criteria in law or regulation or established by an authorized or recognized organization that follows a transparent due process can be presumed to be suitable
✓ Expect to be able to obtain the evidence needed & written assurance report	➢ Availability and accessibility to evidence needed is the same regardless of the level of assurance ➢ Potential sources of evidence that could reasonably be expected to exist
✓ Rational purpose	➢ An engagement with a rational purpose reaches a meaningful level of assurance, is useful and not misleading to intended users, and the scope is appropriate

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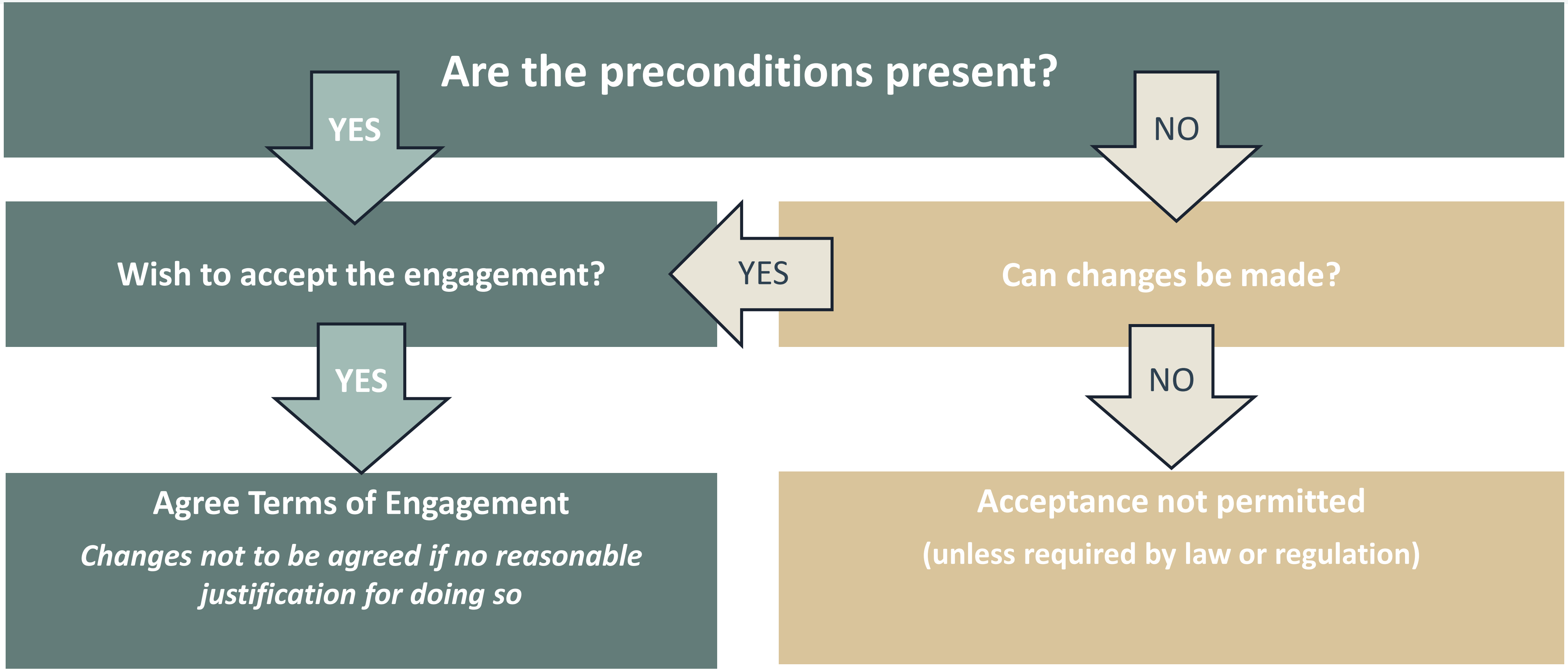
Next Steps in Acceptance or Continuance



Questions

What is next in this *ISSA 5000 in Focus* webinar series?

ISSA 5000 in Focus Webinar Series

Covered Today

Webinar #1: **Foundational Principles and Concepts, and Accepting the Engagement**

Recording will be made available here: ISSA 5000 webpage

Coming Up Next

Webinar #2: **Engagement Planning, Risk Assessment & Response**

Date: October 7, 2025 | Time: 11:00 - 12:30 (UTC)
Date: October 8, 2025 | Time: 18:00 - 19:30 (UTC)
Register for October 7th or 8th

Webinar #3: **Concluding and Reporting on Sustainability Assurance Engagements**

Date: October 14, 2025 | Time: 11:00 - 12:30 (UTC)
Date: October 15, 2025 | Time: 18:00 - 19:30 (UTC)
Register for October 14th or 15th

Key Resources

ISSA 5000 *General Requirements for Sustainability Assurance Engagements*

ISSA 5000 Implementation Guide

ISSA 5000 Frequently Asked Questions: Applicability Matters

More Resources

TO LEARN MORE

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