

Mapping the Key Proposals in Developing Proposed ISSA 5000¹ to the Objectives and Standard-Setting Action in the Project Proposal that Support the Public Interest

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).

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, or economy).
- (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).

¹ ISSA 5000,™ *General Requirements for Sustainability Assurance Engagements*

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in proposed ISSA 5000 (see Agenda Items 2-B.1-B.2) | Description | Qualitative standard-setting characteristics considered ² |
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| 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 final pronouncement was moved up from December 2024 to September 2024. Subject to certification by the Public Interest Oversight Board, proposed ISSA 5000 will be effective for assurance engagements on sustainability information reported for periods beginning on or after December 15, 2026, and as at a specific date on or after December 15, 2026. Early application will be permitted. | <ul style="list-style-type: none"> • <i>Timeliness</i> |
| Project Objectives (b) and (c): Develop a new overarching standard for assurance on sustainability reporting that is (see PP, paragraph 13): (b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and (c) Implementable by all assurance practitioners. | | | |
| Developing a standard that addresses the conduct of an | All the requirements and | Proposed ISSA 5000 covers the entire engagement from acceptance or continuance to reporting and is applicable to | <ul style="list-style-type: none"> • <i>Comprehensiveness</i> |

² The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, in developing the relevant proposals.

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| assurance engagement in its entirety by addressing all elements of the engagement, from engagement acceptance through to reporting (see PP, paragraph 18(a)). | related application material | assurance on sustainability information reported under any suitable criteria. The requirements and application material are organized under appropriate headings and sub-headings that address all the elements of an assurance engagement. | <p>s</p> <ul style="list-style-type: none"> • <i>Enforceability</i> |
| 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 <u>Requirements</u> Paras. 8 - 14 | <p>The priority areas are identified in paragraph 27 of the PP. The rows in this table below describe how each of the priority areas has been addressed in the proposed standard and are identified as PA.1 to PA.6.</p> <p>The requirements and application material in proposed ISSA 5000 have been drafted following the CUSP Drafting Principles and Guidelines to help provide for more consistent understanding and application.</p> <p>Proposed ISSA 5000 is applicable to all types of sustainability information, including greenhouse gas emissions, regardless of how that information is presented. Accordingly, the Board has proposed for ISAE 3410 to be withdrawn in accordance with due process when ISSA 5000 becomes effective.</p> <p>Furthermore, proposed ISSA 5000 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.</p> | <p><i>As indicated for each of the priority areas in the rows below</i></p> <ul style="list-style-type: none"> • <i>Relevance</i> • <i>Implementability</i> |

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| <p>PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence</p> | <p>The differentiation is noted throughout the proposed standard as applicable. Key sections of the standard that highlight the differentiation include those noted below.</p> <p><u>Requirements</u></p> <p>Paras. 102L – 151, 187, 195</p> <p><u>Application Material</u></p> <p>Paras. A315 – A464R</p> <p>Appendix 3</p> | <ul style="list-style-type: none"> Although most of the requirements and application material apply to both reasonable and limited assurance engagements, proposed ISSA 5000 uses a columnar format to distinguish requirements and application material that differ between limited and reasonable assurance. Uses letters (R) and (L) as paragraph number suffixes to indicate which material applies to the respective engagements. Presents 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 in the understanding required and the work effort necessary to obtain the understanding. Emphasizes the difference between the “deep dive” in a limited assurance engagement if the practitioner becomes aware of a matter that causes the practitioner to believe the sustainability information may be materially misstated, and the need to obtain evidence to enable the expression of a reasonable assurance conclusion in a reasonable assurance engagement. Includes illustrative assurance reports for each type of assurance engagement (reasonable, limited, or combined) to assist practitioners in understanding how the | <ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> <i>Implementability</i> <i>Enforceability</i> |

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| | | reporting requirements apply to the respective engagements. | |
| <p>PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”</p> | <p><u>Requirements</u> Paras. 77, 106</p> <p><u>Application Material</u> Paras. A196 – A205, A328, A337</p> | <ul style="list-style-type: none"> • Requires the practitioner, as part of establishing whether the preconditions for an assurance engagement exist, to evaluate the suitability of the reporting criteria and its availability to the intended users. • Recognizes that, in the absence of indications to the contrary, framework criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process are presumed to be suitable. • Requires the practitioner to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement. • Requires the practitioner to identify the sources of the criteria, and recognizes that the criteria may be framework criteria, entity-developed criteria, or a combination of both. • Requires the practitioner to evaluate whether the criteria exhibit the following five characteristics: relevance, completeness, reliability, neutrality, and understandability. • Provides detailed application material on each characteristic of suitable criteria. | <ul style="list-style-type: none"> • <i>Relevance</i> • <i>Implementability</i> • <i>Enforceability</i> |

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| | | <ul style="list-style-type: none"> Application material provides guidance for the practitioner when determining the suitability of criteria for qualitative and forward-looking sustainability information. Application material explains that, in meeting the information needs of the intended users that assists their decision-making, relevant criteria may relate to both the material impacts of environmental, social and governance matters on the entity’s strategy, business model and performance (which may be referred to as “financial materiality”), and the material impacts of the entity’s activities, products and services on the environment, society, or economy (which may be referred to as “impact materiality”). Applicable criteria may refer to both impacts as “double materiality.” | |
| <p>PA.3: The scope of the assurance engagement</p> | <p><u>Requirements</u> Paras. 1, 8 – 14, 74 – 75, 79, 187</p> <p><u>Application Material</u> Paras. A12 – A15, A44 – A46A, A186 – A193, A210 – A220</p> | <ul style="list-style-type: none"> Clarifies that ISSA 5000 does not address sustainability information that is required to be included in the entity’s financial statements in accordance with the applicable financial reporting framework. Requires the practitioner to obtain a preliminary knowledge of the sustainability information to be reported and whether the scope of the proposed assurance engagement encompasses all or part of that sustainability information. Requires the practitioner to consider whether the entity has a process to identify sustainability information to be | <ul style="list-style-type: none"> <i>Relevance</i> <i>Implementability</i> <i>Scalability</i> |

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| | Appendix 2 | <p>reported, which includes the sustainability matters to be reported in the sustainability information and the reporting boundary.</p> <ul style="list-style-type: none"> Requires the practitioner to determine whether the engagement exhibits a rational purpose, including whether the scope of the assurance engagement is appropriate, including when the scope of the assurance engagement excludes part of the sustainability information to be reported. Requires the practitioner to identify or describe in the assurance report the sustainability information subject to the assurance engagement, including, if appropriate, the sustainability matters and how that information is reported. | |
| <p>PA.4: Evidence, including the relevance and reliability of information and what comprises sufficient appropriate evidence</p> | <p><u>Requirements</u> Paras. 50-59, 88 – 93, 102L – 151</p> <p><u>Application Material</u> Paras. A123 – A154, A228 – A278</p> | <ul style="list-style-type: none"> Uses a principles-based approach for evaluating the relevance and reliability of information intended to be used as evidence, including information obtained from sources external to the entity. The application material includes guidance on the attributes of relevance and reliability, as well as the factors that might affect the practitioner’s judgment regarding these attributes. Includes overarching requirements for the practitioner to design and perform procedures to obtain sufficient appropriate evidence, in a manner that is not biased. | <ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> <i>Implementability</i> <i>Enforceability</i> <i>Scalability</i> |

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| | | <ul style="list-style-type: none"> • Requires an evaluation of 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 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 obtaining evidence from using the work of others, including another practitioner, a practitioner’s expert, and the internal audit function. | |

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| | | <ul style="list-style-type: none"> Application material addresses challenges related to the relevance and reliability of information obtained from value chain entities outside of the entity’s operational control, and the impact on the practitioner’s procedures. Includes requirements and application material for designing and performing risk assessment procedures and responses to assessed the risks of material misstatement, including procedures for estimates and forward-looking information. Requires the practitioner to evaluate the sufficiency and appropriateness of evidence obtained, and the engagement leader to determine that sufficient appropriate evidence has been obtained to support the conclusions reached and for the assurance report to be issued, and to document the basis for that determination. | |
| <p>PA.5: The entity’s system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence</p> | <p><u>Requirements</u> Paras. 111L – 119</p> <p><u>Application Material</u> Paras. A352 – A401</p> | <ul style="list-style-type: none"> Addresses scalability through the differentiation in work effort for limited and reasonable assurance engagements by 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 in the understanding required and the work effort necessary to obtain the understanding. For limited assurance engagements, requires the practitioner to obtain an understanding of and evaluate | <ul style="list-style-type: none"> <i>Comprehensiveness</i> <i>Enforceability</i> <i>Scalability</i> |

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| | | <p>the design and determine the implementation of only those controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including related general IT controls.</p> <ul style="list-style-type: none"> • For reasonable assurance engagements, the practitioner is required to obtain an understanding of control activities by identifying controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including the related general IT controls that address risks arising from the use of IT, and other controls that the practitioner considers are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures. In addition, the practitioner is required to evaluate whether these controls have been designed effectively and have been implemented. • 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 | |

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| | | <p>implementation of controls, and determining the extent of testing the operating effectiveness of controls.</p> <ul style="list-style-type: none"> The application material clarifies that understanding the entity’s system of internal control and, when applicable, testing those controls may assist the practitioner in identifying appropriate sources of information to be used as evidence. | |
| <p>PA.6: Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information</p> | <p><u>Requirements</u> Paras. 97 – 101, 158 – 159</p> <p><u>Application Material</u> Paras. A294 – A314, A479 – A492</p> | <ul style="list-style-type: none"> For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, requires the practitioner to: <ul style="list-style-type: none"> Consider materiality for qualitative disclosures; and Determine materiality for quantitative disclosures. Requires the practitioner to determine performance materiality for quantitative disclosures. Requires the practitioner to take into account both financial materiality and impact materiality perspectives when considering or determining materiality for purposes of planning and performing the assurance engagement and evaluating whether the sustainability information is free from material misstatement. This is conditional on the applicable criteria requiring the entity to apply both | <ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> <i>Implementability</i> |

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| | | <p>financial materiality and impact materiality in preparing the sustainability information.</p> <ul style="list-style-type: none"> • 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. • Application material addresses in detail 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 determination of performance materiality (quantitative disclosures). • The application material explains that materiality is a matter of professional judgment and is affected by the practitioner’s perception of the common information needs of intended users as a group. Therefore, materiality ordinarily is considered or determined for different disclosures. • Requires the practitioner to determine whether materiality remains appropriate, prior to evaluating the effect of uncorrected misstatements. • Requires the practitioner to determine whether uncorrected misstatements are material, individually or in | |

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IAASB Main Agenda (September 2024)

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| | | the aggregate, with detailed application material that provides further guidance for fulfilling the requirement. | |