

ICAP HEAD OFFICE

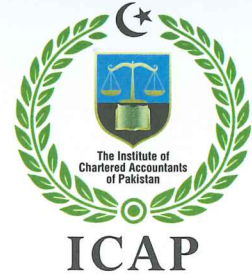
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ASEB Circular No. 02/2025

April 15, 2025

ALL MEMBERS OF THE INSTITUTE

Dear Member

Invitation to Comments on the Adoption of Sustainability Assurance and Ethics Standards

The Auditing Standards & Ethics Board (the Board) of the Institute has initiated the due process for recommending the adoption of the 'International Standard on Sustainability Assurance (ISSA) 5000' and the 'International Ethics Standards for Sustainability Assurance (IESSA)', details of which are given below:

I. International Standard on Sustainability Assurance (ISSA) 5000 'General Requirements For Sustainability Assurance Engagements'; and

The International Auditing and Assurance Standards Board (IAASB) has issued ISSA 5000, *General Requirements for Sustainability Assurance Engagements* in November 2024, in response to stakeholder demand for a specific sustainability assurance standard to address unique challenges and opportunities in assuring sustainability information.

The ISSA 5000 deals with assurance engagements on sustainability information. Sustainability information is information about sustainability matters. Sustainability information is reported in accordance with the criteria. The SECP has recently notified the adoption of ISSB IFRS S1 & S2 for reporting on sustainability related disclosures by listed and licensed companies from SECP in a phased manner and have also mandated the assurance of the sustainability reporting by the company's auditors. Accordingly, the ISSA 5000 once adopted after due process of consultation is intended to be made applicable for providing assurance on the sustainability information.

Key Features of ISSA 5000:

- ISSA 5000 establishes the fundamental principles and essential procedures for conducting assurance engagements on sustainability information.
- The standard applies to a broad range of sustainability topics and can be used with various reporting frameworks and standards.
- ISSA 5000 is applicable to both limited and reasonable assurance engagements, providing a framework for different levels of evidence gathering and conclusion.
- The standard emphasizes the importance of materiality in the context of sustainability information, considering both quantitative and qualitative factors, including impact severity and potential non-compliance.
- ISSA 5000 highlights the need for sustainability data to be auditable, including considerations for data collection, analysis, reporting processes, and underlying systems and controls.
- The standard requires assurance practitioners to possess the necessary competence in sustainability matters and to maintain objectivity throughout the engagement.
- Practitioners need to understand the entity's business, its sustainability context, and the applicable reporting criteria.

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- Identifying and assessing the risks of material misstatement in the sustainability information is a crucial aspect of the assurance engagement.
- Practitioners must obtain sufficient appropriate evidence to support their conclusion, considering the nature, timing, and extent of procedures.
- ISSA 5000 acknowledges the potential reliance on the work of the internal audit function and external experts, provided they have the necessary competence in sustainability.
- The standard addresses the complexities of assuring information related to the value chain and forward-looking sustainability disclosures.
- The assurance practitioner is required to conclude whether the sustainability information is prepared or fairly presented, in all material respects, in accordance with the applicable criteria.

Effective date: The standard is effective for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after December 15, 2026; or
- (b) As at a specific date on or after December 15, 2026.

Earlier application of ISSA 5000 is permitted.

The ISSA 5000 and relevant IAASB resource material can be downloaded from IAASB website using the following link:
<https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>

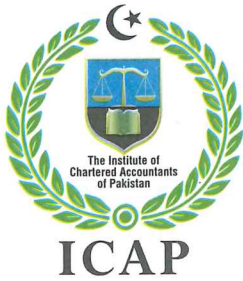
II. International Ethics Standards for Sustainability Assurance (including International Independence Standard) (IESSA)

The International Ethics Standards Board for Accountants (IESBA) has issued a new Part 5 of its Code of Ethics '*International Ethics Standards for Sustainability Assurance (including International Independence Standard)*' (known as IESSA) on January 27, 2025.

IESSA is a suite of ethics and independence standards to safeguard the quality, integrity and effectiveness of sustainability reporting and assurance in the public interest, such as bias, conflicts of interest, pressure to act unethically, fraud including greenwashing, non-compliance with laws and regulations, and threats to the independence of the assurance practitioners.

Key Features of IESSA:

- The IESSA is based on the fundamental ethical principles of the IESBA Code of Ethics
- The IESSA is applicable on all sustainability assurance practitioners;
- It is compatible with all sustainability reporting frameworks and works with any assurance framework;
- Robust standard for sustainability assurance engagements that have the same level of public interest as audits of financial statements.



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Effective date: The new standard is effective from December 15, 2026 with early adoption permitted and encouraged.

The IESSA and IESBA's relevant resource material can be downloaded from IESBA website using link:
<https://www.ethicsboard.org/publications/final-pronouncement-international-ethics-standards-sustainability-assurance-including-international>

Request for Comments on the adoption of ISSA 5000 & IESSA

Your comments and feedback are of foremost importance to us in the due process for the adoption of ISSA 5000 & IESSA. You can send your comments and feedback at the Board's email id at: aseb@icap.org.pk latest by **May 15, 2025**.

The Board would also plan awareness and consultative sessions for members on ISSA 5000 & IESSA, details of which will be shared in due course.

Yours truly

Farheen Mirza, FCA
Deputy Director Technical
& Secretary Auditing Standards & Ethics Board

Encl: As above.