

ICAP HEAD OFFICE

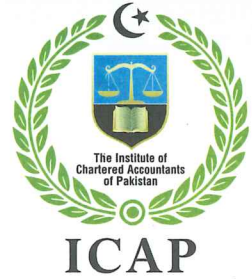
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ASEB Circular No. 15/2025

September 25, 2025

ALL MEMBERS OF THE INSTITUTE

Dear Member

Adoption of Sustainability Assurance and Ethics Standards

The Council of the Institute in its 401st meeting held on September 12-13, 2025, has approved the adoption of following standards, on the recommendations of the Auditing Standards & Ethics Board (the Board):

1. International Standard on Sustainability Assurance (ISSA) 5000 '*General Requirements For Sustainability Assurance Engagements*'; and
2. International Ethics Standards for Sustainability Assurance (including International Independence Standard)

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

The International Auditing and Assurance Standards Board's (IAASB's) 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, through its Order dated 31 December 2024, has notified the adoption of IFRS S1, *General Requirements for Disclosure of Sustainability-Related Financial Information* and IFRS S2, *Climate-Related Disclosures*, for reporting on sustainability related disclosures by listed and licensed companies from SECP in a phased manner. These standards will apply to phase-one companies for periods beginning on or after 1 July 2025. From the second year of reporting, SECP has mandated assurance on sustainability-related information, underscoring the importance of credibility and investor confidence.

Key features of ISSA 5000 is attached to this Circular as **Appendix A**.

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).

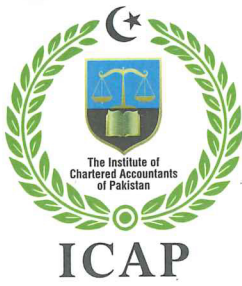
The IESSA is a suite of ethics and independence standards to safeguard the quality, integrity and effectiveness of sustainability reporting and assurance in the public interest, such as bias, conflicts of interest, pressure to act unethically, fraud including greenwashing, non-compliance with laws and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

Effective Date:

The Council has decided to adopt ISSA 5000 and IESSA, which will be effective for periods beginning on or after July 1, 2026, in order to align with the SECP notification order regarding assurance on sustainability-related information for phase-one companies.

REGISTERED OFFICE

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CONTINUED

Useful Publications and Resources

For members and other stakeholders facilitation, various publications and resources developed by the IAASB and the Institute have been uploaded on the Board webpage and can be downloaded using the following links:

<https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>

<https://icap.org.pk/aseb/audit-assurance/sustainability-assurance-standard/>

Members are advised to take note of the above.

Yours truly


Muhammad Imran Khan
Director Technical

Encl: As above.

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.
- 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.

IAASB 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.

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.

IESBA 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>

Resource Material:

The Board, on its webpage, has also compiled all the relevant guidance material on ISSA 5000 and IESSA and can be accessed at: <https://icap.org.pk/aseb/audit-assurance/sustainability-assurance-standard/>