



Are you ready for ISSA 5000?

An enhanced assurance standard for
sustainability reporting



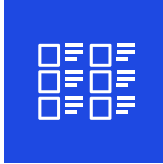
Get ready for ISSA 5000



What's new?

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

Preparers and assurance providers of sustainability information should seek to understand what ISSA 5000 means to them as they implement organizational transformation to meet sustainability goals and get ready for sustainability reporting and assurance.



Why is this happening?

There have been significant shifts in stakeholder demand in recent years, including increasing calls from investors for creditable, high quality and comparable sustainability information on which to base investment, risk management and stewardship decisions.

International climate laws and policies mandating reporting and assurance have emerged along with more broad-ranging reporting frameworks integrated with financial reporting disclosures. ISSA 5000 is the new global baseline standard for assurance providers to use to bring further comparability and increased confidence in reported sustainability information.



What's next?

- Make yourself familiar with ISSA 5000 and how local standard setters and regulators intend to adopt
- Talk to your assurance providers regarding the impact to their service offerings, methodology, and information requirements
- Understand the practical implications for your company's people, processes, systems, and governance
- Incorporate implications into your existing timelines and project plans

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01

How is the sustainability reporting landscape changing?

The evolution of the sustainability reporting landscape has accelerated significantly, marking a remarkable shift since the signing of the Paris Agreement nearly a decade ago (see page 5 for timeline).

These changes have been fueled by emerging national climate regulation and a broader stakeholder base (including investors) that is calling for sustainability information to be prepared with the same rigor as financial statement information.

Despite an evolving geopolitical landscape, sustainability reporting is driving important decisions, including where stakeholders invest, what products consumers buy, and where people choose to work.

Regulators are more engaged than ever in the reporting of sustainability information and new and converged reporting frameworks have emerged in unprecedented timeframes, including the European Sustainability Reporting Standards (ESRS) and IFRS® Sustainability Disclosure Standards — the general standard (S1) and the climate standard (S2).

The need for a specific sustainability assurance standard for assurance providers has been equally expedited and met by the IAASB issuing ISSA 5000, General Requirements for Sustainability Assurance Engagements.

The market shift is clear: There are higher expectations for the credibility, quality and comparability of sustainability information

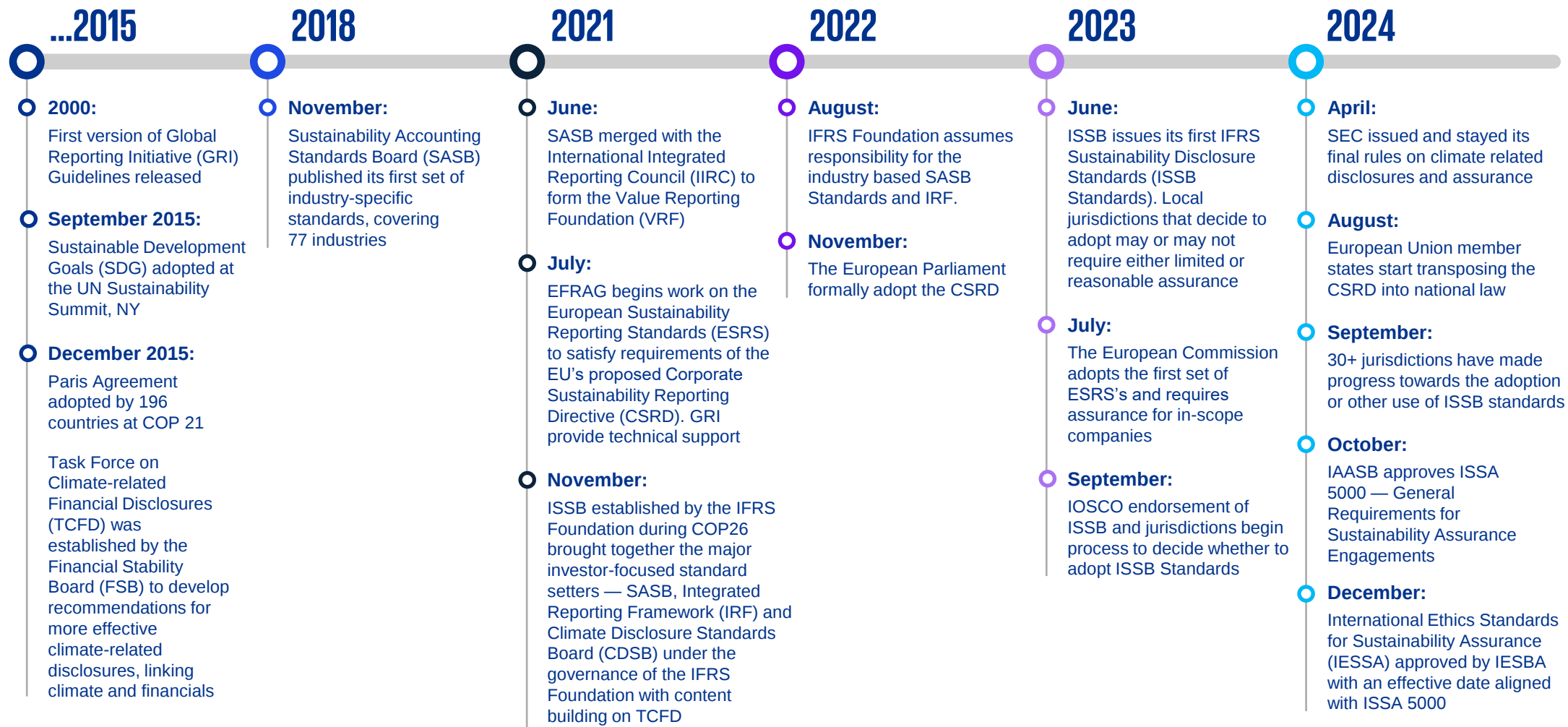
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Today, policymakers, regulators, standard-setters, and a broad range of market participants together are creating the foundations of a new reporting ecosystem. Well-calibrated actions should help build a system that engenders trust, confidence, and well-functioning economies.”

Tom Seidenstein, IAASB Chair



01 How is the sustainability reporting landscape changing?



02 What are assurance standards?

Assurance standards are a framework or set of protocols used by assurance providers to obtain sufficient appropriate evidence to express a conclusion on whether reported information is prepared in accordance with specified criteria — the benchmarks used to measure and evaluate sustainability information. IFRS® S1 and S2, and ESRS are examples of criteria used in assurance engagements.

Assurance standards are issued by statutory or professional auditing and assurance bodies and serve several key functions:

- Increasing the confidence stakeholders can place on reported information
- Safeguarding quality and consistency in reported information
- Promoting transparency and accountability in reported information
- Facilitating the comparability of reported information across different organizations and time periods

What does an assurance provider do?

Throughout the assurance engagement, an assurance provider challenges the information reported and issues their conclusion in a written assurance report. Accordingly, assurance procedures challenge the overall quality of the information reported and may involve evaluating the data and methodologies used in sustainability reporting, as well as the underlying systems, processes, controls and governance that support this information.

A key aspect of an assurance provider's role is to maintain independence from the company being assured. Independence is a fundamental principle that underpins the credibility of the assurance process and helps to build trust among stakeholders who rely on the information to make informed decisions.

The perception of environmental risk has shifted dramatically since 2015, with

24%

of CEOs now recognizing that failing to meet ESG expectations could give their competitors a significant advantage.¹

¹ CEO Outlook 2024, KPMG International



Three-quarters of business leaders surveyed said their companies must report **ESG data** now, up from two-thirds in 2023. Over the next 1-2 years, nearly every business leader

99.7%

expects to be required to report.²

² KPMG ESG Assurance Maturity Index: The journey continues, KPMG International 2024



03 Why issue a new sustainability assurance standard — ISSA 5000?

The IAASB undertook to issue a specific sustainability assurance standard to meet higher expectations of sustainability reporting and address recognized challenges with applying existing assurance standards.

The IAASB's current assurance standards, International Standards on Assurance Engagements (ISAEs), were acknowledged to be widely accepted, robust and suitable. However, as ISAE 3000 was a general standard for reporting on many different types of subject matters last issued in 2013, ISSA 5000 is a welcome enhancement to address specific sustainability reporting challenges, such as materiality, value chain information, and forward-looking information.

ISSA 5000 is profession agnostic and unites accounting and non-accounting professionals under one global standard, mitigating risks of fragmentation that may contribute to inconsistent quality and comparability of sustainability information in the market.

The effective date of ISSA 5000 leaves preparers and assurance providers with sufficient time to prepare for its impact; however, the time period may be shorter if national regulators adopt or apply it earlier.

ISSA 5000 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.

This effectively makes it applicable for December 2027 year ends. Earlier adoption is permitted.



What happens to other ISAEs upon the effective date of ISSA 5000?

ISAE 3000 will continue for assurance on other types of information that is not sustainability information.

ISAE 3410, Greenhouse Gas Assurance engagements will be withdrawn upon the effective date of ISSA 5000.



04

What are the key changes to ISSA 5000 from ISAE 3000?

ISSA 5000 has more than double the requirements of ISAE 3000, providing more specific and targeted requirements for performing sustainability assurance engagements and increasing the confidence in reported information. ISSA 5000 is flexible to be used to report on all sustainability topics and frameworks and scales its requirements for both reasonable and limited assurance engagements. Reasonable assurance is equivalent to a financial statement audit, while limited assurance provides an acceptable level of assurance that is less than reasonable but is still meaningful for the intended users³.

Topic	What are the key changes and how do they impact your assurance providers/assurance services?
General	ISSA 5000 has 212 requirements (more than double those of the equivalent existing standard ISAE 3000), providing more specific requirements to assure sustainability information which may result in increased assurance provider work effort.
Quality Management & Ethical requirements	ISSA 5000 has more stringent policies regarding the quality management and ethical requirements assurance providers can use. Assurance providers that do not apply ISQM 1 and/or IESBA Code will disclose in the assurance report the authority that has determined the requirements they are using to be at least as demanding. Any assurance providers not currently using ISQM 1 and/or IESBA Code will need to determine whether they can provide assurance under ISSA 5000.
	 International Standard of Quality Management (ISQM) 1 is a framework for firms that perform audits or reviews of financial statements, or other assurance or related service engagements and seeks to enhance audit and assurance quality. More robust ethical requirements (including maintaining independence) for sustainability assurance engagements were approved by International Ethics Standards Board Accountants (IESBA) in December 2024 and have an effective date aligned with ISSA 5000.

³ Understanding Limited vs. Reasonable Assurance: Why it's important

04 What are the key changes to ISSA 5000 from ISAE 3000?

Topic	What are the key changes and how do they impact your assurance providers/assurance services?
Materiality	ISSA 5000 may result in your assurance provider using more granular materiality thresholds and factors and considering financial and impact materialities when a double materiality framework is used. Accordingly, procedures performed may become more targeted and there may be clearer indicators of what is a material misstatement of disclosures in the sustainability information.  Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the sustainability information.
System of internal control	Your assurance provider may seek a more specific understanding of your entity and its internal control under ISSA 5000, even in limited assurance engagements, so that risks which may materially misstate your reported information can be better identified and assessed. As a part of this understanding, your assurance provider will understand the process you undertook to identify material sustainability information to be reported, including when you use frameworks that use double materiality.  This understanding may include a professional challenge of the completeness and relevance of the sustainability information reported, including how you've considered input from stakeholders and comparing the outputs of your process to peers.
Identify and assessing risks of material misstatement	Under ISSA 5000, assurance providers will need to more specifically define the risk of material misstatement at the disclosure level (limited assurance) or assertion level (reasonable assurance) - which may lead to more targeted procedures and to address these risks.

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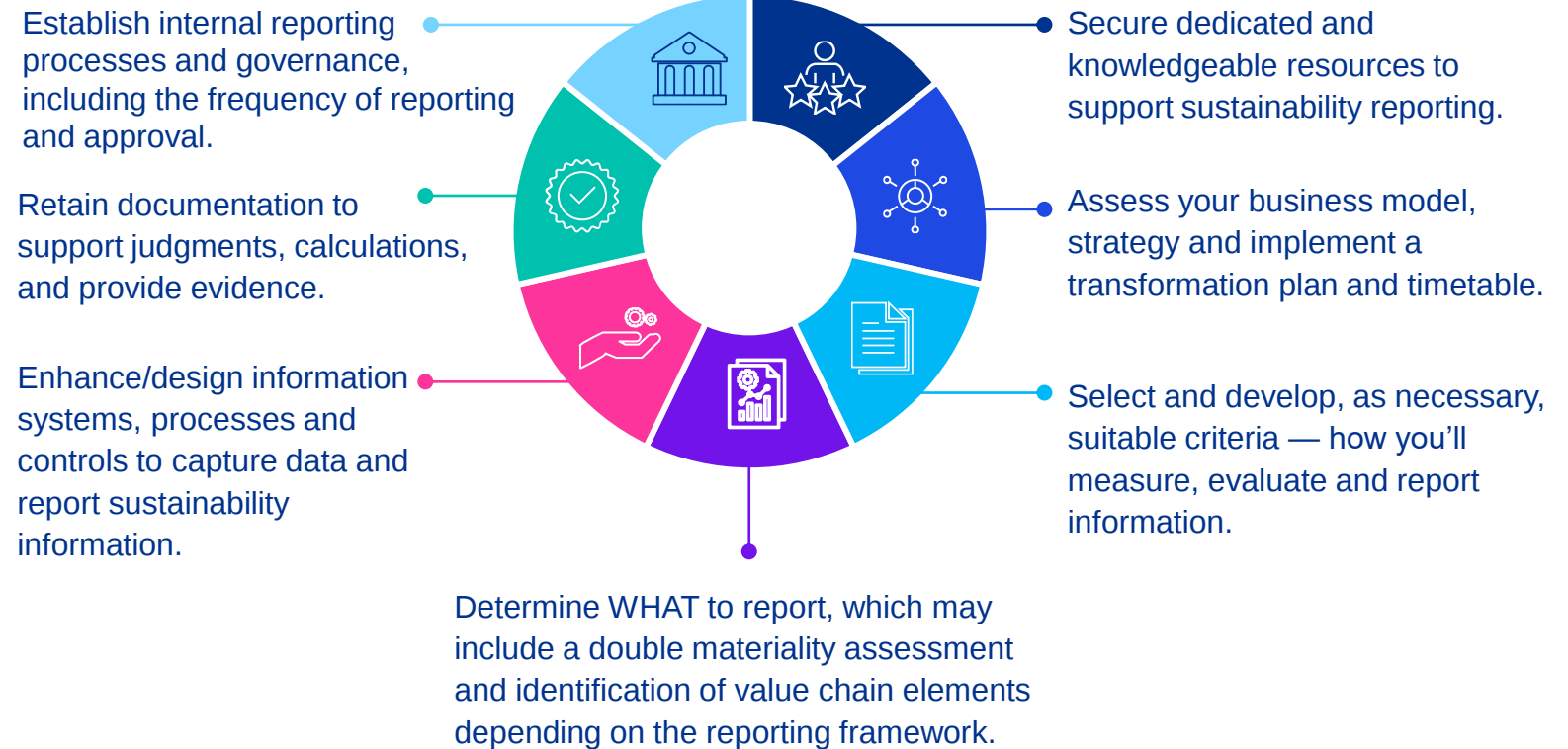
What are the key changes to ISSA 5000 from ISAE 3000?

Topic	What are the key changes and how do they impact your assurance providers/assurance services?
Response to material disclosures regardless of assessed risk	In a reasonable assurance engagement, assurance providers will perform procedures on important disclosures even if they are assessed to not have a risk of material misstatement.
Using the work of component and another practitioners	Sustainability assurance engagements are likely to involve other assurance providers because of where the evidence supporting reported amounts or disclosures can be physically observed/obtained. ISSA 5000 provides more specific requirements for how assurance providers might determine whether it is appropriate and how to use the work of other assurance providers.  ISSA 5000 anticipates the challenges of assuring value chain information from entities outside the control of the reporting entity and using the work of other assurance providers.
Forward-looking information	ISSA 5000 provides more specific direction on the procedures performed for forward-looking information such as targets, plans and their impact. Your assurance provider may seek a more specific understanding of how forward-looking information is prepared, including your identification of methods, assumptions and data, and will design appropriate procedures responsive to risks of material misstatements based on the level of assurance.  Assurance providers are likely to perform similar procedures on both forward-looking information and estimates.
Other information	There will be a more rigorous approach to the assurance provider obtaining, reading and considering other information presented with the sustainability information. If inconsistencies or misstatements are identified, this will be communicated to governing bodies and may have implications for the assurance report.  Other information presented with the sustainability information may include financial statements.

05 Are you ready to report sustainability information?

If you haven't already, it's now time to assess when and how your organization might be affected by emerging sustainability reporting. Even if you are not required to report, you may determine that voluntary reporting provides a competitive advantage, satisfies growing stakeholder or value chain demand, or assists you in preparing for future mandatory reporting. Be prepared that sustainability reporting may impact your whole organization, causing you to re-assess your business model and strategy to meet sustainability goals.

If you report, it's time to prepare your whole organization:



06 What impact will ISSA 5000 have on your assurance services and assurance providers?

Assurance providers will perform more specific and targeted procedures in complying with ISSA 5000 and in meeting higher expectations regarding the quality and comparability of sustainability information in the market. With higher expectations and more specific assurance standards, preparers can expect:

01

Benefits from appointing a single service provider

Appointing a single independent service provider for both financial and sustainability assurance service could help you gain better insights and reduce impact on business operations, as your systems, processes and people integrate with financial reporting.

02

Increased understanding of systems, processes, controls, and governance

There is likely to be a heightened focus from your assurance provider on your systems, process, and controls and expectations that these improve with time, as well as the establishment of appropriate governance.

03

Greater expectations for documentation

Formal documentation subject to retention policies to support reported information is expected. For example, you may need to document “close calls” on sustainability information determined to not be material for reporting as a part of your materiality process.

04

Increased professional scrutiny of criteria

A greater level of scrutiny may be placed on criteria, including measurement methods, with expectations that methods and quality of data sources will improve with time.

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ISSA 5000 sets a new benchmark for sustainability assurance. It not only enhances the specificity of sustainability information but also establishes itself as the global baseline standard for assurance providers, fostering greater comparability and instilling increased confidence in the reporting process.

Neil Morris, Global Head of Assurance and ESG Methodology, KPMGI



06 What impact will ISSA 5000 have on your assurance services and assurance providers?

05

Heightened professional skepticism to fraud

With regards to risk of fraud, including greenwashing, your assurance providers may ask more question and request corroborating documentation.

06

Greater transparency in information reported

You may need to disclose key interpretations and uncertainties important to intended users' understanding; estimate methodologies intended to be refined in future periods; and plans to strengthen internal control practices related to sustainability reporting.

07

Greater transparency in the assurance report

Assurance providers may highlight in their reports any inherent limitations of measuring or evaluating disclosures, other important matters that provide context for using the sustainability information, and quality management and ethical standards used.

08

First year modified conclusions

There's a greater possibility of modified assurance report conclusions in the first year of mandatory reporting if evidence is unavailable, unreliable, or incomplete for required reporting elements, which may be influenced by the maturity of sustainability systems and processes.



07 What are your next steps?

Depending on where your organization is on its sustainability journey, there are a range of actions to take in assessing the impact of ISSA 5000 in addition to responding to other risks and opportunities in your local environment.

ISSA 5000 represents another factor to understand, assess and integrate into existing sustainability transformation strategies and plans.

Next steps for you may include:



Understanding when and how local standard setters and regulators intend to adopt the standard — early adoption or application may be a possibility.



Organizing awareness and education regarding the standards for governance bodies, and relevant personnel including internal audit departments.



Engaging with your assurance provider on when and how they plan to adopt and apply the standard which includes methodology, use of technology, new information requests, and if relevant, integrated service offerings with the financial statement audit.



Communicating and informing relevant members of your organization and specialists regarding the standard and changes in business processes and plans.



Establishing internal governance and reporting processes (e.g. through the Audit Committee), including approvals / attestations as appropriate — potentially increasing the frequency of that reporting to improve quality.



Enhancing internal systems, processes and data sources to increase quality of information and retention of evidence to support reporting.

Keeping in touch



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Below you will find concise summaries of recent developments and detailed guidance on sustainability reporting and assurance. In addition, we have included our latest research on the rapidly developing AI landscape and the integration of AI into financial reporting.

ESRS Foundations

Explains new complex concepts and helps you understand how your company might apply the standards.



First Impressions: ISSB Standards

Provides detailed insight on the key impacts of the standards and how companies might apply them.



Clear on climate reporting

KPMG's digital hub on the financial reporting impacts of climate change.



KPMG ESG Assurance Maturity Index: The journey continues

Provides a roadmap with guidance on areas to focus on, and the steps to take to become ready for ESG assurance.



Global AI in finance report

Research of 2,900 finance executives on their adoption and use of AI across the finance function.



AI and automation in financial reporting

Insights for responsibly integrating automation and AI into financial reporting.





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