Financial Reporting Council

# Feedback Statement and Impact Assessment

## International Standard on Sustainability Assurance (ISSA) (UK) 5000
## General Requirements for Sustainability Assurance Engagements

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# 1. Introduction

1. In November 2024, ISSA 5000 was published by the International Auditing and Assurance Standard Board (IAASB) and contains requirements and application material specific to assurance engagements on sustainability information.

2. ISSA 5000 is a comprehensive, stand-alone standard, suitable for any sustainability assurance engagement. It applies to sustainability information reported across any sustainability matter and prepared under multiple frameworks, including the IFRS Sustainability Disclosure Standards S1 and S2. ISSA 5000 addresses both limited and reasonable assurance engagements and has been developed to be profession agnostic, supporting its use by both professional accountants and other assurance practitioners provided they meet the quality management and ethical requirements of ISSA 5000.

3. ISSA 5000 represents the global benchmark standard for sustainability assurance engagements, providing a robust set of requirements for the performance of consistent, quality engagements. The standard has already been adopted for use in Australia, Mexico and Hong Kong, with a significant number of other jurisdictions making progress in their adoption activities[1].

4. The FRC is issuing a UK version of the standard, ISSA (UK) 5000, to allow it to be used by assurance providers who wish to use it on a voluntary basis. We intend that promulgation of a UK version will promote its use among UK assurance practitioners, leading to the performance of consistent, quality sustainability assurance engagements across the UK market as well as contributing to greater international alignment of sustainability assurance engagements.

5. In addition, assurance engagements conducted in accordance with ISSA (UK) 5000 will strengthen the credibility of UK sustainability reporting. To the extent that this reporting is providing the market with decision useful information about the sustainability-related risks and opportunities that a company faces, this should enhance UK companies' competitiveness in raising capital, supporting growth in the UK economy.

6. The FRC is therefore of the view that it is in the public interest for the FRC to issue a UK version of the standard, ISSA (UK) 5000. Whether or not the use of the standard is subsequently mandated is a matter for government. Currently there are no requirements in UK law or regulation requiring sustainability assurance, or that a specific assurance standard is used for sustainability assurance.

1 In progress: Brazil, Canada, China, Indonesia, India, Kenya, Malaysia, New Zealand, Nigeria, Rwanda, South Africa, Saudi Arabia, Singapore, Thailand, Turkey, Uganda, USA.  Under consideration; Austria, Costa Rica, Denmark, Finland, France, Germany, Japan, The Netherlands, Norway, Portugal, Spain, Sri Lanka, Sweden.

## Modification to ISSA 5000

7. Close alignment with the international standard places the least burden on firms and companies, as it means assurance firms who work across jurisdictions can easily accommodate a UK version of the standard in their methodology.

8. In respect of ISSA (UK) 5000, the FRC has implemented only one modification to the international standard which a prohibition on direct assistance by internal auditors in sustainability assurance engagements. This is consistent with an existing prohibition for audits of financial statements in the UK[2].

9. As explained in Paragraph A29 of ISSA (UK) 5000 this does not mean that use of the work of the internal audit function is prohibited where direct assistance is not provided. Paragraph 59 specifies the requirements that shall be followed if the work of the internal audit function is used.

## Relevant Ethical Requirements

10. The relevant ethical requirements for the UK standard are the provisions of the IESBA Code related to sustainability assurance engagements, together with national requirements that are more restrictive, or professional requirements or requirements in law or regulation that an appropriate authority has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements.

11. We have not revised the UK Ethical Standard to bring sustainability assurance into scope, so there are not any national requirements that are more restrictive in the UK. We will continue to monitor whether this is appropriate, and may subsequently revise the UK Ethical Standard so that it applies in respect of sustainability assurance.

12. The recently added provisions of the IESBA Code related to sustainability assurance, like ISSA 5000, are the result of a global development process that has sought views from stakeholders from around the world and from a range of professions. Further, they have been designed for exactly this purpose, i.e. cross compatibility with ISSA 5000. Therefore, they represent a robust set of requirements that are appropriate for sustainability assurance in the UK and globally.

## Effective date

13. The standard is effective for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026, or as at a specific date on or after December 15, 2026. Earlier application is permitted. This is in line with the effective dates applied by both the IAASB and the IESBA.

2 ISA (UK) 620, 5-1.

## Conforming amendments to other FRC standards

14. There are conforming amendments to the FRC's scope and authority of audit and assurance pronouncements; glossary of terms; and various quality management, auditing and assurance standards.

15. The first two categories of amendments are mainly to clarify that sustainability assurance engagements will not be deemed public interest assurance engagements, so that compliance with the Ethical Standard will not be required for these engagements.

16. The latter two categories of amendments largely follow those of the IAASB when they issued ISSA 5000.

# 2. Summary of feedback and FRC response

## Overall summary

We received 25 responses, from a range of stakeholder groups as set out below. The majority of responses across all stakeholder groups were highly supportive of the FRC issuing a UK version of ISSA 5000, on a voluntary basis, with just one modification from the international version.

**Table 1: Overview of responses received**

| Category of Respondent | Number of Responses |
|---|---|
| Firms (including a group of firms) | 9 |
| Professional Bodies | 7 |
| Methodology Provider | 1 |
| Representative Groups | 3 |
| Company | 3 |
| Investors | 2 |

### Question 1 - Do you agree that the FRC should issue ISSA (UK) 5000 for voluntary use in the UK?

### Summary

There was strong support across all stakeholder groups for the issuance of ISSA (UK) 5000 on a voluntary basis, with some respondents highlighting the importance of global comparability and consistency, as well as the UK maintaining its reputation for high quality assurance. A minority expressed the view that the use of the standard should be mandated as soon as practicable, noting that voluntary adoption of an assurance standard risks fragmentation and inconsistency in application. One respondent recommended that issuance should be delayed until there is greater certainty on the regulatory regime.

Several respondents requested further clarity as to whether ISAE 3000 and ISAE 3410 can be applied for sustainability assurance engagements when ISSA (UK) 5000 is effective.

### FRC response

In light of the significant support expressed by respondents, the FRC will issue a UK version of ISSA 5000 for voluntary use in the UK.

In respect of respondents' views that the use of the standard should be mandated as soon as practicable, that will require the passage of legislation. The UK government has already issued a consultation regarding an oversight regime for sustainability assurance on 25 June 2025[3]. In this consultation, the government notes its support for international standards, in particular ISSA 5000, and seeks stakeholder views on its proposal to grant ARGA the authority to set UK sustainability standards. Until the government has concluded on these issues, the FRC can only issue this standard for voluntary use.

### Applicability of ISAE 3000 and 3410

Consistent with IAASB pronouncements, ISSA (UK) 5000 will apply to all assurance engagements on sustainability information performed once the standard becomes effective[4]. Both ISAE (UK) 3000 (Revised) and ISAE 3410 will no longer be applicable for sustainability assurance engagements after the effective date of ISSA 5000 (see also Question 4 below).

## Question 2 - Do you agree with the proposed modification to ISSA 5000? If not, what material would you suggest we include?

## Summary of feedback

The majority of respondents across all stakeholder groups agreed with the proposed prohibition on direct assistance of the internal audit function noting that this aligns with an equivalent prohibition for audits in the UK.

Some respondents emphasised concern with the prohibition, noting that the prohibition could unintentionally discourage collaboration with the internal audit function and lead to duplication of effort. Some highlighted the importance of the practitioner's interaction with the internal audit function, even where direct assistance is prohibited, and requested guidance on how internal audit can support the external assurance process.

## FRC response

As the majority of respondents supported the proposed prohibition, we have retained it.

As the internal audit function is not independent of the entity, it was necessary to include a modification to prohibit direct assistance from the internal audit function, aligned with an equivalent prohibition in ISA (UK) 610. If direct assistance was permitted, the degree to which the assurance engagement enhances the confidence of the market in the sustainability reporting may be reduced.

In response to requests for guidance on how internal audit can support the external assurance process, in order to clarify further that even though direct assistance is prohibited, the practitioner may still use the work of the internal audit function, we have amended the modification to

3 Developing an oversight regime for assurance of sustainability-related financial disclosures, 2025.

4 IAASB Staff Publication – ISSA 5000 FAQ, Sustainability Assurance – Applicability of ISSA 5000, ISAE 3000 (Revised) and ISAE 3410, August 2025.

paragraph A29 to include a cross reference to paragraph 59, which explains what the practitioner shall do, if they want to use the work of the internal audit function.

## Question 3 - Do you believe any further adaptations should be made? If you do, please explain them.

### Summary of feedback

There was strong support for keeping the standard as aligned as possible with the international version, with no further modifications, to promote as much consistency as possible.

A minority of respondents suggested minor modifications, including specifying which quality management requirements are deemed at least as demanding as ISQM (UK) 1, and the removal of the requirement to specify whether comparative information was assured.

Several respondents requested that the FRC issue guidance on topics including materiality; group engagements; limited assurance; forward looking information; and value chain information.

### FRC response

We received significant support for not including any further modifications, and for aligning as much as possible with the international version. Therefore, we have not included any further modifications.

To support practitioners, the IAASB has issued a package of guidance and support as part of its Implementation and Support Program, that covers a wide array of topics, including those mentioned above[5].

The IAASB guidance represents a significant amount of work, which has only recently been completed, and therefore we believe it is best to leave some time for stakeholders to read and digest this material before we consider if it is necessary to issue FRC specific educational material. We will continue to engage with IAASB and our stakeholders on this.

## Question 4 - Do you agree with the proposed effective date? If not, please explain what date would be appropriate.

### Summary of feedback

There was strong support from all stakeholder groups for the proposed effective date for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026, or as at a specific date on or after December 15, 2026.

One respondent expressed neither support nor opposition for the proposal, but noted that application of the standard will depend on subsequent rules or regulations put in place by government or the FCA.

5 www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000

## FRC response

In response to the significant support, we have retained the proposed effective date.

## Other feedback – issues relating to ethical requirements

One respondent noted some potential challenges with applying the relevant ethical requirements (the provisions of the IESBA Code relating to sustainability assurance engagement). These challenges included that the relevant ethical requirements impose a high independence bar which may limit the pool of assurance providers that are independent of the entity; the challenges with meeting IESBA provisions around value chain entities; and the costs for those assurance providers that may have to maintain independence procedures for both the Ethical Standard and the IESBA Code.

Another respondent highlighted that the non-audit services fee cap may be a barrier to companies appointing their auditor to provide sustainability assurance. This, in this respondent's view, may not optimise quality and efficiency, due to the overlap between an audit and a sustainability assurance engagement.

## FRC response

In relation to the comments on the IESSA, we observe that the provisions of the international version of ISSA 5000 itself require independence in accordance with the provisions of the IESBA Code relating to sustainability assurance, or those equally demanding. Therefore, it would not be possible to set ethical requirements that meant the independence bar was lower, or that were less onerous in respect of value chain entities, without compromising consistency with the international version, to the detriment of both companies and assurance providers.

In addition, many firms have to comply with both the Ethical Standard and IESBA Code(as members of IFAC and/or Professional Bodies), and thus will need to maintain methodologies that meet both sets of requirements.

For these reasons we have kept the relevant ethical requirements as the provisions of the IESBA Code relating to sustainability assurance.

In response to the comment on the fee cap, we note that it is a matter for government as to whether sustainability assurance should be included in the fee cap calculation.

# 3. Impact Assessment

Both the decision to obtain sustainability assurance, and the choice of assurance standard, are entirely voluntary. Therefore the impact to organisations should not be classified as driven by regulation. These are strategic choices, often made to enhance credibility, align with industry best practices, or meet stakeholder expectations. While they may involve financial or operational investment, they fall outside the scope of regulatory impacts.

In addition, assurance practitioners can already use the international version of the standard, and there should be no additional costs to use the UK version as we are not proposing any additional requirements.

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