

## ISSA 5000 Deep Dive: The Global Gold Standard for Sustainability Assurance

Following the Malaysian Institute of Accountants' (MIA) official adoption of ISSA 5000 last October, corporate Malaysia is on a clear path toward investor-grade sustainability verification. With upcoming reporting periods requiring strict compliance under the National Sustainability Reporting Framework (NSRF), preparation is no longer optional.

ISSA 5000 (International Standard on Sustainability Assurance 5000) serves as the primary benchmark for external verification. Developed by the IAASB, it replaces fragmented verification practices with a robust attestation framework. Designed to be framework-neutral, it applies seamlessly whether an entity reports under IFRS S1/S2, GRI, CSRD/ESRS, or domestic Bursa Malaysia listing rules.

For CFOs, Controllers, and Audit Committees, preparing for an ISSA 5000 audit requires understanding how practitioners will evaluate evidence, test internal controls, and inspect corporate data rooms.

Here is a deep dive into what you need to know.

### 1 The Architecture of ISSA 5000: Framework Neutrality & Double Materiality

Unlike legacy auditing standards designed strictly for financial ledgers, ISSA 5000 is built specifically for the complexities of non-financial sustainability information. Key structural innovations include:

- \* **Framework Neutrality:** It does not mandate a specific reporting standard. It provides the assurance umbrella for evaluating disclosures prepared against IFRS S1/S2, GRI Standards, or local regulatory mandates.
- \* **Dual Materiality Support:** The standard explicitly supports both financial materiality (investor-focused risk) and double materiality (impact on environment/society alongside financial impacts).
- \* **Scalability:** It provides clear, distinct requirements for both Limited Assurance (plausibility checks, inquiries) and Reasonable Assurance (in-depth control testing, detailed sampling).

## 2 Practitioner Requirements: Professional Skepticism & Competence

ISSA 5000 raises the bar for independent assurance practitioners. Auditors can no longer accept self-declared management data at face value. Practitioners must adhere to strict operational mandates:

- \* **Rigorous Professional Skepticism:** Auditors must critically evaluate evidence, challenge management estimates, and probe potential bias in narrative disclosures.
- \* **Quality Management & Ethics:** Strict compliance with professional quality management systems (e.g., ISQM 1) and independence ethics.
- \* **Multidisciplinary Competence:** Audit teams must combine traditional financial assurance expertise with deep technical sustainability domain knowledge (e.g., GHG quantification, climate scenario modelling).

## 3 What Independent Auditors Will Inspect in Your ESG Data Room

When an independent auditor conducts an ISSA 5000 engagement, they will request access to a structured ESG Data Room. Their inspection will focus on four core areas:

### GHG Activity Data Lineage

- \* **Artifacts:** Original utility invoices, fuel receipts, fleet logbooks, meter calibration certificates.
- \* **Focus:** Verifying primary activity numbers, data completeness, and eliminating manual entry errors.

### Emission Factors & Methodology

- \* **Artifacts:** Published grid factor tables (e.g., Suruhanjaya Tenaga), IPCC/DEFRA references, approved internal GHG SOP manuals.
- \* **Focus:** Validating that appropriate, current emission factors and formulas were applied consistently.

### Internal Control Evidence

- \* **Artifacts:** System access logs, user permission matrices, dual-authorization sign-offs, management review minutes.
- \* **Focus:** Assessing control design and operating effectiveness to prevent data tampering.

## Scenario & Narrative Support

- \* Artifacts: NGFS/IPCC reference documentation, cross-functional workshop minutes, Board Risk Committee sign-offs.
- \* Focus: Confirming that qualitative disclosures and forward-looking statements are backed by documented evidence.

## 4-Step Action Plan for Audit Committees

To ensure your organization is ready for an ISSA 5000 assurance engagement, take these essential steps:

- \* Step 1: Conduct an Audit Evidence Gap Analysis. Map every reported sustainability metric against primary evidence sources to identify missing invoices, unverified estimations, or manual spreadsheet risks.
- \* Step 2: Establish a Centralized ESG Data Room. Digitalize and organize all primary documents, emission factor references, SOP manuals, and sign-off logs into a secure, auditable structure.
- \* Step 3: Formalize GHG & ESG Accounting Policies. Document standard operating procedures for organizational boundaries, consolidation approaches, and grid factor selections in an approved Corporate Sustainability Manual.
- \* Step 4: Execute a Pre-Assurance Mock Audit. Engage internal audit or independent ESG advisory specialists to perform a trial run under ISSA 5000 principles before the formal auditors arrive.

## Moving Forward

ISSA 5000 establishes a clear global benchmark for sustainability assurance. By understanding how auditors apply this standard and preparing a well-structured data room today, corporate leaders can ensure a smooth verification process that reinforces market trust and investor confidence.

Author: KC Teo

National Quality Expert (Corporate Sustainability & ESG Frameworks - IQM) |  
Principal Consultant & Lead Auditor, VeriSustain MyESG PLT

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## URGENT REGULATORY UPDATE (Securities Commission Malaysia)

The Advisory Committee on Sustainability Reporting (ACSR), chaired by the SC, has officially **deferred the commencement of mandatory reasonable assurance requirements for Scope 1 and Scope 2 GHG emissions disclosures by one year.**

The new mandatory assurance requirements will apply from:

- ◆ 2028 for Group 1 applicable entities
- ◆ 2029 for Group 2 applicable entities
- ◆ 2030 for Group 3 applicable entities

The SC notes that this additional year is granted to allow preparers more time to strengthen their reporting processes, internal controls, and data quality. Independent assurance must still be performed in accordance with ISSA 5000, and the ACSR will be issuing a Sustainability Assurance Guide to support consistent implementation.

👉 Over to you: With the SC granting this one-year deferral for reasonable assurance, how will your organization use this extra time to strengthen your ESG Data Room and internal controls ahead of the 2028 deadline? Let me know in the comments!

#ISSA5000 #SustainabilityAssurance #ESG #BursaMalaysia  
 #SecuritiesCommissionMalaysia #CorporateGovernance #AuditCommittee #CFO  
 #SustainabilityReporting #MIA #NSRF #GHG

### About VeriSustain

VeriSustain MyESG PLT supports organisations in ESG governance, sustainability reporting (IFRS S1S2), enterprise risk management (ERM), anti-bribery management systems (ISO 37001), climate risk management, internal audit and assurance readiness programmes.

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consultant@verisustain.my | +6013 699 6033 | [www.verisustain.my](http://www.verisustain.my)

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