

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: March 6, 2023

Agenda Item

F

Sustainability – Independence (Work Stream 1)

Objectives

1. To consider:
 - Options for the presentation of the ethics and independence standards for sustainability assurance and the potential advantages and disadvantages/risks of each option.
 - The proposed approach to independence considerations applicable to sustainability assurance engagements.

Task Force

2. The Task Force comprises of two work streams:

Work Stream 1 (Independence)	Work Stream 2 (Ethics)
<ul style="list-style-type: none"> • Mark Babington, Chair, IESBA Member • Jens Poll, IESBA Member • Channa Wijesinghe, IESBA Member 	<ul style="list-style-type: none"> • Christelle Martin, Chair, IESBA Member • Vania Borgerth, IESBA Member • Richard Huesken, IESBA Member • Sung-Nam Kim, IESBA Member
Supported by: <ul style="list-style-type: none"> • David Clark, IESBA Technical Advisor • Marta Kramerius, IESBA Technical Advisor • Masahiro Yamada, IESBA Technical Advisor 	Supported by: <ul style="list-style-type: none"> • Laura Friedrich, IESBA Technical Advisor • Chris Twagirimana, IESBA Technical Advisor • Kristen Wydell, IESBA Technical Advisor

Project Status and Timeline

3. In 2022, recognizing the foundational role of ethics and independence in the production, reporting and assurance of sustainability information, the IESBA committed to taking timely action to develop fit-for-purpose, globally applicable ethics and independence standards as a critical part of the regulatory infrastructure to support transparent, relevant and trustworthy sustainability reporting.
4. The IESBA established a Sustainability Working Group to, amongst other matters, conduct fact finding, undertake stakeholder outreach and awareness-raising activities as well as to develop a

strategic vision to guide the IESBA's standard-setting actions in relation to sustainability reporting and assurance.

5. In its September 15, 2022 [statement](#), the International Organization of Securities Commissions (IOSCO) encouraged standard-setters' work on assurance of sustainability-related corporate reporting and welcomed the work of the IESBA and the International Auditing and Assurance Standards Board (IAASB) in this regard. In its statement, IOSCO particularly welcomed the two standard-setting Boards' plans to work towards high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited and, ultimately, reasonable assurance of sustainability-related information.
6. In October 2022, the IESBA released a staff-prepared Questions and Answers, [Ethics Considerations in Sustainability Reporting – Including Guidance to Address Concerns about Greenwashing](#).
7. At its November-December 2022 meeting, the IESBA unanimously approved two new projects with the following objectives:
 - (a) [Sustainability project](#):

To develop:

 - i. Revisions to the Code to address the ethics issues that might arise in sustainability reporting; and
 - ii. Profession-agnostic ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)
 - (b) [Use of Experts project](#):

To develop revisions to the Code to address:






 - i. Ethics and independence considerations for the use of an external expert in an audit or other assurance engagement;
 - ii. Ethics considerations regarding the involvement of an expert (internal or external to an employing organization or firm) in the preparation and presentation of financial and non-financial information, including sustainability information, and other activities; and
 - iii. Ethics considerations regarding the involvement of an expert (internal or external to a firm) in the provision of other services (such as tax planning and technology-related activities).
8. In approving the Sustainability Project, the IESBA also agreed that the Task Force would comprise two work streams as follows:
 - Work stream 1 on the development of profession-agnostic independence standards for sustainability assurance; and
 - Work Stream 2 on the development of ethics standards for sustainability reporting and profession-agnostic ethics standards for sustainability assurance.

Report Back on September 2022 IESBA CAG Discussion

9. Refer to the Appendix of Agenda Item E (Cover note for the session on Sustainability Work Stream 2).

CAG Session (Work Stream 1)

10. At the March 2023 CAG meeting, Mr. Babington, Chair of the Sustainability Work Stream 1, will amongst other matters, present (**Agenda Item F-1**):
- A high-level overview of the options for the presentation of the ethics and independence standards for sustainability assurance and the potential advantages and disadvantages/risks of each option.
 - The proposed approach to independence considerations applicable to sustainability assurance engagements.
 - The next steps of the IESBA's Sustainability Project until the approval of the exposure draft.
11. The following table is a summary of the topics to be covered by the Sustainability Work Streams 1 and 2 at the March 2023 CAG meeting:

Topics	Presented by WS 1	Presented by WS2
Update on IESBA's global sustainability roundtables (common to both WS)		
Update on IESBA-IAASB coordination (common to both WS)		
Presentation of ethics and independence standards for sustainability assurance – Integrated vs standalone approach (common to both WS)		
Independence considerations		
Ethics standards for sustainability reporting – profession-agnostic or for professional accountants only		

Action Requested

12. CAG Representatives are asked to provide input to the matters raised in **Agenda Items F-1**.

Next Steps

13. The IESBA will hold four in-person global roundtables (Paris, Sydney, Singapore and New York City) and the two virtual roundtables in late March/early-mid April 2023.
14. Work Streams 1 and 2 will seek input from participants at the IESBA-National Standard Setters liaison group in June 2023.

Material Presented

Agenda Item F-1 Slide Presentation