Meeting: IESBA
Meeting Location: New York
Meeting Date: June 12-16, 2023

Sustainability – Workstream 1

Objectives of Agenda Item

1. To
   (a) Consider a preliminary draft of the independence standards for sustainability assurance engagements; and
   (b) Provide input on Workstream 1’s (WS1) proposals regarding the key issues and the proposed approach to independence considerations applicable to sustainability assurance.

Matters for Consideration

2. At its May 2023 in-person meeting, WS1 discussed the feedback received from the IESBA, IESBA CAG, and the global Roundtable participants in relation to the Task Force’s preliminary proposals on how to address the independence issues relating to sustainability assurance engagements. Agenda Item 2-A includes the Task Force responses and proposals in the light of the Roundtable participants’ input on those issues.

3. Informed by the previous discussions with the IESBA and stakeholders, including participants of the global Roundtables, WS1 has developed a preliminary draft of the independence standards that illustrates WS1’s proposals regarding the conceptual issues.

4. At the June 2023 IESBA meeting, the WS1 Chair will present the following issues for the IESBA’s consideration:
   - Part 5 – Section 400 (Agenda Item 3-A)
     - Scope of Independence Standards
     - System of Quality Management
     - Independence Considerations for Group Sustainability Assurance Engagements
     - Determination of Entities as Public Interest Entities (PIEs) in the Context of Sustainability Assurance Engagements
     - Guidance for Firms Performing Both the Audit and Sustainability Assurance Engagement for the Same Client
     - Period During Which Independence is Required
   - Part 5 – Section 405 (Agenda Item 3-B)
     - Group Sustainability Assurance Engagements
Part 5 – Section 410 (Agenda Item 3-C)
  ➢ Proportion of Fees for Services Other than Sustainability Assurance to Sustainability Assurance Fee

Part 5 – Section 510 (Agenda Item 3- D)
  ➢ Using the Term "Engagement Leader" instead of "Engagement Partner"

Part 5 – Section 540 (Agenda Item 3-E)
  ➢ Rotation of Engagement Leaders

Part 5 – Section 600 (Agenda Item 3-F)
  ➢ Reference to Materiality
  ➢ Determination of Self-review Threat

Part 5 – Subsection 601 (Agenda Item 3-G)
  ➢ Sustainability Data and Information Services

5. The proposed newly defined terms in relation to the independence standards for sustainability assurance engagements are included in the revised Glossary in Agenda Item 2-B.

Action Requested

6. IESBA members are asked to:
   (a) Consider the WS1 Char's presentation; and
   (b) Discuss and provide input on the matters raised in Agenda Items 3-A to 3-G (and the relevant definitions in Agenda Item 2-B), with special regard to the following questions:

1) Do IESBA members agree with the proposed scope of the independence standards in Part 5 for sustainability assurance engagements? (See proposed paragraphs 400.3 to 400.6)

2) Do IESBA members support Part 5 requiring all firms, including firms of sustainability assurance practitioners who are non-PAs, to be subject to ISQM 1, 1 or other professional requirements, or requirements in law or regulation, regarding a firm’s responsibility for its system of quality management, that are at least as demanding as ISQM 1? (See proposed paragraphs 400.7 to 400.8)

3) Do IESBA members support that Part 5 includes independence provisions for group sustainability assurance engagements? (See proposed paragraph 400.15)

4) Do IESBA members agree with WS1’s proposal regarding the determination of PIEs for the purposes of sustainability assurance engagements of heightened public interest? (See proposed paragraphs 400.17 and 400.18)

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1 International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements
5) Do IESBA members agree with WS1’s proposals regarding firms performing both audit and sustainability assurance engagements? (See proposed paragraph 400.19)

6) Do IESBA members agree with WS1’s proposal regarding the period during which independence is required in the case of a sustainability assurance engagement? (See proposed paragraph R400.30 (b))

7) Do IESBA members agree with:
   (i) The proposed defined terms for group sustainability assurance engagements (see Agenda Item 2-B); and
   (ii) The proposed requirements and application material in paragraphs R405.3 and R405.4?

8) Do IESBA members agree with WS1’s proposals regarding the evaluation of the level of threats created by the proportion of fees received from a sustainability assurance client? (See proposed paragraphs 410.11 A1 to A4)

9) Do IESBA members support that the Code uses the term "engagement leader" and "service leader" instead of "engagement partner" or "other partners" in Part 5?

10) Do IESBA members agree with the proposed requirements regarding the rotation of engagement leaders to address long association in paragraphs R540.5 and R540.14 to R540.18)

11) Do IESBA members agree with the proposed reference to materiality from Section 600 to ISSA 5000? (See proposed paragraph 600.11 A1)

12) Do the IESBA members agree with the inclusion of the proposed subsection on sustainability data and information services?

**Material Presented**

*For Discussion*

Agenda Item 3-A Part 5 – Section 400 (Preliminary Draft)

Agenda Item 3-B Part 5 – Section 405 (Preliminary Draft)

Agenda Item 3-C Part 5 – Section 410 (Preliminary Draft)

Agenda Item 3-D Part 5 – Section 510 (Preliminary Draft)

Agenda Item 3-E Part 5 – Section 540 (Preliminary Draft)

Agenda Item 3-F Part 5 – Section 600 (Preliminary Draft)

Agenda Item 3-G Part 5 – Subsection 601 (Preliminary Draft)

*For Reference*
Reference 1 to 11

Remaining sections in the preliminary draft of the independence standards for sustainability assurance engagements