

**Meeting:** IESBA  
**Meeting Location:** New York and Virtual  
**Meeting Date:** December 4-8, 13 & 15, 2023

## Agenda Item 5.1

### Sustainability – Workstream 1

#### Objectives of Agenda Item

1. To consider, with a view to approval for exposure:
  - (a) The draft International Independence Standards for sustainability assurance engagements in Part 5 of the Code; and
  - (b) The draft consequential and conforming amendments to Part 4A and Part 4B.

Workstream 1 welcomes any advance comments and drafting suggestions on the proposed International Independence Standards (from Section 5400 to Section 5700) in **Agenda Item 5-A**, the relevant proposed definitions in the Glossary in **Agenda Item 5-B**, and the consequential and conforming amendments to Part 4A and Part 4B in **Agenda Item 5-C**.

Please email comments to: [szilviasramko@ethicsboard.org](mailto:szilviasramko@ethicsboard.org) by **November 30, 2023**.

#### Activities Since September 2023

2. After the September 2023 IESBA and Consultative Advisory Group (CAG) meetings, Workstream (WS) 1 circulated the September version of the draft International Independence Standards to the Sustainability Reference Group and asked for their comments.
3. Informed by the previous discussions with the IESBA and stakeholders (including Reference Group members), WS1 held an in-person meeting in October and a virtual meeting in November to discuss the comments and develop the draft International Independence Standards in Part 5 for a second read.
4. After its October meeting, WS1 emailed selected sections of the draft independence standards to IESBA members and asked for their advance comments, especially on the changes proposed since September 2023. WS1 considered all the feedback received by October 30 and will distribute a compilation of its responses to the substantive advance comments received to the Board ahead of the December 2023 meeting.
5. In early November, IESBA and IAASB Staff had a coordination meeting where
  - IESBA Staff provided an update on the proposals in the ethics and independence standards for sustainability assurance engagements in Part 5 that are subject to coordination between the two Boards;

- IAASB Staff briefed IESBA Staff about the key feedback received at the IAASB's global roundtables regarding the ISSA 5000 Exposure Draft<sup>1</sup> (ED).
6. On November 27, the Sustainability Task Force will hold an informational preparatory session for IESBA members ahead of the December 2023 meeting, where the WS1 Chair and IESBA Staff will explain WS1's proposals regarding the key independence matters.

### Matters for Consideration

7. **Agenda Item 5-A** includes the draft International Ethics Standards for Sustainability Assurance (Including International Independence Standards) (IESSA) for IESBA members' second read. The document is a joint WS1 and WS2 paper that includes the full set of proposed ethics and independence standards in the new Part 5. It is in mark-up from the 2024 version of the Code, which incorporates the latest revisions to the Code. For ease of comparison, *the proposed changes since the September 2023 IESBA meeting are highlighted in yellow*. The grey boxes in the document provide explanations for the most recent changes and matters for the IESBA's consideration in relation to the relevant paragraphs/subsections/titles.
8. The newly defined terms in relation to the independence standards for sustainability assurance engagements are included in the revised Glossary in **Agenda Item 5-B**. The changes are in mark-up from the 2024 version of the Code. *The key changes since the September 2023 IESBA meeting are highlighted in yellow*. The document is a joint WS1 and WS2 paper that includes proposals from both workstreams. The grey boxes in the document provide explanations for the most recent changes and matters for the IESBA's consideration.
9. **Agenda Item 5-C** includes the draft consequential and conforming amendments to Parts 1 to 4 of the Code resulting from the draft IEISSA in Part 5. The document is a joint WS1 and WS2 paper that includes proposals from both workstreams.
10. The **Appendix** includes a preliminary list of proposed questions for the Explanatory Memorandum (EM) that focuses on the key independence-related topics or issues where stakeholders' input would be especially useful in the finalization of the standards in Part 5. WS1 notes that the EM will provide a detailed explanation of the topics or issues and the IESBA's proposals. The questions will include references to the relevant sections in the EM. The full list of questions in the EM will also include the ethics-related questions and questions regarding common issues.

### Approach to Session

11. During the December 2023 meeting, the WS1 Chair and IESBA Staff will walk IESBA members through the proposed changes to the draft independence standards section by section and explain the key proposed revisions since the September 2023 meeting.

### Action Requested

12. IESBA members are asked to:
- (a) Consider and provide feedback on the matters highlighted during the second read;
  - (b) Consider the:

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<sup>1</sup> International Standards on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements

- (i) Draft International Independence Standards in Part 5 (from Section 5400 to Section 5700);
  - (ii) Draft new and revised independence-related definitions in the Glossary; and
  - (iii) Draft consequential and conforming amendments to Part 4A and Part 4B; and
- (c) Subject to the Board discussion, approve the proposed texts for exposure.

## Material Presented

### *For Discussion*

Agenda Item 5-A	Proposed Ethics and Independence Standards for Sustainability Assurance Engagements in Part 5 (WS1 and WS2) – 2nd Read (Mark-Up)
Agenda Item 5-B	Proposed Revised Glossary (WS1 and WS2) – 2nd Read (Mark-Up)
Agenda Item 5-C	Proposed Consequential and Conforming Amendments (WS1 and WS2) – 2nd Read (Mark-up)

### *For Reference*

Agenda Item 5-E	Report-Back on the September 2023 CAG meeting (WS1 and WS2)
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## Next Steps

13. Subject to the IESBA's approval of the Sustainability ED, the Task Force anticipates that the ED will be issued for public comment by the end of January 2024. The Task Force recommends a 100-day comment period, allowing time for a preliminary analysis of the responses before the June 2024 IESBA meeting.
14. On December 12, 2023, the IESBA Program and Senior Director will provide an update on the IESBA's deliberations on the Sustainability and Use of Experts projects at the IAASB Board meeting.
15. At its March 2024 meeting, the IESBA will receive an update from IAASB representatives on the significant comments received on the IAASB's ED of ISSA 5000.<sup>2</sup>
16. The IESBA will receive a high-level update on comments received on certain specific questions in the ED at the June 2024 meeting, with a full review of the ED comments and the first read of the proposed final standards post-exposure at the September 2024 meeting.

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<sup>2</sup> Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

## Appendix

### Proposed Questions for the EM on Independence-related Topics or Issues

#### I. Scope

1. The IESBA is proposing that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audit engagements. Do you agree with the proposed criteria for such engagements in paragraph 5400.3a?

#### II. Determination of Public Interest Entities (PIEs)

2. For sustainability assurance engagements addressed by Part 5, do you agree with the proposal to use the same PIE definition that already exists in the Code for audits of financial statements?

#### III. Group Sustainability Assurance Engagements

3. The IESBA is proposing that the International Independence Standards in Part 5 specifically address the independence considerations applicable to group sustainability assurance engagements. Do you support the proposals in Section 5405?
4. If yes,
  - (a) Do you support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement (see Section 5405)?
  - (b) Do you agree with the proposed defined terms in the context of group sustainability assurance engagements (for example, “group sustainability assurance engagements,” “component,” etc.)?

#### IV. Using the Work of Another Practitioner

5. Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner uses the work of another practitioner who is not under the former’s direction, supervision, and review but who carries out assurance work in relation to the sustainability assurance engagement. Do you agree with the proposed independence provisions set out in Section 5406?

#### V. Non-Assurance Services (NAS)

6. The International Independence Standards in Part 5 set out requirements and application material applicable when the sustainability assurance practitioner provides NAS to the sustainability assurance client. Do you agree with the provisions in Section 5600 (for example, the prohibition regarding the self-review threat, determination of materiality as a factor, and communication with those charged with governance (TCWG))?
7. Subsections 5601 to 5610 address specific types of NAS.
  - (a) Do you agree with the coverage of such services and the provisions in the Subsections?
  - (b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

**VI. Relationship with a Value Chain Entity**

8. Do you agree that certain interests, relationships and circumstances between the sustainability assurance practitioner and an entity within the client's value chain might create threats to the practitioner's independence if the sustainability information on which the practitioner expresses an opinion includes information from that value chain entity?
9. If yes, do you support:
  - (a) The proposed definition for "value chain?"
  - (b) The approach proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships and circumstances with a value chain entity in Section 5700?

**VII. Other Matters**

10. Does Part 5 sufficiently address the independence issues that could arise when the sustainability assurance practitioner also audits the client's financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client)?
11. Do you have any comments regarding:
  - (a) Other sections in the proposed International Independence Standards in Part 5;
  - (b) Other new or revised independence-related definitions in the Glossary; or
  - (c) The consequential and conforming amendments to Part 4A and Part 4B?
12. Are there any other matters that could impact the sustainability assurance practitioner's independence which Part 5 should specifically address?