

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: September 11, 2023

Agenda Item C

Sustainability – Independence (Work Stream 1)

Objectives

1. The objectives of the session are to
 - Receive a report back on the March 2023 CAG discussions.
 - Consider key matters relating to the draft of the proposed independence standards for sustainability assurance.

Task Force

2. The Task Force comprises 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 • Masahiro Yamada, IESBA Technical Advisor 	Supported by: <ul style="list-style-type: none"> • 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 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 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](#).

Project Proposal

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 consulting).
8. In approving the Sustainability Project, the IESBA also agreed that the Task Force would comprise two work streams as follows:
 - Work stream 1 (WS1) on the development of profession-agnostic independence standards for sustainability assurance; and
 - Work Stream 2 (WS2) on the development of ethics standards for sustainability reporting and profession-agnostic ethics standards for sustainability assurance.

Global Roundtables

9. Due to the nature and potentially wide scope of the sustainability project, the IESBA agreed that obtaining further stakeholder views would be critical to its objectives in relation to its two sustainability

work streams. Therefore, to inform its Sustainability project as well as its Use of Experts project, the IESBA conducted four global roundtables in Paris, Sydney Singapore and New York in March and April 2023. Over 140 senior-level participants from a wide range of stakeholder groups,¹ including non-professional accountants, attended the roundtables. The IESBA considered the input received from Roundtable participants at its June 2023 meeting.

10. After the roundtables, the IESBA agreed to seek expressions of interest from roundtable participants to join the IESBA Sustainability Reference Group (SRG), to be composed of up to 10 individuals with background, experience or expertise in sustainability reporting or assurance, or having responsibilities for such reporting or assurance, and who are not assurance practitioners from the accountancy profession. The final composition of the SRG, as well as its terms of reference, is published on the [sustainability webpage](#) on the IESBA website.
11. Refer to **Agenda Item B-1** for the summary of the feedback from roundtable participants and further information on the SRG.²

March and June 2023 IESBA Discussions

12. In March and June 2023, the IESBA discussed the key independence matters in relation to sustainability assurance and considered tentative drafts of select independence standards.
13. In early June, WS1 and WS2 provided a high-level overview of the feedback from the roundtables and the Task Force's proposals regarding the ethics and independence standards for sustainability reporting and assurance to the representatives of the IESBA-National Standard Setters Liaison Group Meeting.
14. Informed by the previous discussions with the IESBA, IESBA CAG and other stakeholders, including participants of the global Roundtables, WS1 has developed a first-read draft of the international independence standards for sustainability assurance engagements for IESBA members' consideration at the September 2023 IESBA meeting. (Refer to **Agenda Items 3-A** and **3-B** presented for the IESBA's discussion.)

Report Back on March 2023 IESBA CAG Discussion

15. Refer to the **Agenda Item C-2** regarding the report-back on the March 2023 CAG discussions.

September 2023 CAG Session

16. During the session, Mr. Babington, Chair of the Sustainability Work Stream 1, and Ms. Szilvia Sramko, IESBA Principal, will present the key matters relating to the draft of the proposed independence standards for sustainability assurance. (**Agenda Item C-1**):

Action Requested

17. CAG Representatives are asked to provide input to the matters raised in **Agenda Item C-1**.

¹ The participants came from the following stakeholder groups: Academics, Accounting Firms, Independent National Standard Setters (INSS), Non-PAs, Professional Accountancy Organizations (PAO), Preparers/TCWG, Regulators, Users/Investors, Global and Regional Standards Setters, and Others, such as global and national organizations for the accountancy profession.

² Please refer to [Agenda Item 2-A](#) of the June 2023 IESBA meeting for a summary of the feedback from the Roundtables and the Task Force's proposals

Next Steps

18. The IESBA will consider a second-read draft of the international independence standards for sustainability assurance engagements in Part 5 with a view to approval in December 2023 for public consultation.

Material Presented

Agenda Item C-1 Slide Presentation

For Reference

Agenda Items 3-A and 3-B are available on the IESBA's September 2023 meeting webpage at <https://www.ethicsboard.org/meetings/september-18-22-2023-aicpa-offices-nyc>