

Meeting: IESBA
Meeting Location: New York
Meeting Date: December 2-6, 2024

Agenda Item 2

Sustainability

Objectives of Agenda Item

1. To:
 - (a) Consider any remaining issues¹ and the final IESSA and other sustainability-related provisions and related conforming amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).
 - (b) Approve such provisions and conforming amendments as a final pronouncement.

The Task Force welcomes comments and drafting suggestions in advance of the IESBA meeting for both **Agenda Items 2-A** and **2-B**. Please email SzilviaSramko@ethicsboard.org and lauraleal@ethicsboard.org.

Activities since September 2024

1. At its September 2024 meeting, the IESBA discussed key comments raised by respondents to the Sustainability ED and the Task Force's responses. The discussion included matters for coordination between the IESBA and the International Auditing and Assurance Standards Board (IAASB) regarding sustainability assurance, considering the IAASB's intention to approve the proposed International Standard on Sustainability Assurance (ISSA) 5000² in September 2024.
2. The Task Force held an in-person meeting in October 2024 as well as virtual meetings to develop and finalize the agenda materials for this meeting.
3. The Task Force also conducted, or will conduct before the December 2024 Board meeting, targeted outreach with the following stakeholder groups:³
 - Forum of Firms
 - The International Federation of Accountants (IFAC)

Representatives of the above organizations were briefed on the key comments raised by respondents

¹ The IESBA considered a [full analysis](#) of the comments raised by respondents on the Exposure Draft, *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* (Sustainability ED) in September 2024. All comment letters can be access [here](#).

² ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

³ The November 2024 Stakeholder Advisory Council (SAC) meeting did not include a discussion on the sustainability standard-setting project, although participants provided input to the IESBA's and IAASB's initial thinking on their respective strategy and action plan to support the adoption and implementation of their Sustainability Standards.

to the Sustainability ED and the related responses.

4. At its November 8, 2024 virtual meeting, the IESBA considered the Work Stream 1's proposed revisions to Sections 5405 and 5406 of the IESSA.
5. The Sustainability Reference Group held a meeting in November 2024 during which the IESBA representatives provided an overview of the matters for discussion at the December 2024 Board meeting.

Coordination with the IAASB

6. Since the September 2024 Board meeting, the Task Force has continued coordinating with IAASB representatives, mainly on matters relating to the International Independence Standards in the IESSA, to maintain the alignment and interconnectivity between the two Boards' sets of standards.

Matters for IESBA Consideration

7. The Task Force has revised the September 2024 draft of the proposed text to reflect the input from the September and November 2024 IESBA meetings, and the feedback received from targeted outreach that was undertaken in Q4.
8. During the December Board meeting, the Task Force will brief the IESBA on the main changes from the September 2024 draft which are highlighted in yellow in **Agenda Item 2-A** and explained in grey boxes throughout the text. In addition, the marked-up edits highlighted in green in Sections 5405 and 5406 and the Glossary indicate the changes made after the November 2024 IESBA meeting.
9. A draft Basis for Conclusions is set out in **Agenda Item 2-B**. It provides an overview of the proposals, a summary of the significant issues raised by ED respondents and the IESBA/Task Force responses to date regarding the key themes of the project. This document will be updated after the December meeting to reflect the outcome of the IESBA's final deliberations.

Due Process Matters

Significant Matters Raised by Respondents

10. It is the Task Force's view that all significant matters raised by the respondents in comment letters were identified and considered by the Task Force. The Task Force's analysis of the significant matters identified and its proposals have also been presented in public agenda papers for the Board's discussions. In the Task Force's view, there are no significant matters raised by respondents that have not been brought to the IESBA's attention.

Need for Further Consultation

11. Subject to the final matters to be discussed during the December 2024 Board meeting, the Task Force believes that all significant matters have been duly deliberated by the IESBA. The Task Force and IESBA representatives have also pursued extensive outreach to stakeholders throughout the project, including:
 - The global roundtables held in Paris, Sydney, Singapore and New York in March and April 2023, which informed the development of the Sustainability ED.
 - The global seminars held in Toronto, Brussels, Tokyo, Sydney and Melbourne in April and May 2024, as well as global webinars held in February and March 2024 to engage with stakeholders on the proposals in the ED.

- Various meetings with members of the regulatory community (including the International Organization of Securities Commissions (IOSCO) and International Forum of Independent Audit Regulators (IFIAR)), the former IESBA Consultative Advisory Group (CAG), the SAC, the Forum of Firms, IFAC, professional accountancy organizations (PAOs), and national standard setters (NSS).
12. Finally, the project was closely coordinated with the IAASB.
13. On the basis of the above, the Task Force does not believe there is a need for further consultation with stakeholders.

Consideration of the Need for Re-Exposure

14. **Agenda Item 2-A** sets out the revisions that were made to the Sustainability ED in mark-up. The key revisions to the ED include:
- Full alignment of definitions with ISSA 5000 whenever the IESBA and the IAASB are using the same terms.
 - Alignment of the approach with the extant Code regarding communication of non-compliance with laws and regulations™ (NOCLAR) by the sustainability assurance practitioner to the auditor and vice-versa.
 - Coordinated approach with the IAASB regarding the determination of groups for the purposes of group sustainability assurance engagements, including the determination of group components and value chain components.
 - Clarification of the meaning of “performing assurance work at” for the purposes of the International Independence Standards (IIS) in Part 5.
 - Restructuring and simplification of the independence provisions in the ED applicable to assurance work performed at, or with respect to, a value chain entity, merging those provisions into Sections 5405 and 5406 under separate subsections.
 - Deletion of Section 5700 of the ED, which required the sustainability assurance team to apply the “knows or has reason to believe” principle when the firm intends to use the work of a sustainability assurance practitioner performed at a value chain entity.
 - Clarification of the process for confirmation of another practitioner’s independence in accordance with Part 5.
 - New guidance addressing changes in value chain components and changes in component practitioners performing assurance work at a value chain component.
15. In light of the above, the Task Force believes that re-exposure is not warranted as the changes post-exposure are in response to feedback from respondents to the Sustainability ED and matters arising from coordination with the IAASB, and do not fundamentally change the proposals in the Sustainability ED.

Action Requested

16. IESBA members are asked to:
- (a) Consider the Task Force’s analysis, proposals and editorial refinements set out in **Agenda Item 2-A**, including the proposed effective date and transitional provisions;

- (b) Consider whether there are any other matters raised by the respondents to the Sustainability ED that should be discussed by the IESBA;
- (c) Approve the revised provisions, amended as appropriate during the Board meeting;
- (d) Conclude on whether there is a need for re-exposure; and
- (e) Subject to the approval of the final pronouncement, provide feedback on the draft Basis for Conclusions in **Agenda Item 2-B**.

Materials Presented

For Discussion

Agenda Item 2-A	Proposed Revised Text (Mark-up from ED with Yellow Highlights for Changes from the September 2024 Text and Green Highlights for Changes from the November 2024 Text)
Agenda Item 2-B	Draft Basis for Conclusions

For Reference

Agenda Item 2-C	Sustainability Due Process
Agenda Item 2-D	Flowcharts to Sections 5405 and 5406