

Note to IESBA Members

After posting the revised text of the proposed International Ethics Standards for Sustainability Assurance (IESSA) in [Agenda Item 2-A](#) for the December 2024 IESBA meeting, Workstream 1 (WS1) received advance comments from Board members and comments from a few stakeholders on the International Independence Standards (IIS) in the IESSA.

WS1 has considered those comments and is proposing some changes to the draft IIS in the IESSA, as set out in this document.

The changes are shown in mark-up from Agenda Item 2-A.

SECTION 5405 GROUP SUSTAINABILITY ASSURANCE ENGAGEMENTS

(...)

B – Requirements and Application Material When Assurance Work is Performed at a Value Chain Component

Independence Considerations Applicable to Individuals

Members of the Group Sustainability Assurance Team Within, or Engaged by, a Group Sustainability Assurance Firm and Its Network Firms

R5405.30A [If a group sustainability assurance firm ~~or a component practitioner within the group sustainability assurance firm's network~~ performs assurance work at a value chain component for purposes of the group sustainability assurance engagement, members of the group sustainability assurance team within, or engaged by, the group sustainability assurance firm ~~or the component practitioner~~ shall be independent of that value chain component in accordance with the requirements of this Part that are applicable to the sustainability assurance team.](#)

[5405.30A A1 When the group sustainability assurance client is a public interest entity, members of the group sustainability assurance team within, or engaged by, the group sustainability assurance firm performing assurance work at a value chain component for purposes of the group sustainability assurance engagement are not required to comply with the provisions that are applicable to public interest entities.](#)

R5405.30B [If a component practitioner within the group sustainability assurance firm's network performs assurance work at a value chain component for purposes of the group sustainability assurance engagement, members of the group sustainability assurance team within, or engaged by, the component practitioner shall be independent of that value chain component in accordance with the requirements of this Part that are applicable to the sustainability assurance team.](#)

[5405.30B A1 When the group sustainability assurance client is a public interest entity, group sustainability assurance team members from the component practitioner within the group sustainability](#)

[assurance firm's network performing assurance work at a value chain component for purposes of the group sustainability assurance engagement are not required to comply with the provisions that are applicable to public interest entities.](#)

New Paragraphs R5405.30A and R5405.30B

The proposed revisions to Paragraphs R5405.32 and R5405.33 in Agenda Item 2 clarify that if it is a component practitioner that performs the assurance work at a value chain component (VCC), the group sustainability assurance firm is not subject to the independence requirements in Section 5405. The amendments to paragraph R5405.30, resulting in its separation into paragraphs R5405.30A and R5405.30B, clarify that the same principle applies with respect to the members of the group sustainability assurance team from, or engaged by, the group sustainability assurance firm.

See also the flowcharts in Agenda Item 2-D.

For proposed new application material paragraphs 5405.30A A1 and 5405.30B A1, see the explanations below relating to paragraphs 5405.32 A1 and 5405.33 A1.

Other Members of the Group Sustainability Assurance Team

R5405.31 If a component practitioner outside the group sustainability assurance firm's network performs assurance work at a value chain component for purposes of the group sustainability assurance engagement, members of the group sustainability assurance team within, or engaged by, that component practitioner shall be independent of the value chain component in accordance with the requirements of this Part that are applicable to a sustainability assurance team.

5405.31 A1 When the group sustainability assurance client is a public interest entity, group sustainability assurance team members from the component practitioner outside the group sustainability assurance firm's network performing assurance work at a value chain component ~~that is not a public interest entity for purposes of the group sustainability assurance engagement~~ are not required to comply with the provisions that are applicable to public interest entities.

Independence Considerations Applicable to a Group Sustainability Assurance Firm

R5405.32 A group sustainability assurance firm shall be independent of a value chain component at which the group sustainability assurance firm performs assurance work for purposes of the group sustainability assurance engagement, in accordance with the requirements of this Part that are applicable to a firm.

[5405.32 A1 When the group sustainability assurance client is a public interest entity, the group sustainability assurance firm performing assurance work at a value chain component for purposes of the group sustainability assurance engagement is not required to comply with the provisions that are applicable to public interest entities with respect to that value chain component.](#)

[5405.32 A2 If the group sustainability assurance firm performs assurance work at a value chain component for purposes of the group sustainability assurance engagement, network firms of the group sustainability assurance firm are not subject to the independence requirements of this Part with respect to that value chain component.](#)

Independence Considerations Applicable to Network Firms of a Group Sustainability Assurance Firm

R5405.33 A network firm of the group sustainability assurance firm shall be independent of a value chain component at which the network firm performs assurance work for purposes of the group sustainability assurance engagement, in accordance with the requirements of this Part that are applicable to a firm.

5405.33 A1 When the group sustainability assurance client is a public interest entity, a network firm of the group sustainability assurance firm performing assurance work at a value chain component for purposes of the group sustainability assurance engagement is not required to comply with the provisions that are applicable to public interest entities with respect to that value chain component.

5405.33 A2 If a network firm of the group sustainability assurance firm performs assurance work at a value chain component for purposes of the group sustainability assurance engagement, the group sustainability assurance firm and other network firms of the group sustainability assurance firm are not subject to the independence requirements of this Part with respect to that value chain component.

Independence Considerations Applicable to Component Practitioners outside a Group Sustainability Assurance Firm's Network

All Group Sustainability Assurance Clients

R5405.34 A component practitioner outside the group sustainability assurance firm's network performing assurance work at a value chain component for purposes of the group sustainability assurance engagement shall be independent of the value chain component in accordance with the requirements of this Part that are applicable to a firm.

5405.34 A1 When the group sustainability assurance client is a public interest entity, a component practitioner outside the group sustainability assurance firm's network performing assurance work at a value chain component that is not a public interest entity is not required to comply with the provisions that are applicable to public interest entities.

5405.34 A2 If a component practitioner outside a group sustainability assurance firm's network performs assurance work at a value chain component for purposes of the group sustainability assurance engagement, the group sustainability assurance firm and any of its network firms are not subject to the independence requirements of this Part with respect to that value chain component.

New Paragraphs 5405.32 A1 and 5405.33 A1

WS1 is proposing that if the group sustainability assurance client is a PIE, the group sustainability assurance firm or the component practitioner within the network (as applicable) performing assurance work at the VCC for purposes of the group sustainability assurance engagement need not follow the PIE independence provisions with respect to the VCC, irrespective of whether or not the VCC is a PIE.

This proposal further "lightens" the independence regime with respect to VCCs, in response to concerns about implementability, while still recognizing that under ISSA 5000, circumstances in which component practitioners are engaged to perform assurance work at VCCs are expected to be limited. This proposal also aligns the approach to that taken with respect to a component practitioner outside the group

sustainability assurance firm's network performing assurance work at a VCC for purposes of the group SAE (see paragraph 5405.34 A1 as presented in Agenda Item 2-A).

New Guidance in Paragraph 5405.33 A2

In line with the proposed guidance in paragraph 5405.2.A3, an IESBA member suggested that Section 5405 explicitly clarify that if it is the component practitioner that performs assurance work at a VCC for purposes of the sustainability assurance engagement, the group sustainability assurance firm is not required to also be independent of that VCC. WS1 accepted the suggestion to add the clarification in paragraph 5405.33 A2.

Similar clarifications are proposed in paragraphs 5405.32 A2 and 5405.34 A2.

Changes in Value Chain Components

R5405.35 When an entity ~~that is not a related entity~~ becomes a value chain component during the reporting period for the engagement and the group sustainability assurance firm performs assurance work at the value chain component for purposes of the group sustainability assurance engagement, the group sustainability assurance firm shall apply paragraph R5400.31 with respect to the change regarding the value chain component. ~~the group sustainability assurance firm shall apply the requirements in paragraphs R5400.71 to R5400.76 with respect to the change regarding the value chain component for purposes of the sustainability assurance engagement.~~

Changes in Component Practitioners that Perform Assurance Work at Value Chain Components

(...)

Revisions to Paragraph R5405.35

An IESBA member pointed out that requiring the group sustainability assurance firm to comply with the provisions applicable to mergers and acquisitions would not be in line with the underlying principles of the other requirements of this subsection that only set out independence requirements if the group sustainability assurance firm performs assurance work at the VCC. They commented that the application of the provisions in the case of a change with respect to a group component by analogy would not be appropriate.

Responding to this comment, WS1 proposes to amend the requirement based on the provision in paragraph R5400.31 when an entity becomes a client.

(...)

SECTION 5406

ANOTHER PRACTITIONER WHOSE ASSURANCE WORK IS USED IN A SUSTAINABILITY ASSURANCE ENGAGEMENT

(....)

Using the Assurance Work of Another Practitioner Related to a Value Chain Component

R5406.6 If the firm intends to use the assurance work of another practitioner relating to the sustainability information of a value chain component, the firm shall be satisfied that the other practitioner is independent of the value chain component in accordance with the independence requirements of this Part that are applicable to a firm with respect to that value chain component.

5406.6 A1 Example of ways to meet the requirement in paragraph R5406.6 include:

- Reviewing a statement of independence issued by the other practitioner in relation to the assurance work performed at the value chain component.
- Requesting the other practitioner to confirm that the practitioner satisfies the independence requirements of this Part applicable to a firm with respect to the value chain component.

5406.6 A2 If the firm is unable to be satisfied that the other practitioner is independent of the value chain component in accordance with paragraph R5406.6, the firm cannot conclude that the other practitioner is independent in accordance with the requirements of this Part for purposes of the sustainability assurance engagement. In such circumstances, the applicable assurance standard might address the implications for the sustainability assurance engagement.

[5406.6 A3 If a firm intends to use the assurance work of another practitioner relating to the sustainability information of a value chain component for the purposes of the sustainability assurance engagement, the firm is not subject to the independence requirements of this Part with respect to that value chain component.](#)

New Guidance in Paragraph 5406.6 A3

See the explanation regarding the proposed new paragraphs R5405.30A and R5405.30B above.

EFFECTIVE DATE

- [Except for the provisions in Subsection B of Section 5405 applicable to value chain components as set out below,](#) the provisions in Chapters 1 to 3 will be effective for sustainability assurance engagements on sustainability information for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.
- The revisions in Chapter 4 will be effective as of December 15, 2026.

[The provisions in Subsection B of Section 5405 applicable when assurance work is performed at a value chain component will be effective for sustainability assurance engagements on sustainability information for periods beginning on or after December 15, 2027, or as at a specific date on or after December 15, 2027. For sustainability assurance engagements on sustainability information for periods beginning, or as at a specific date, prior to December 15, 2027 that involve assurance work performed at a value chain component:](#)

- (a) [A firm or component practitioner that performs assurance work at a value chain component remains subject to the requirement to apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence in relation to such assurance work; and](#)
- (b) [The firm shall publicly disclose that specific independence provisions applicable to assurance work performed at value chain components under the IESSA have not been applied, pursuant to a deferred effective date for such provisions as specified in the IESSA.](#)

Early adoption [of the provisions in Chapters 1 to 4](#) is permitted and encouraged.

Proposed Amendment to Effective Date

WS1 is proposing a one-year deferral of the effective date of the VCC provisions in Subsection B of Section 5405 to support and facilitate market transition to the independence regime applicable under the IESSA when assurance work is performed at VCCs.

Transitional Provisions

(...)

For non-assurance services engagements a firm or network firm has entered into with a sustainability assurance client before December 15, 2026, ~~and~~ [which would be prohibited under Section 5600 and its subsections but](#) for which work has already commenced, the firm or network firm may continue such engagements in accordance with the original engagement terms for no more than one reporting cycle.

(...)

Revisions to Transitional Provisions

The amendments clarify that the transitional provisions only target the provisions of those non-assurance services which would be prohibited in Part 5.