

**Draft Minutes of the 89<sup>th</sup> Meeting of the  
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS**

**Held on November 8, 2024 on Zoom**

**Voting Members**

Present: Gabriela Figueiredo Dias (Chair)  
Laurie Endsley (Vice Chair)  
Saadiya Adam  
Mark Babington  
Vania Borgerth  
Richard Huesken  
Tomoyo Imura  
Sung-Nam Kim  
Héctor Lehuedé  
Rania Uwaydah Mardini  
Christelle Martin  
Andrew Mintzer  
Paul Muthaura  
Luigi Nisoli  
Amarjeet Singh  
Channa Wijesinghe  
David Wray

**Technical Advisors**

Deepa Agarwal (Mr. Singh)  
Keith Billing (Mr. Babington)  
David Clark (Mr. Huesken)  
Ellen Gorla (Mr. Mintzer)  
Marta Kramerius (Mr. Nisoli)  
Ki-Tae Park (Mr. Kim)  
Andrew Pinkney (Ms. Endsley)  
Natashia Soopal (Ms. Adam)  
Bruno Tesnière (Ms. Martin)  
Kristen Wydell (Mr. Wijesinghe)  
Masahiro Yamada (Mss. Borgerth and Imura)

Apologies:

Charles Luo (Mr. Muthaura)

**Non-Voting Observers**

Present: Yohei Ito, Japanese Financial Services Agency (FSA)

**Public Interest Oversight Board (PIOB) Observer**

Present: Janine van Diggelen

**IESBA and IFAC Staff**

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Linda Biek (Director) ~~(Day 1)~~, Geoffrey Kwan (Director), Laura Leal, Kam Leung, Jon Reid, Szilvia Sramko, Carla Vijian, Jeanne Viljoen, Joanna Bernard, Astu Tilahun, Diana Vasquez  
David Johnson (IFAC Communications)

## 1. Opening Remarks

### WELCOME AND INTRODUCTIONS

Ms. Dias welcomed all participants and public observers to the fourth meeting of 2024, held virtually. Ms. Dias extended a special welcome to new IESBA Staff Fellow Ms. Elaine Cahoon; and Sustainability Task Force member and former IESBA member Prof. Jens Poll.

## 2. Sustainability

IESBA Sustainability Workstream 1 Chair, Mr. Babington, provided an overview of the proposed changes to the following sections of the International Independence Standards (IIS) in the proposed International Ethics Standards for Sustainability Assurance (IESSA):

- Section 5405 – Group Sustainability Assurance Engagements
- Section 5406 – Another Practitioner Whose Assurance Work is Used in a Sustainability Assurance Engagement (SAE)

IESBA members discussed the proposed changes and raised, among others, the following matters:

### ASSURANCE WORK AT A VALUE CHAIN COMPONENT

IESBA members supported including guidance in Section 5405 on the meaning of “performing assurance work at a component.” A few members raised comments regarding the proportionality and perceived complexity of the proposals.

- An IESBA member pointed out that since value chain entities are not within the control of the reporting entity, situations where the firm or a component practitioner performs assurance work at a value chain component (VCC) without issuing a report on its conclusions might be limited, especially in the initial years of mandatory sustainability reporting. Therefore, the IESBA member commented that the proposals would lead to the development of a complex monitoring system for those limited circumstances only.

Mr. Babington responded that WS1’s proposals were aligned to the approach in ISSA 5000<sup>1</sup> regarding potential ways to perform assurance work with respect to a VCC’s sustainability information and obtain evidence for the purposes of the SAE. He added that the IESSA only provides the relevant ethical requirements for the assurance work that the performance standards, such as ISSA 5000, have already determined needs to be performed.

- A few IESBA members commented that the proposed new guidance was not clear regarding work performed at the group level with respect to the VCC. They questioned if the determination of an entity as a VCC for the purposes of the group SAE would constitute performing assurance work at a VCC, even if a component practitioner carries out the assurance procedures regarding the underlying sustainability data and information at the component. They suggested that WS1 clarify this point.

Mr. Babington explained that, based on the proposed guidance, if it is a component practitioner who performs the assurance work at the VCC, the group sustainability assurance firm is not subject to the

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<sup>1</sup> International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements*

independence requirements with respect to that component. He indicated that WS1 would consider adding further clarification to the guidance in relation to that matter in coordination with the IAASB.

- An IESBA member expressed concerns about requiring the sustainability assurance practitioner (SAP) to be independent of the VCC since the reporting entity has no control over its suppliers and customers. He noted that the reporting entity collects the sustainability information from its value chain for the purposes of the SAE, but it is the management of the reporting entity who makes the assertion regarding such information. He believed that this situation was not different from the auditor dealing with information from the audited entity's suppliers where the independence standards do not require the auditor to be independent of such suppliers. He believed that the IIS should require independence only from the reporting entity.

Messrs. Babington and Siong responded that the status of a supplier for the purposes of an audit and a SAE is different. They explained that based on the relevant provisions in the performance standards, in limited circumstances where the reporting entity has full access to information within the VCC, the firm might determine, ~~or engage a component practitioner,~~ to perform assurance work procedures, or be involved in the assurance work of a component practitioner, on the underlying data or sustainability information maintained by the VCC, and not at the level of the reporting entity. They added that in those circumstances, WS1's view was that the SAP firm or component practitioner, as the case may be, needs to be independent of the specific VCC. Mr. Siong also outlined how ISSA 5000 explains the assurance work performed to obtain evidence regarding information from a VCC maintained at the group level or at the component level (including the performance of external confirmation procedures) and what would be captured as assurance work for the purposes of the SAE.

#### OTHER MATTERS

IESBA members made, among others, the following other comments regarding the proposed changes to Sections 5405 and 5406:

- A few IESBA members observed that it was unclear in the proposed definition of a group component whether an insignificant equity ownership in a VCC, where assurance work is performed for the purposes of the SAE, would be captured as a group component. If so, they were concerned that the SAP would need to apply the more stringent independence requirements applicable to group components with respect to that VCC.

Mr. Babington and Ms. Sramko responded that WS1 would further coordinate with IAASB regarding whether it would be necessary to add any clarification of this common definition to avoid any unintended consequence.

- It was pointed out that the approach to the group sustainability assurance firm's independence when the assurance work is performed by a component practitioner at a VCC was not consistent in the text of draft IIs and the flowcharts presented to illustrate the independence requirements in the standards.
- An IESBA member also questioned whether it was appropriate that Section 5406 requires the SAP to confirm the other practitioner's independence in accordance with the provisions applicable to a PIE client when that practitioner has performed assurance work at an entity related to a group sustainability assurance client that is a PIE. The IESBA member was of the view that, in most cases, the other practitioner would not be able to comply with these requirements.

Ms. Sramko explained that WS1's objective was to create a level playing field vis-à-vis component practitioners, i.e., require the application of the same independence requirements throughout the group.

Mr. Siong advised the IESBA to strike the right balance between providing clarifications of the requirements in the standards and providing clarifications in non-authoritative guidance.

#### PIOB OBSERVER'S REMARKS

Ms. Van Diggelen reiterated the importance of striking the right balance and developing proportionate and pragmatic independence requirements that are consistent with the IAASB's standards. She appreciated the illustrations provided in the flowcharts for the independence requirements.

#### WAY FORWARD

The Board asked WS1 to consider the input received and present a revised draft of Sections 5405 and 5406 at its December 2024 meeting, with a view to final approval of those provisions as part of the proposed IESSA and other Sustainability-related revisions to the Code.

### **3. Using the Work of an External Expert**

Ms. Endsley, Chair of the Using the Work of an External Expert Task Force, Ms. Leung and Ms. Bernard presented an overview of the proposed revisions to address the comments raised by the IESBA during its September 2024 meeting and outreach feedback obtained since then.

Key proposed revisions covered included those in relation to the evaluation of objectivity for an external expert whose work is used in an audit, review or other assurance engagement. Among other matters, these proposed revisions:

- Refined the period covered by the information to be requested from an external expert, to begin from the start of the period covered by the report until the completion of the expert's work. This is because requiring the expert to provide forward-looking information until the end of the engagement period/issuance of [the](#) report would be impracticable.

However, to mitigate the risk of missing any changes in information that might occur during the period between [the](#) completion of the expert's work and the issuance of the PA's report, the PA is required to obtain a commitment from the external expert to communicate any changes in the initial information provided through to the PA's report issuance.

- Better calibrated the extent of information to be requested from an external expert, recognizing stakeholder concerns about a potential undue burden from the extent of information required to be requested by small and medium practices (SMPs). This is on the grounds that SMPs generally do not undertake as many audits and reviews for clients that are public interest entities (PIEs) as compared to larger firms.

Therefore, the provisions are delineated to achieve greater proportionality for SMPs:

- For an audit or review for a non-PIE client or any other assurance engagements outside the scope of Part 5, three key pieces of information are required to be requested, along with a requirement for the PA to consider the need to request further information from the external expert based on the facts and circumstances.

- For an audit or review engagement for a PIE client, the existing proposed provision is still applicable, recognizing that the level of threat to an external expert's objectivity is impacted by whether the client is a PIE.

Other matters presented included:

- The Task Force's view that it is not necessary for proposed Section 290 to explicitly recognize that a PA in business (PAIB) must operate within the employing organization's policies and procedures, as suggested by an IESBA member in September.

This is because the premise underlying Section 290 is that the PAIB will need to follow such policies and procedures where they exist. Section 290 then appropriately focuses on the ethical obligations of the PAIB in using the work of the external expert, including the evaluation of, and conclusion on, the external expert's competence, capabilities and objectivity (CCO).

- The Task Force's conclusion arising [from](#) its review of the proposed provisions from a "requirements only" perspective, responsive to the PIOB observer's suggestion during the September 2024 Board meeting. This resulted in the separation of the requirement for a PA to evaluate whether an external expert has the necessary CCO into three separate requirements addressing competence, capabilities, and objectivity to enhance the flow, understandability and clarity of the provisions.

Among other matters, IESBA participants raised the following comments or suggestions:

- For the evaluation of the objectivity of an external expert whose work is used in an audit, review or other assurance engagement:
  - Whether the evaluation includes new interests and relationships entered by the external expert after the completion of the expert's work but before report issuance. Ms. Endsley confirmed that it would.
  - A suggestion to consider whether the information to be requested from an external expert for non-PIE clients should include material business and lending relationships.
- A suggestion to reconsider acknowledging within Section 290 that a PAIB must operate within the employing organization's policies and procedures because this would influence how a PAIB would implement the provisions.

#### PIOB OBSERVER'S REMARKS

Ms. van Diggelen suggested that the Task Force consider whether the requirement for the PA to request an external expert whose work is used in an audit, review or other assurance engagement to provide information to the "best of their knowledge and belief" could be fulfilled through the provision of the information orally, and whether the external expert is expected to perform any additional work to gather such information to enable the expert to respond to the questions in good faith.

#### WAY FORWARD

The IESBA will review a revised draft of the proposed standards at its December 2024 meeting with a view to final approval.

#### **4. PIOB Remarks**

Ms. van Diggelen thanked the Board for the engaging discussions and commended the depth of the deliberations on the sustainability topic. She acknowledged the technical challenges and highlighted the importance of balancing clarity and proportionality in the independence requirements. She emphasized the need to ensure consistency with the terminology and definitions used in IAASB's ISSA 5000.

Furthermore, she expressed her appreciation to the Sustainability Task Force for expanding the flowchart to include diverse perspectives, [thereby](#) responding to comments in the PIOB's public interest issues list on IESBA projects. She also acknowledged the progress made on the proposals related to the Using the Work of an External Expert project, noting the increased clarity and the Board's focus on enforceability and completeness of requirements.

In closing, Ms. van Diggelen expressed her confidence in the Board's ability to address the remaining matters in the two projects, and extended her best wishes for continued progress ahead of the December 2024 Board meeting.

#### **5. Closing Remarks**

Ms. Dias thanked the Board for its careful review of the agenda material and thoughtful comments on the two projects under discussion. She acknowledged the challenges inherent in the ambitious nature of the projects but highlighted the remarkable progress made since the Board first embarked on this journey in 2022. Among other matters, Ms. Dias encouraged the Board to maintain focus on the broader objectives and value of the work, urging Board members not to get overly caught up in technical details.

She commended the dedication and sacrifices of the IESBA staff, recognizing their pivotal role in supporting the Board's progress. Ms. Dias also reflected on the extensive outreach efforts and reaffirmed her confidence in the Board's ability to deliver high-quality outcomes in December.

In closing, she emphasized the importance of continued informal connections between now and the next Board meeting to address any remaining concerns.

#### **6. Next Meeting**

The next IESBA meeting is scheduled on December 2- 6, 2024 to be held in person in New York, USA.