

For IESBA’s Consideration

Based on the feedback received from IESBA members at the September 2024 Board meeting, WS1 proposes the following key changes to Sections 5405 and 5406 in the International Independence Standards (IIS) in Part 5. These help to clarify and simplify the requirements and application material:

- Remove the reference to “operational control” from the definitions of group component and value chain component and link them to the reporting boundary for the group financial statements (see revised definitions of group component and value chain component).
- Add application material to clarify the meaning of the term “perform assurance work at” in Sections 5405 and 5406 (see paragraph 5405.2 A3).
- Address the perceived complexity related to the independence requirements applicable to group and value chain components by placing them in separate subsections within Section 5405 (see Subsections A and B in Section 5405).
- Add application material regarding changes to value chain components and component practitioners performing assurance work at a value chain component (see paragraphs R5405.35 to 5405.36 A3).

The document includes the changes from the Exposure Draft in mark-up and the amendments to the September 2024 version are highlighted in yellow. The rationale for, and the details of, the proposed changes are included in grey boxes below the relevant paragraphs.

IESBA members’ comments are sought on the proposed changes during the November 8, 2024 IESBA meeting.

PROPOSED REVISED GLOSSARY (EXTRACT)

(...)

Component For a group audit, an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for purposes of planning and performing audit procedures in the group audit.

(Audit and Review Engagements)

Component For a group sustainability assurance engagement, an entity, business unit, function or business activity, or some combination thereof, within the reporting boundary, determined by the group sustainability assurance firm for purposes of planning and performing ~~assurance procedures in~~ the group sustainability assurance engagement. ~~This excludes entities within the value chain.~~ **A component is either a group component or a value chain component.**

(Sustainability Assurance Engagements Addressed in IIS in Part 5)

Group component – in the context of a sustainability assurance engagement in Part 5, see separate definition.

Value chain component – in the context of a sustainability assurance engagement in Part 5, see separate definition.

Group component (for a sustainability assurance engagement) A group component is a component required to be included in the reporting entity's group financial statements.
If the group component is:
(a) A legal entity, it is the entity and any related entities within the reporting boundary over which the entity has direct or indirect control; or
(b) A business unit, function or business activity (or some combination thereof), it is the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.

Value chain component (for a sustainability assurance engagement) A value chain component is a component within the reporting entity's value chain that is not included in the group financial statements.
If the value chain component is:
(a) A legal entity, it is the entity; or
(b) A business unit, function or business activity (or some combination thereof), it is the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.

Reporting boundary Activities, operations, relationships or resources to be included in the entity's sustainability information.

(...)

Proposed Changes to Definitions of Group Component and Value Chain Component

In the September draft, WS1 proposed to define a group component as a component within the reporting entity's operational control, and a value chain component as a component outside the reporting entity's operational control. The intention was that for purposes of the definitions, operational control would be determined by the applicable sustainability reporting framework and may be defined or described in different ways. For example, certain sustainability reporting frameworks may define operational control as the reporting entity's ability to direct the operational activities and relationships of another entity, or a site, operation or asset.

IESBA members commented that the different determinations of operational control could result in inconsistency in the application of the independence requirements. In addition, a few IESBA members believed that it would not be proportionate to require the application of the more stringent independence requirements to value chain entities that are within the reporting entity's operational control and would be treated as group components.

In coordination with the IAASB and as discussed during the turnaround session at the September Board meeting, WS1 is proposing new definitions for group component and value chain component that link them to the reporting boundary for the reporting entity's group financial statements.

Paragraph A18 of ISSA 5000 provides the following application material regarding the determination of group components and value chain components:

“The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements (see also paragraph A36).

For purposes of the ISSAs, components that include entities or business units required to be included in the reporting entity's group financial statements (e.g., subsidiaries of a parent entity) are referred to as group components.

The framework criteria may also require the sustainability information to be extended to include information from other entities that are part of the reporting entity's upstream or downstream value chain. For purposes of the ISSAs, components that include such entities are referred to as value chain components.”

SECTION 5405 GROUP SUSTAINABILITY ASSURANCE ENGAGEMENTS

Introduction

5405.1 Section 5400 requires a firm to be independent when performing a sustainability assurance engagement, and to apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence. This section sets out specific requirements and application material relevant to applying the conceptual framework when performing a group sustainability assurance engagement.

Requirements and Application Material

General

5405.2 A1 Depending on the sustainability reporting framework, the firm might express an opinion on group sustainability information that includes information about components required to be included in the group financial statements (group components) components within the group. The applicable sustainability reporting framework might also require the sustainability information to be extended to include information from other entities (for example, value chain components). Such sustainability information, including information from the value chain, constitutes group sustainability information for the purposes of this Part.

Determination of Group Sustainability Assurance Engagements

Proposed Changes to Paragraph 5405.2 A1

There was a question from the Board as to whether a single entity reporting on sustainability information that includes sustainability information from its value chain would be considered a group. The IESSA and ISSA 5000 define a group as “a reporting entity for which group financial statements or group sustainability information is prepared.” Group sustainability information is defined as “sustainability information that includes the sustainability information of more than one entity or business unit.” Paragraph A36 of ISSA 5000 provides the following application material regarding groups and group sustainability information:

“Group Sustainability Information

A36 The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. For example, if consolidated financial statements are required to be prepared in accordance with the applicable financial reporting framework, then the sustainability information would include information for the same entities or business units included in the consolidated financial statements. The criteria may also require the sustainability information to be extended to include information from other entities that are part of the upstream or downstream value chain. Such sustainability information, including information from the value chain, is referred to as “group sustainability information” in the ISSAs.”

The IAASB and IESBA Sustainability Task Forces’ position is that sustainability information of a single reporting entity that includes sustainability information from value chain entities in the reporting boundary should be considered as group sustainability information for the purposes of ISSA 5000 and the IESSA.

WS1 proposes the amendments to paragraph 5405.2 A1 above to clarify this position.

5405.2 A1a The firm might **perform assurance work, or use** the **assurance** work of a **component another sustainability assurance firm practitioner performed, at the sustainability assurance client or at a value chain component,** for ~~the~~ purposes of the group sustainability assurance engagement. ~~That another sustainability assurance practitioner is a component practitioner~~ **In in such circumstances, where** the applicable sustainability assurance standard might ~~require the group engagement leader sustainability assurance firm is able~~ to be sufficiently and appropriately involved in the **assurance** work of that ~~component other firm practitioner, including directing, supervising and reviewing that work.~~

Changes to Paragraph 5405.2 A1a

The introductory paragraphs to Section 5405 included references to “sustainability assurance firm” to highlight the differences between a “component practitioner” and “another practitioner.” However, it was pointed out at the Board in September that “sustainability assurance firm” was not a defined term in the Glossary. Therefore, WS1 proposes that whenever the IESSA refers to both component practitioners and other practitioners as practitioners outside of the firm, there should simply be a reference to “other sustainability assurance practitioners” given that a sustainability assurance practitioner is a defined term in the Glossary.

5405.2 A1ba **This Subsection A below** sets out **independence** requirements and application material that are applicable to the group sustainability assurance firm, component ~~sustainability assurance firms practitioners~~ and members of the group sustainability assurance team **when assurance work is performed at a group sustainability assurance client or a group component.**

5405.2 A1c **Subsection B below** sets out independence requirements and application material that are **applicable when the group sustainability assurance firm or a component practitioner performs assurance work at a value chain component for purposes of the group sustainability assurance engagement.**

Simplification of Independence Provisions Related to Value Chain Components

New Subsections A and B

Some stakeholders and Board members raised concerns regarding the perceived complexity of the independence provisions applicable to value chain components. They suggested that WS1 consider potential ways to simplify and clarify these proposals.

While developing its proposals, WS1 recognized that value chain components are not under the control of the reporting entity; therefore, obtaining information and evidence from such components could be challenging. Consequently, WS1’s objective was to create a balanced and pragmatic approach that would not create an undue burden for the sustainability assurance firm. However, WS1 was mindful that the independence provisions also need to facilitate the assurance of sustainability information to support its credibility and promote the public interest. WS1 believes that the proposed independence requirements focusing solely on the practitioner’s independence from the value chain component at which the practitioner is performing assurance work is a pragmatic and proportionate approach.

To better demonstrate the “lighter” approach with respect to independence from value chain components, WS1 proposes to structure the relevant independence provisions applicable to group sustainability

assurance engagements under the following separate subheadings:

- A. Requirements and Application Material When Assurance Work is Performed at a Group Sustainability Assurance Client or a Group Component
- B. Requirements and Application Material When Assurance Work is Performed at a Value Chain Component

The reordering of the independence provisions into two new subsections does not result in changes to the underlying principles presented at the September 2024 IESBA meeting.

5405.2 A1 ~~deb~~ Where the group sustainability assurance firm intends to use the assurance work of another ~~firm/practitioner, which performs assurance work at the sustainability assurance client,~~ for purposes of the group sustainability assurance engagement, ~~this section only applies where the group sustainability assurance firm and the group sustainability assurance firm is~~ unable to be sufficiently and appropriately involved ~~direct, supervise and review in~~ the assurance work of that ~~firm/practitioner, Section 5406 applies.~~

5405.2 A2 A component ~~sustainability assurance firm/practitioner~~ that participates in a group sustainability assurance engagement might separately issue an assurance opinion on the sustainability information of the component ~~sustainability assurance client~~. Depending on the circumstances, the component ~~sustainability assurance firm/practitioner~~ might need to comply with different independence requirements when performing assurance work for a group sustainability assurance engagement and separately issuing an assurance opinion on the sustainability information of the component ~~sustainability assurance client~~ for statutory, regulatory or other reasons.

5405.2 A3 This section sets out independence requirements applicable when the group sustainability assurance firm or a component practitioner performs assurance work at a component. These requirements apply when the group sustainability assurance firm or component practitioner has determined that, to obtain evidence for purposes of the group sustainability assurance engagement, it is necessary to perform assurance procedures on the underlying data or information that forms part of, or is used to prepare, the component's sustainability information.

Guidance Regarding the Meaning of “Performing Assurance Work at” a Component

Proposed New Paragraph 5405.2 A3

Stakeholders and a few Board members have commented on the references to “assurance work” and “performing assurance work at” and asked for clarification to minimize the potential for inconsistent application.

Meaning of “Assurance Work”

Some questions have been raised as to the distinction between “assurance work” and “assurance procedures” in the IIS in Part 5.

WS1 notes that the references to “assurance work” and “assurance procedures” are analogous to the references in Part 4A to “audit work” and “audit procedures” in the context of a group audit. While

developing Section 405 applicable to group audit engagements as part of the ET-GA project, the IESBA referred to the IAASB's explanation regarding the difference between "audit work" and "audit procedures" in the context of ISA 600 (Revised):

"The IAASB's position is that "audit work" refers more broadly to the entirety of the work effort, including with respect to the work requested to be performed by component auditors. For example, audit work would encompass all aspects of planning and performing the group audit, including with respect to direction, supervision and review, and necessary administrative tasks (e.g., coordination with management). In the context of ISA 600 (Revised), the IAASB used "audit procedures" when referring more specifically to the nature, timing and extent of audit procedures to be performed, including when component auditors are requested to perform specified audit procedures."¹

A similar explanation applies regarding the distinction between "assurance work" and "assurance procedures" in the IIS in Part 5. WS1 recommends that this be explained in an IESBA Staff FAQ.

Meaning of "Performing Assurance Work At"

A few Board members have questioned whether the reference to "performing assurance work at a component" is consistent with ISSA 5000, which refers to "performing assurance work on the sustainability information" (see paragraph 95(a) in ISSA 5000). It was also raised that the preposition "at" could be read to mean that the practitioner needs to be physically present and perform assurance work at the entity.

WS1 notes that the phrase "performing assurance work at a component" is intended to have the same meaning as the phrase "performing audit work at a component" in the context of a group audit. The meaning of the latter was explained in the IESBA Staff [FAQ nr. 14](#) related to the ET-GA provisions. Specifically, that FAQ explained that performing audit work at a component means performing audit work on the *underlying* financial information of the component, such as classes of transactions, account balances or disclosures.

In line with this FAQ and given the concerns raised regarding the need for a proportionate approach to value chain components, WS1 proposes application material in paragraph 5405.2 A3 to explain the meaning of "performing assurance work at." Thus, if the group sustainability assurance firm or component practitioner has determined that, to obtain evidence for purposes of the group sustainability assurance engagement, it is necessary to perform procedures on the *underlying* data or information that forms part of, or is used to prepare, the component's sustainability information, the group sustainability assurance firm or the component practitioner is subject to the independence requirements in the IIS in Part 5.

However, if the group sustainability assurance firm or component practitioner obtains evidence *without* performing procedures on the underlying data or information that forms part of, or is used to prepare, the component's sustainability information, the group sustainability assurance firm or component practitioner is not required to be independent of that component. Such situations include, for example, if the group sustainability assurance firm determines to perform procedures on the component's sustainability information at the group level and not at the component level, or if the component practitioner determines to perform procedures on relevant information obtained from external sources without carrying out procedures on the component's underlying sustainability information.

WS1 recommends that the Board commission further guidance such as illustrative examples in FAQs.

¹ See paragraphs 29 and 30 of [IAASB September 2021 Meeting, Agenda Item 2, Proposed ISA 600 \(Revised\) – Issues Paper](#)

Proportionality of the Proposals

A few stakeholders and Board members noted that in an audit of financial statements, the auditor may request external confirmations from banks and debtors with respect to the client's bank accounts and accounts receivable. They pointed out that in such instances, Part 4A of the Code does not require the auditor to be independent of the client's banks or customers. Accordingly, it was argued that it would be disproportionate to require independence from value chain components if similar external confirmations were requested from those value chain components.

WS1 notes that in the case of an audit engagement, an external confirmation is aimed at obtaining evidence with respect to the underlying financial information of the reporting entity, and not the financial information of the bank(s) or debtor(s) as they are not within the entity's reporting boundary. The underlying financial information of the reporting entity is captured and recorded by the entity's systems for financial reporting. By contrast, a value chain component is *within the entity's reporting boundary*, and the component's underlying data or information (which may be subject to assurance procedures to obtain evidence for purposes of the group sustainability assurance engagement) is captured and recorded by the component's systems. Accordingly, WS1 does not believe that it is appropriate to extend the approach of not requiring independence from an audit client's bank(s) and debtor(s) in relation to external confirmation procedures, to an entity's value chain components on whose underlying data or information the group sustainability assurance firm or component practitioner needs to perform assurance procedures.

Communication Between a Group Sustainability Assurance Firm and a Component ~~Sustainability Assurance Firm Practitioner~~

R5405.3 The group engagement leader shall take responsibility to make a component-~~sustainability assurance firm practitioner~~ aware of the relevant ethics, including independence, provisions in this Part that are applicable given the nature and the circumstances of the group sustainability assurance engagement. When making the component-~~sustainability assurance firm practitioner~~ aware of the relevant ethics, including independence, provisions, the group sustainability assurance firm shall communicate at appropriate times the necessary information to enable the component-~~sustainability assurance firm practitioner~~ to meet its responsibilities under this section.

5405.3 A1 Examples of matters the group sustainability assurance firm might communicate include:

- Whether the group sustainability assurance client is a public interest entity and the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement.
- The related entities and other group components within the group sustainability assurance client that are relevant to the independence considerations applicable to the component-~~sustainability assurance firm practitioner~~ and the group sustainability assurance team members within, or engaged by, that-~~firm practitioner~~.
- The period during which the component-~~sustainability assurance firm practitioner~~ is required to be independent.
- Whether a sustainability assurance leader who performs work at ~~the a group~~ component for purposes of the group sustainability assurance engagement is a key sustainability assurance leader for the group sustainability assurance engagement.

R5405.4 The group engagement leader shall take responsibility for requesting the component ~~sustainability assurance firm practitioner~~ to confirm whether it understands and will comply with the relevant provisions of this Part that apply to the group sustainability assurance engagement. The group engagement leader shall also request the component ~~sustainability assurance firm practitioner~~ to communicate:

- (a) Any independence matters that require significant judgment; and
- (b) In relation to those matters, the component ~~sustainability assurance firm's practitioner's~~ conclusion whether the threats to its independence are at an acceptable level, and the rationale for that conclusion.

R5405a If a matter comes to the attention of the group engagement leader that indicates that a threat to independence exists, the group engagement leader shall evaluate the threat and take appropriate action.

A – Requirements and Application Material When Assurance Work is Performed at a Group Sustainability Assurance Client or a Group Component

Proposed changes to paragraphs R5405.5 to R5405.29

The independence requirements applicable to assurance work performed at a value chain components are now deleted from Subsection A and moved to new paragraphs – without changes to the underlying approach – in Subsection B below.

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

R5405.5 Members of the group sustainability assurance team within, or engaged by, the group sustainability assurance firm and its network firms shall be independent of the group sustainability assurance client in accordance with the requirements of this Part that are applicable to the sustainability assurance team.

Other Members of the Group Sustainability Assurance Team

R5405.6 ~~If a component practitioner outside the group sustainability assurance firm's network performs assurance work at a group component for purposes of the group sustainability assurance engagement, members of the group sustainability assurance team within, or engaged by, that a component sustainability assurance firm practitioner outside the group sustainability assurance firm's network shall be independent of:~~

- (a) The group component ~~sustainability assurance client~~;
- (b) The entity on whose group sustainability information the group sustainability assurance firm expresses an opinion; and
- (c) Any entity over which the entity in subparagraph (b) has direct or indirect control, provided that such entity has direct or indirect control over the group component ~~sustainability assurance client~~,

in accordance with the requirements of this Part that are applicable to the sustainability assurance team.

R5405.7 In relation to related entities or other group components within the group sustainability assurance client other than those covered in paragraph R5405.6, if a component practitioner outside the group sustainability assurance firm's network performs assurance work at a group component for purposes of the group sustainability assurance engagement, a member of the group sustainability assurance team within, or engaged by, ~~a that~~ component ~~sustainability assurance firm practitioner outside the group sustainability assurance firm's network~~ shall notify the component ~~sustainability assurance firm practitioner~~ about any relationship or circumstance the individual knows, or has reason to believe, might create a threat to the individual's independence in the context of the group sustainability assurance engagement.

5405.7A1 Examples of relationships or circumstances involving the individual or any of the individual's immediate family members, as applicable, that are relevant to the individual's consideration when complying with paragraph R5405.7 include:

- A direct or material indirect financial interest in an entity that has control over the group sustainability assurance client if the group sustainability assurance client is material to that entity (see Section 5510).
- A loan or guarantee involving: (see Section 5511)
 - An entity that is not a bank or similar institution unless the loan or guarantee is immaterial; or
 - A bank or similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.
- A business relationship that is significant or involves a material financial interest (see Section 5520).
- An immediate family member who is: (see Section 5521)
 - A director or officer of an entity; or
 - An employee in a position to exert significant influence over the preparation of an entity's sustainability information data or records or sustainability information.
- The individual serving as, or having recently served as: (see Section 5522 and Section 5523)
 - A director or officer of an entity; or
 - An employee in a position to exert significant influence over the preparation of an entity's sustainability information data or records or sustainability information.

R5405.8 Upon receiving the notification as set out in paragraph R5405.7, the component ~~sustainability assurance firm practitioner~~ shall evaluate and address any threats to independence created by the individual's relationship or circumstance.

Independence Considerations Applicable to a Group Sustainability Assurance Firm

R5405.9 A group sustainability assurance firm shall be independent of the group sustainability assurance client in accordance with the requirements of this Part that are applicable to a firm.

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

R5405.10 A network firm of the group sustainability assurance firm shall be independent of the group sustainability assurance client in accordance with the requirements of this Part that are applicable to a network firm.

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

All Group Sustainability Assurance Clients

R5405.11 A component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network, performing assurance work at a group component, shall:

- (a) Be independent of the group component sustainability assurance client in accordance with the requirements set out in of this Part that are applicable to a firm with respect to all sustainability assurance clients;
- (b) Apply the relevant requirements in paragraphs R5510.4(a), R5510.7 and R5510.9 with respect to financial interests in the entity on whose group sustainability information the group sustainability assurance firm expresses an opinion; and
- (c) Apply the relevant requirements in Section 5511 with respect to loans and guarantees involving the entity on whose group sustainability information the group sustainability assurance firm expresses an opinion.

R5405.12 When a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network, performing assurance work at a group component, knows, or has reason to believe, that a relationship or circumstance involving the group sustainability assurance client, beyond those addressed in paragraph R5405.11(b) and (c), is relevant to the evaluation of the component ~~sustainability assurance firm's practitioner's~~ independence from the group component sustainability assurance client, the component ~~sustainability assurance firm practitioner~~ shall include that relationship or circumstance when identifying, evaluating and addressing threats to independence.

R5405.13 When a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network, performing assurance work at a group component, knows, or has reason to believe, that a relationship or circumstance of a firm within the component ~~practitioner's sustainability assurance firm's~~ network with the group component sustainability assurance client or the group sustainability assurance client creates a threat to the component ~~sustainability assurance firm's practitioner's~~ independence, the component ~~sustainability assurance firm practitioner~~ shall evaluate and address any such threat.

~~Period During which Independence is Required~~

[Paragraph 5405.14 A1 is intentionally left blank]

Group Sustainability Assurance Clients that are Not Public Interest Entities

R5405.15 When the group sustainability assurance client is not a public interest entity, a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network performing assurance work at a group component for purposes of the group sustainability assurance engagement shall be independent of the group component

~~sustainability assurance client~~ in accordance with the requirements set out in this Part that are applicable to sustainability assurance clients that are not public interest entities ~~for the purposes of the group sustainability assurance engagement~~.

5405.15 A1 Where a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network also performs a sustainability assurance engagement for a group component ~~sustainability assurance client~~ that is a public interest entity for reasons other than the group sustainability assurance engagement, for example, a statutory sustainability assurance engagement, the independence requirements that are relevant to sustainability assurance clients that are public interest entities apply to that engagement.

Group Sustainability Assurance Clients that are Public Interest Entities

Non-Assurance Services

R5405.16 Subject to paragraph R5405.17, when the group sustainability assurance client is a public interest entity, a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network performing assurance work at a group component, shall comply with the provisions in Section 5600 that are applicable to public interest entities with respect to the provision of non-assurance services to the group component ~~sustainability assurance client~~.

5405.16 A1 Where the group sustainability assurance client is a public interest entity, a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network is prohibited from, for example:

- Providing to a group component that is not a public interest entity, sustainability data and information services that might affect the sustainability information on which the component ~~sustainability assurance firm practitioner will perform assurance work performs assurance work to a component sustainability assurance client that is not a public interest entity~~ (see Subsection 5601).
- Designing the information technology system, or an aspect of it, for a group component ~~sustainability assurance client~~ that is not a public interest entity where such information technology system generates information for the group component's sustainability assurance client's sustainability records or the sustainability information, or the sustainability records underlying that information, on which the component sustainability assurance firm practitioner will perform assurance work (see Subsection 5606).

Proposed changes to paragraph 5405.16 A1

WS1 proposes clarifying throughout the IIS in Part 5 that any interests, relationships, or services could only create threats to independence if they impact the sustainability information on which the firm expresses an opinion. Unlike audit engagements where the auditor expresses an opinion on the entirety of the client's financial statements, a sustainability assurance practitioner might only express an opinion on specific parts or types of the entity's sustainability information (e.g. on greenhouse gas emissions), while sustainability information related to other sustainability matters (e.g. human rights) might not be within the scope of the sustainability assurance engagement.

Therefore, as a clarification, WS1 proposes to limit the consideration of the impact of any interests,

relationships, or services to the sustainability information *on which the firm expresses an opinion*.

WS1 proposes the same changes to other provisions in the IIS in Part 5 (e.g., in paragraph R5600.15(a)).

- Acting in an advocacy role for a group component ~~sustainability assurance client~~ that is not a public interest entity in resolving a dispute or litigation before a tribunal or court (see Subsection 5608).

5405.16 A2 The sustainability information on which a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network performs assurance procedures is relevant to the evaluation of the self-review threat that might be created by the component ~~sustainability assurance firm's practitioner's~~ provision of a non-assurance service, and therefore the application of Section 5600. For example, if the component ~~sustainability assurance firm's practitioner's~~ assurance procedures are limited to a specific item such as greenhouse gas emissions, the results of any non-assurance service that form part of or affect the sustainability records or the sustainability information related to the reporting on, or the internal controls over, greenhouse gas emissions are relevant to the evaluation of the self-review threat.

R5405.17 As an exception to paragraph R5405.16, a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network may provide a non-assurance service that is not prohibited under Section 5600 to a group component ~~sustainability assurance client~~ without communicating information about the proposed non-assurance service to those charged with governance of the group sustainability assurance client or obtaining their concurrence regarding the provision of that service as addressed by paragraphs R5600.21 to R5600.24.

Key Sustainability Assurance Leaders

R5405.18 The group engagement leader shall determine whether a sustainability assurance leader who performs assurance work at a group component for purposes of the group sustainability assurance engagement is a key sustainability assurance leader for the group sustainability assurance engagement. If so, the group engagement leader shall:

- (a) Communicate that determination to that individual; and
- (b) Indicate:
 - (i) In the case of all group sustainability assurance clients, that the individual is subject to paragraph R5411.4; and
 - (ii) In the case of group sustainability assurance clients that are public interest entities, that the individual is also subject to paragraphs R5524.6, R5540.5(c) and R5540.20.

5405.18 A1 A key sustainability assurance leader makes key decisions or judgments on significant matters with respect to ~~the sustainability assurance engagement of~~ the group sustainability information on which the group sustainability assurance firm expresses an opinion in the group sustainability assurance engagement.

Changes in Group Components

~~All Group Sustainability Assurance Clients~~

R5405.19 When an entity that is not a related entity becomes a group component within the group sustainability assurance client, the group sustainability assurance firm shall apply the requirements in paragraphs R5400.71 to R5400.76 with respect to the change regarding the group component for the purposes of the sustainability assurance engagement.

Proposed Changes to Paragraph R5405.19

See the explanation regarding the new requirement in paragraph R5405.35 applicable to changes in value chain components in Subsection B. The changes to paragraph R5405.19 ensure consistent wording.

Changes in Component Sustainability Assurance Firms Practitioners that Perform Assurance Work at Group Components

All Group Sustainability Assurance Clients

5405.20 A1 There might be circumstances in which the group sustainability assurance firm requests another firm to perform assurance work as a component ~~sustainability assurance firm practitioner at a group component~~ during or after the reporting period for the engagement, for example, due to a client merger or acquisition. A threat to the component ~~sustainability assurance firm's practitioner's~~ independence might be created by:

- (a) Financial or business relationships of the component ~~sustainability assurance firm practitioner~~ with the group component ~~sustainability assurance client~~ during or after the reporting period for the engagement but before the component ~~sustainability assurance firm practitioner~~ agrees to perform the assurance work; or
- (b) Previous services provided to the group component ~~sustainability assurance client~~ by the component ~~sustainability assurance firm practitioner~~.

5405.20 A2 Paragraphs 5400.31 A1 to A3 set out application material that is applicable for a component ~~sustainability assurance firm's practitioner's~~ assessment of threats to independence if a non-assurance service was provided by the component ~~sustainability assurance firm practitioner~~ to the group component ~~sustainability assurance client~~ during or after the reporting period for the engagement, but before the component ~~sustainability assurance firm practitioner~~ begins to perform the assurance work for ~~the~~ purposes of the group sustainability assurance engagement, and the service would not be permitted during the engagement period.

5405.20 A3 Paragraph 5400.31 A4 sets out application material that is applicable for a component ~~sustainability assurance firm's practitioner's~~ assessment of threats to independence if a non-assurance service was provided by the component ~~sustainability assurance firm practitioner~~ to the group component ~~sustainability assurance client~~ prior to the reporting period for the engagement.

Group Sustainability Assurance Clients that are Public Interest Entities

5405.21 A1 Paragraphs R5400.32 and 5400.32 A1 are applicable when a component ~~sustainability assurance firm practitioner~~ agrees to perform assurance work for group sustainability assurance purposes in relation to a group sustainability assurance client that is a public

interest entity if the component ~~sustainability assurance firm practitioner~~ has previously provided a non-assurance service to the group component ~~sustainability assurance client~~.

5405.21 A2 Paragraphs R5600.25 and 5600.25 A1 are applicable in relation to a non-assurance service provided, either currently or previously, by a component ~~sustainability assurance firm practitioner~~ to a group component ~~sustainability assurance client~~ when the group sustainability assurance client subsequently becomes a public interest entity.

Breach of an Independence Provision at a Component ~~Sustainability Assurance Firm Practitioner~~

5405.22 A1 A breach of a provision of this section might occur despite a component ~~sustainability assurance firm practitioner~~ having a system of quality management designed to address independence requirements. Paragraphs R5405.23 to R5405.29 are relevant to a group sustainability assurance firm's determination as to whether it would be able to use a component ~~sustainability assurance firm's practitioner's~~ work if a breach has occurred at the component ~~sustainability assurance firm practitioner~~.

5405.22 A2 In the case of a breach at a component ~~sustainability assurance firm practitioner~~ within the group sustainability assurance firm's network, paragraphs R5400.80 to R5400.89 also apply to the group sustainability assurance firm in relation to the group sustainability assurance engagement, as applicable.

When a Component ~~Sustainability Assurance Firm Practitioner~~ Identifies a Breach

R5405.23 If a component ~~sustainability assurance firm practitioner~~ concludes that a breach of this section has occurred, the component ~~sustainability assurance firm practitioner~~ shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;
- (b) Evaluate the significance of the breach and its impact on the component ~~sustainability assurance firm's practitioner's~~ objectivity and ability to perform assurance work for **the** purposes of the group sustainability assurance engagement;
- (c) Depending on the significance of the breach, determine whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances; and
- (d) Promptly communicate in writing the breach to the group engagement leader, including the component ~~sustainability assurance firm's practitioner's~~ assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach.

5405.23 A1 Paragraphs 5400.80 A2 and A3 set out application material relevant to the component ~~sustainability assurance firm's practitioner's~~ evaluation of the significance and impact of the breach on the component ~~sustainability assurance firm's practitioner's~~ objectivity and ability to issue an opinion or conclusion on the assurance work performed at the **group component** for purposes of the group sustainability assurance engagement, and its consideration of any actions that might be taken to address the consequences of the breach satisfactorily.

Proposed Changes to Paragraph 5405.23 A1

The September version of paragraph 5405.23 A1 also applied with respect to assurance work of a component practitioner at a value chain component. As WS1 proposes a separate new subsection focused on assurance work at a value chain component, the provisions on breaches under Subsection A now only apply to group components. Therefore, WS1 proposes to make this explicit in paragraph 5405.23 A1.

Paragraph R5405.37 in Subsection B below requires the application of the provisions on breaches to value chain components by analogy.

The same changes were made to paragraphs 5405.25 A2 and R5405.27.

R5405.24 Upon receipt of the component ~~sustainability assurance firm's practitioner's~~ communication of the breach, the group engagement leader shall:

- (a) Review the component ~~sustainability assurance firm's practitioner's~~ assessment of the significance of the breach and its impact on the component ~~sustainability assurance firm's practitioner's~~ objectivity, and any action that can be or has been taken to address the consequences of the breach;
- (b) Evaluate the group sustainability ~~engagement assurance~~ firm's ability to use the work of the component ~~sustainability assurance firm practitioner~~ for ~~the~~ purposes of the group sustainability assurance engagement; and
- (c) Determine the need for any further action.

R5405.25 In applying paragraph R5405.24, the group engagement leader shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the component ~~sustainability assurance firm's practitioner's~~ objectivity is compromised and, therefore, the group sustainability assurance firm is unable to use the work of the component ~~sustainability assurance firm practitioner~~ for ~~the~~ purposes of the group sustainability assurance engagement.

5405.25 A1 If the group engagement leader determines that the consequences of the breach have been satisfactorily addressed by the component ~~sustainability assurance firm practitioner~~ and do not compromise the component ~~sustainability assurance firm's practitioner's~~ objectivity, the group sustainability assurance firm may continue to use the work of the component ~~sustainability assurance firm practitioner~~ for the group sustainability assurance engagement. In certain circumstances, the group engagement leader might determine that additional actions are needed to satisfactorily address the breach in order to use the component ~~sustainability assurance firm's practitioner's~~ work. Examples of such action include the group sustainability assurance firm performing specific procedures on the areas impacted by the breach or requesting the component ~~sustainability assurance firm practitioner~~ to perform appropriate remedial work on the affected areas.

5405.25 A2 If there has been a breach by a component ~~sustainability assurance firm practitioner~~ and the breach has not been satisfactorily addressed, the group sustainability assurance firm cannot use the work of that component ~~sustainability assurance firm practitioner~~. In those circumstances, the group engagement leader might find other means to obtain the necessary assurance evidence on the ~~group component's sustainability assurance client's~~ sustainability information. Examples of such means include the group sustainability assurance firm

performing the necessary assurance work ~~at on~~ the **group component** ~~sustainability assurance client's sustainability information~~ or requesting another component ~~sustainability assurance firm practitioner~~ to perform such assurance work.

Proposed Changes to Paragraph 5405.25 A2

The proposed edits aim to ensure consistent drafting throughout this Section.

Discussion with Those Charged with Governance of the Group Sustainability Assurance Client

5405.26 A1 With respect to breaches by a component ~~sustainability assurance firm practitioner~~ within the group sustainability assurance firm's network, paragraph R5400.84 applies.

R5405.27 With respect to breaches by a component ~~sustainability assurance firm practitioner~~ outside the group sustainability assurance firm's network, the group sustainability assurance firm shall discuss with those charged with governance at the group sustainability assurance client:

- (a) The component ~~sustainability assurance firm's practitioner's~~ assessment of the significance and impact of the breach on the component ~~sustainability assurance firm's practitioner's~~ objectivity, including the nature and duration of the breach, and the action that can be or has been taken; and
- (b) Whether
 - (i) The action will satisfactorily address, or has addressed, the consequences of the breach; or
 - (ii) The group sustainability assurance firm will use other means to obtain the necessary assurance evidence on the **group component's** ~~sustainability assurance client's~~ sustainability information.

Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.

R5405.28 The group sustainability assurance firm shall communicate in writing to those charged with governance of the group sustainability assurance client all matters discussed in accordance with paragraph R5405.27 and obtain the concurrence of those charged with governance that the action can be or has been taken to satisfactorily address the consequences of the breach.

R5405.29 If those charged with governance do not concur that the action that can be or has been taken would satisfactorily address the consequences of the breach at the component ~~sustainability assurance firm practitioner~~, the group sustainability assurance firm shall not use the work performed by the component ~~sustainability assurance firm practitioner~~ for ~~the~~ purposes of the group sustainability assurance engagement.

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

New Subsection B

This new subsection includes the independence requirements applicable when a group sustainability assurance firm or a component practitioner performs assurance work at a value chain component.

As the new requirements are changes to the ED, they are included in mark-up. The introduction of the new subsection does not represent significant changes to the underlying independence principles in the September version. The amendments from the September version, before the separation of the provisions into this new subsection, are highlighted in yellow.

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

R5405.30 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.

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.

Proposed Change to Paragraph R5405.31 (Paragraph R5405.8a in the September version)

WS1 proposes to change the definite article before the reference to the “sustainability assurance team” to an indefinite article. This wording better reflects that sustainability assurance team members from a component practitioner outside the group sustainability assurance firm's network performing assurance work at a value chain component are not required to comply with the independence requirements that apply to the rest of the sustainability assurance team.

If the group sustainability assurance client is a PIE, but the value chain component at which the component practitioner performs assurance work is not a PIE, the component practitioner and the sustainability assurance team members from that component practitioner do not need to follow the provisions applicable to a PIE client.

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 or a 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.

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.

Proposed Changes to Paragraphs R5405.32 and R5405.33 (Paragraphs R5405.9 and R5405.10 in the September version)

The edits clarify that the independence requirements applicable to the group firm or network firm only apply for purposes of the group sustainability assurance engagement.

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 shall be independent of the value chain component in accordance with the requirements of this Part 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.

Proposed Changes to Paragraph 5405.34 A1 (Paragraph 5405.17 A1 in the September version)

The application material in paragraph 5405.34 A1 (previously 5405.17 A1) clarifies that when the group sustainability assurance client is a PIE but the value chain component at which the component practitioner performs assurance work is not a PIE, the component practitioner and the sustainability assurance team members from that component practitioner do not need to follow the provisions applicable to a PIE client.

The September version only included reference to the provisions applicable to PIE clients in Section 5600. The amendment clarifies that other provisions applicable to a PIE client, for example, fee-related provisions, also do not apply.

Changes in Value Chain Components

R5405.35 When an entity that is not a related entity becomes a 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

5405.36 A1 There might be circumstances in which the group sustainability assurance firm requests another firm to perform assurance work as a component practitioner at a value chain component during or after the reporting period for the engagement. A threat to the component practitioner's independence might be created by:

(a) Financial or business relationships of the component practitioner with the value chain component during or after the reporting period for the engagement but before the component practitioner agrees to perform the assurance work; or

(b) Previous services provided to the value chain component by the component practitioner.

5405.36 A2 Paragraphs 5400.31 A1 to A3 set out application material that is applicable for a component practitioner's assessment of threats to independence if a non-assurance service was provided by the component practitioner to the value chain component during or after the reporting period for the engagement, but before the component practitioner begins to perform the assurance work for purposes of the group sustainability assurance engagement, and the service would not be permitted during the engagement period.

5405.36 A3 Paragraph 5400.31 A4 sets out application material that is applicable to a component practitioner's assessment of threats to independence if a non-assurance service was provided by the component practitioner to the value chain component prior to the reporting period for the engagement.

Changes at Value Chain Components and Component Practitioners Performing Assurance Work at a Value Chain Component

New Paragraphs R5405.35 to 5405.36 A3

The proposed guidance is in line with the guidance applicable to changes in group components. The guidance refers back to the application of the conceptual framework to identify and evaluate the threats created by the relationship with the entity that becomes a value chain component after the start of the engagement. The guidance sets out a principles-based approach and allows for potential options for the firm and the component practitioner to address such threats.

If the threats cannot be reduced to an acceptable level, this does not mean that the group sustainability assurance firm cannot continue the engagement. In such cases, the firm needs to find other ways to obtain evidence with respect to the value chain component's sustainability information.

Breach of an Independence Provision at a Component Practitioner

R5405.37 If a component practitioner performing assurance work at a value chain component concludes that a breach of this section has occurred, the group sustainability assurance firm

and the component practitioner shall apply, with respect to the value chain component, paragraphs 5405.22 A1 to R5405.29 of subsection A applicable to a group component.

SECTION 5406

ANOTHER PRACTITIONER INVOLVED WHOSE ASSURANCE WORK IS USED IN A SUSTAINABILITY ASSURANCE ENGAGEMENT FOR A SINGLE ENTITY OR GROUP

Approach to Independence Requirement Applicable to Using the Assurance Work of Another Practitioner

A few stakeholders commented that the independence regime established for another practitioner could be deemed less stringent than the independence regime for component practitioners in whose work the firm is able to be sufficiently and appropriately involved. They had concerns that the “lighter” independence requirements could be attractive for firms.

Although Section 4506 does not set out direct requirements for the other practitioners, WS1’s objective was that the firm could indirectly confirm the compliance of another practitioner with the same independence requirements that also apply to a component practitioner. Therefore, WS1 does not believe that the level of independence applicable to using the work of another practitioner differs from the level of independence applicable when the firm uses the work of a component practitioner.

Introduction

5406.1 Section 5400 requires a firm to be independent when performing a sustainability assurance engagement, and to apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence. This section sets out specific requirements and application material relevant to applying the conceptual framework when a firm intends to use the assurance work of another sustainability assurance practitioner that performs assurance work at the firm’s sustainability assurance client, or a value chain component, and whose work the firm is unable to be sufficiently and appropriately involved in that assurance direct, supervise and review the work. Such a practitioner is referred to in this section as “another practitioner.” The individuals from another practitioner are not members of the engagement team.

See rationale for proposed changes to paragraph 5405.2 A1a.

5406.2 This section does not apply if the firm intends to use non-assurance work performed by another practitioner at the firm’s sustainability assurance client or a value chain component. In such circumstances, the requirement in paragraph R5300.11 applies.

Requirements and Application Material

General

5406.32 A1 The sustainability information, prepared on a standalone or group basis, might include information that has been or will be assured by another practitioner. An eExamples of such circumstance is-are where the client chooses to engage another practitioner in relation to

certain sustainability information, or where another practitioner performs assurance work at a value chain component.

5406.32-A2 As a firm may use the work of another practitioner for standalone or group sustainability assurance engagements, the references in this section to firm, engagement leader, sustainability assurance engagement, sustainability assurance team and sustainability assurance client also mean group sustainability assurance firm, group engagement leader, group sustainability assurance engagement, group sustainability assurance team and group sustainability assurance client, as applicable.

Using the Assurance Work of Another Practitioner Related to a Sustainability Assurance Client

Communication Between the Firm and Another Practitioner

R5406.43 If the firm determines to use the assurance work of another practitioner relating to the sustainability information of a sustainability assurance client for purposes of the sustainability assurance engagement, the engagement leader shall take responsibility to make that practitioner aware of the relevant ethics, including independence, provisions in this Part that are applicable to the sustainability assurance client given the nature and the circumstances of the sustainability assurance engagement. When making another practitioner aware of the relevant provisions in this Part, the firm shall communicate at appropriate times the necessary information to enable that practitioner to confirm their compliance with those provisions.

Changes to the Subheading and Paragraph R5406.4

The subheading in the September version referred to group components only. However, in line with ISSA 5000, the sustainability assurance firm might decide to use the assurance work of another practitioner for a sustainability assurance engagement of a single entity. Therefore, the subsections and the provisions need to refer more broadly to all entities within the sustainability assurance client, not only to group components.

5406.43 A1 Examples of matters the firm might communicate include:

- Whether the sustainability assurance client is a public interest entity and the relevant provisions applicable to the sustainability assurance engagement.
- The related entities within the sustainability assurance client that are relevant to the independence considerations applicable to ~~the an~~ other practitioner.
- The period during which independence is required.

~~**R5406.4** If the firm intends to use the work of another practitioner, the engagement leader shall take responsibility for requesting that practitioner to confirm whether:~~

- ~~(a) Where the work has yet to be carried out, the practitioner understands and will comply with the relevant ethics, including independence, provisions; or~~
- ~~(b) Where the work has already been carried out, the practitioner understands and has complied with the relevant ethics, including independence, provisions.~~

Independence Considerations When the Firm Intends to Use the Assurance Work of Another Practitioner Performed at the Firm's Sustainability Assurance Client

All Sustainability Assurance Clients

- R5406.5** If the firm intends to use the assurance work of another practitioner performed at the firm's sustainability assurance client, the firm shall request that practitioner to confirm that:
- a) The practitioner satisfies the independence requirements in this Part applicable to a firm with respect to is independent of the entity at which on whose sustainability information the other practitioner performs assurance work in accordance with the independence requirements of this Part that are applicable to a firm with respect to a sustainability assurance client; and
 - b) The individuals from that other practitioner who perform the assurance work satisfy the independence requirements in this Part applicable to a member of a sustainability assurance team with respect to are independent of that entity in accordance with the independence requirements of this Part that are applicable to a member of the sustainability assurance team with respect to a sustainability assurance client.

Changes to Requirement in Paragraph R5406.5

In the agenda papers for the September Board meeting, WS1 explained that the requirement in Section 5406 setting out that another practitioner needs to be independent in accordance with Part 5 does not necessarily mean that the other practitioner is subject to the provisions in Part 5. In line with the overarching principles-based approach of the Code, the requirement regarding another practitioner's independence in accordance with Part 5 can be met if that practitioner is in compliance with other independence requirements in relevant laws, regulations or professional standards related to assurance engagements that are at least as demanding as the IIS in Part 5.

At the September Board meeting, it was suggested that the wording of the relevant requirements in Section 5406 explicitly acknowledge that approach.

The proposed changes to the requirements aim to clarify this point.

5406.5 A1 If the firm is unable to obtain another practitioner's confirmation of independence in accordance with paragraph R5406.5, the firm cannot conclude that the other practitioner is independent in accordance with the requirements of this Part. In such circumstances, the applicable assurance standard might address the implications for the sustainability assurance engagement.

Sustainability Assurance Client that Is a Public Interest Entity

R5406.6 When the sustainability assurance client is a public interest entity, the firm shall request another practitioner whose assurance work the firm intends to use for the purposes of the sustainability assurance engagement to confirm that the practitioner and the individuals from that practitioner satisfy the independence requirements in this Part that are applicable to a sustainability assurance client that is a public interest entity with respect to the entity at which the practitioner performs assurance work.

New Requirements in Paragraph R5406.6

WS1 previously noted that there is a reasonable expectation that if the firm uses the assurance work of another practitioner performed at an entity within the sustainability assurance client (including a group component), the firm needs to be able to confirm that the other practitioner satisfies the independence requirements applicable to that client.

The new requirement explicitly clarifies in the standard that if the client is a PIE, the firm needs to confirm that the other practitioner performing assurance work at the client satisfies the PIE independence regime.

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

R5406.7 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.

5406.7 A1 Example of ways to meet the requirements in paragraph R5406.6 include:

- Reviewing a statement of independence issued by the other practitioner.
- 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.

5406.7 A2 If the firm is unable to be satisfied that the other practitioner is independent of the value chain component in accordance with paragraph R5406.7, the firm cannot conclude that the other practitioner is independent in accordance with the requirements of this Part for the purposes of the sustainability assurance engagement. In such circumstances, the applicable assurance standard might address the implications for the sustainability assurance engagement.

Changes to the Independence Requirements Applicable to Using the Assurance Work of Another Practitioner Related to a Value Chain Component

The proposed changes do not mean amendments to the approach and the process applicable to confirming the independence of another practitioner performing assurance work at a value chain component. The proposal still allows for the firm to review a statement of independence of the other practitioner to comply with the relevant independence requirements. If the firm cannot rely on the independence statement from the other practitioner, the firm might request the other practitioner to confirm that the practitioner satisfies the independence requirements of Part 5.