

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

# Sustainability

## IAASB-IESBA Joint Session

Inaugural Stakeholder  
Advisory Council Meeting  
April 29-30, 2024  
New York, New York

# IAASB Sustainability Assurance Project

Claire Grayston and Dan Montgomery  
Co-leads, Sustainability Assurance

# Scope of Proposed ISSA 5000

Suitable for all sustainability information engagements;  
principles-based requirements that can be applied for

**ALL**  
Sustainability  
topics

**ALL**  
Information  
disclosed  
about topics

**ALL**  
Mechanisms  
for reporting

**ALL**  
Reporting  
standards

**ALL**  
Users /  
stakeholders

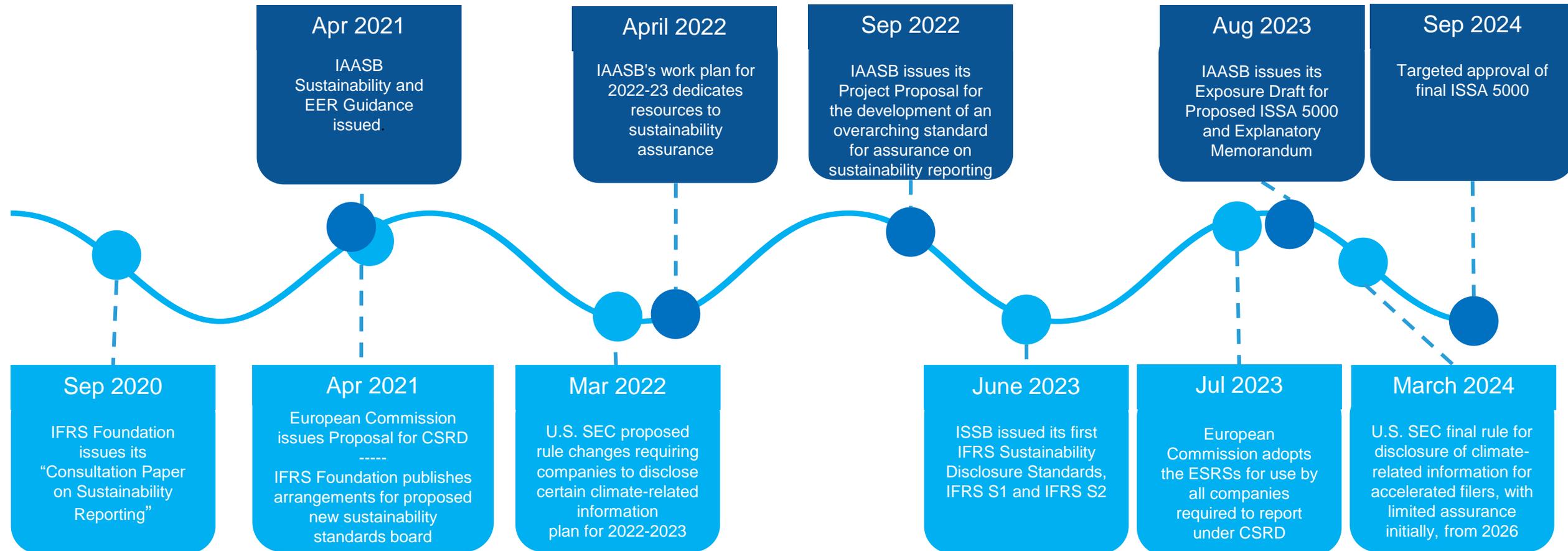
**Addresses limited and  
reasonable assurance**

**Stand-alone**  
*Not required to apply ISAE 3000 (Revised)*

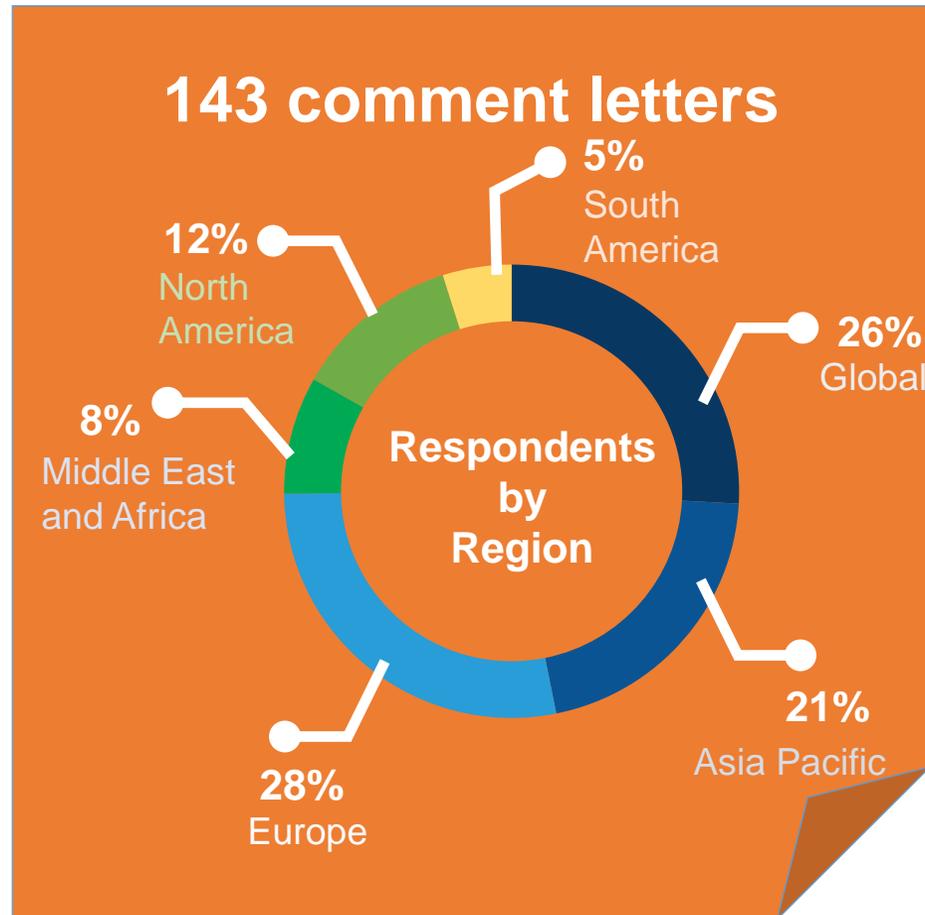
**For use by all assurance  
practitioners**

**Relevant quality management  
and ethical requirements apply**

# IAASB Remains on Track for On-Time Delivery



# ED-5000 Responses Spread across Regions and Stakeholders



| Stakeholder Type  | Number      |
|---|-------------|
| Monitoring Group  | 4           |
| Preparers, Users and Those Charged with Governance  | 15          |
| Regulators and Audit Oversight Authorities  | 11          |
| National Auditing Standard Setters & Global Standard Setters  | 16          |
| Assurance Practitioners (Accounting Profession & Other Profession)  | 26          |
| Member Bodies and Other Professional Organizations  | 53          |
| Other Respondents, including: Public Sector Organizations, Academics or Academic Body, Individuals and Others | 18          |
| <b>Total</b>  | <b>143*</b> |

# What We Heard

**Strong support for ED-5000**



**Rapid speed of  
development**



**Broad global  
baseline**



**Underpinned by  
ethics and quality  
management**



**Covering entire  
engagement**



# Overarching Themes from Respondents

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## March 2024 – Significant Comments

Scope and Applicability of Proposed ISSA 5000 

Sustainability Matters, Sustainability Information & Disclosures 

Relevant Ethical Requirements & Quality Management Standards 

Materiality 

Engagement Team, Using the Work of Others & Group Engagements 

Limited Assurance & Reasonable Assurance 



Educational Materials

## June 2024 – Further Matters

Public Interest Responsiveness

Preconditions

Estimates & Forward-Looking Information

Fraud (including “Greenwashing”)

Reporting and Communication

Other Matters

# Scope and Applicability of Proposed ISSA 5000

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## Highlights from Comment Letters

- Additional clarity is needed about the scope and applicability of ED-5000
- Difference in the approaches to risk assessment between ED-5000 and ISAE 3410
- Should ISAE 3410 be integrated within ISSA suite?

## IAASB Directions at March Meeting

- ISSA 5000 to apply to all assurance engagements on sustainability information (including GHG-related information, regardless of form)
- Reassess whether ISAE 3410 requirements are addressed in ISSA 5000

# Relevant Ethical Requirements and Quality Management Standards

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## Highlights from Comment Letters

- Support for robust ethical and QM requirements
- Require compliance with ISQM 1 and the IESBA Code, establish minimum baseline requirements, or endorse alternative requirements as being at least as demanding.
- Further guidance is needed for “at least as demanding”

## IAASB Directions at March Meeting

- Supported:
  - Clarification of “at least as demanding” for QM
  - Acknowledgment of the key role of regulators and standard setters
- Clarify hierarchy for application of quality management requirements:
  - ISQM 1
  - Requirements that an appropriate authority has determined to be “at least as demanding”
  - In the absence of either of the above, a determination by the practitioner that the QM requirements applied are at least as demanding as ISQM 1

## Highlights from Comment Letters

- Broad support for addressing double materiality in ED-5000
- Need for better alignment of the double materiality notion with leading reporting frameworks
- Conditional requirement to address the practitioner's consideration of double materiality

## IAASB Directions at March Meeting

- Supported:
  - Clarified and simplified use of the term “materiality”
  - Practitioner's considerations in addressing double materiality
- Add a conditional requirement for double materiality

# Differentiation between Limited and Reasonable Assurance

## Highlights from Comment Letters

- Strong support for including both limited and reasonable assurance in one standard, but need for further clarity around the differentiation
- Mixed views on whether the requirements on understanding the system of IC are appropriate
- Majority support for a requirement for a risk assessment for limited assurance, but further clarity needed regarding the difference in the risk assessment approach

## IAASB Directions at March Meeting

- Supported:
  - Separate side-by-side requirements for each component of internal control
  - Requirement to identify and assess the risks of material misstatement at the disclosure level for LA engagements
- Further clarification needed for LA engagements of the “deep dive” (i.e., performing additional procedures)
- Clarify the approach to risk assessment at the disclosure for LA or assertion level for RA

## Highlights from Comment Letters

- Suggestions for a requirement for the practitioner to communicate with the auditor of the financial statements, unless prohibited by law or regulation
- Challenges were noted arising from the requirements for the practitioner's responsibilities in relation to “other information”

## IAASB Directions at March Meeting

- Develop a conditional requirement for the practitioner to communicate with the auditor of the financial statements in case of inconsistencies of other information, unless prohibited by law or regulation
- ISA 720 (Revised) is the appropriate basis for other information requirements

# Non-Authoritative Guidance to Support Implementation of ISSA 5000

Issued WITH final standard

Fact Sheet

Basis for Conclusions

First-Time Implementation Guide

Issued AFTER final standard

FAQs

Non-authoritative guidance on Scope

Non-authoritative guidance on QM

# Significant Engagement up to Release of Final Standard in 2024

## Ongoing Engagement with Stakeholders

IAASB-IESBA Coordination

Monitoring Group and Other Regulators

Reference Groups (Non-Accounting and Accounting)

Reporting Standard Setters (ISSB, GRI, EFRAG)

ISO-IAASB-IESBA Technical Meetings

International Accreditation Forum

IAASB-NSS Group Meeting in May 2024

Events Organized by IFAC and Others

## Board Process Through 2024

### Q1 2024

ED-5000 comment analysis of most prominent themes (15 of 27 questions)

### Q2 2024

First full read of updated standard, incl. analysis of remaining 12 questions

### Q3 2024

Second full read and approval of ISSA 5000

# IAASB – Sustainability Assurance Discussion

1. SAC members are asked whether there are any other considerations, including from a public interest perspective, that the IAASB should take into account in finalizing proposed ISSA 5000 regarding:
  - a) ISSA 5000 being the sole standard for assurance on sustainability information.
  - b) A required risk assessment for limited assurance engagements.
  - c) The determination of “at least as demanding” for quality management standards and ethical requirements.
  - d) The practitioner’s consideration of double materiality.
  - e) Connectivity with the auditor of the financial statements.



# IESBA - Sustainability Project

Szilvia Sramko, IESBA Principal

Laura Leal, IESBA Principal

Jon Reid, IESBA Principal

# Sustainability Standards Infrastructure

## Sustainability Reporting and Assurance

Standardized approach for **reporting** information



*Reliable, comparable and decision useful information*

### Reporting Standards

Standardized approach for providing independent **assurance**



*Credible and trustworthy information*

### Assurance Standards

**Ethical** mindset and behaviors to guide judgments and drive actions



*Trustworthy information that is not misleading*

### IESBA – Ethics and Independence Standards

# IESBA Sustainability Journey

IESBA publicly commits to “*readying global ethics and independence standards timely*”

IESBA approves **Sustainability and Use of Experts** projects

IESBA approves **Sustainability and Experts EDs**

June 2022



Sept 2022



Dec 2022



Mar-Jun 2023



Dec 2023



**IOSCO** issues statement encouraging IESBA’s and IAASB’s work towards profession-agnostic standards for sustainability assurance

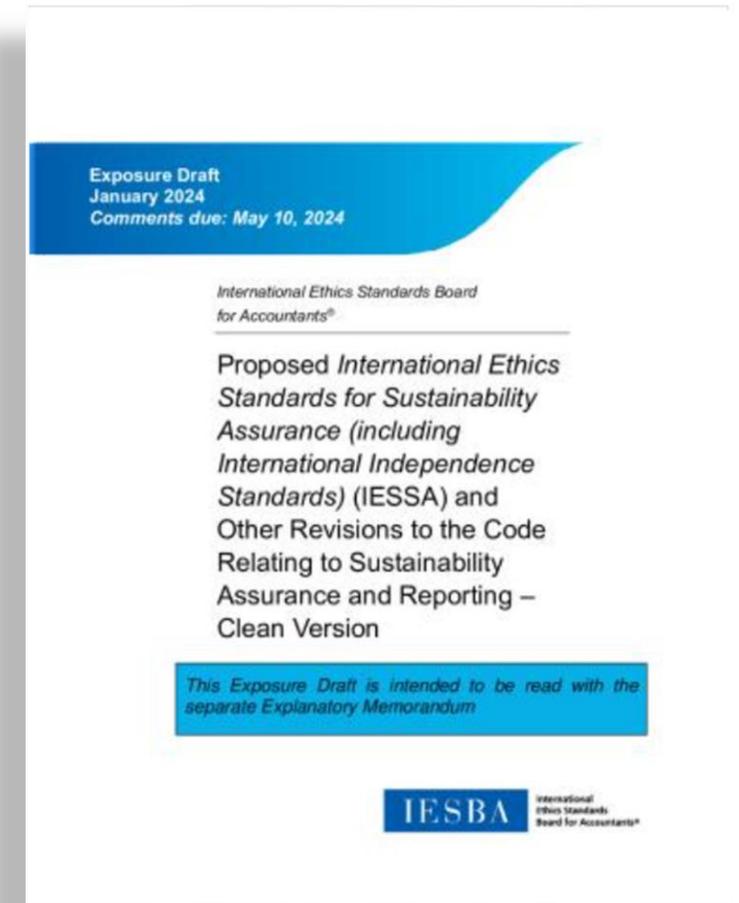
IESBA holds **global sustainability roundtables** in Paris, Singapore, Sydney and New York; sets up **Sustainability Reference Group**



# IESBA Sustainability Exposure Draft

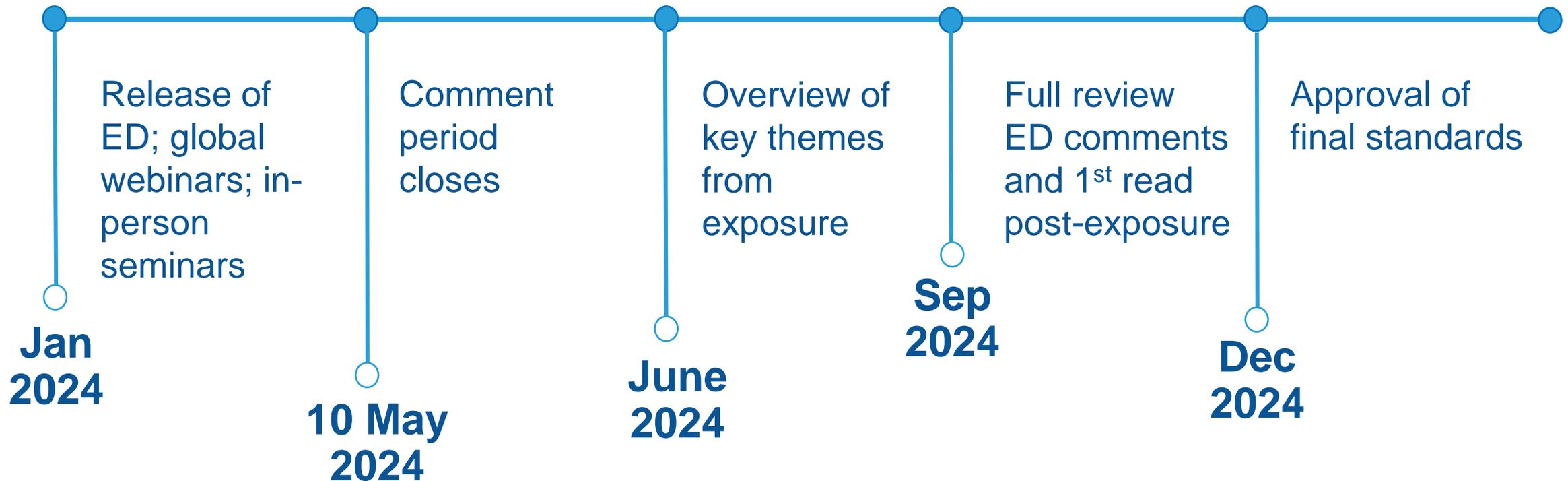
Sustainability Exposure Draft (ED) issued **January 2024** includes:

1. Revisions to IESBA Code for use by professional accountants (PAs) involved in sustainability reporting; and
2. *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) for use by all sustainability assurance practitioners regardless of their backgrounds



# IESBA Timeline

## Stakeholder Engagement and Outreach



# Sustainability Reporting Approach

## SUSTAINABILITY REPORTING Ethics provisions

### INTEGRATED APPROACH

(Parts 1-3 of IESBA  
Code)

For  
PROFESSIONAL  
ACCOUNTANTS

Builds on **ROBUST**  
Extant Provisions

**FRAMEWORK  
NEUTRAL**

## Phased Approach:

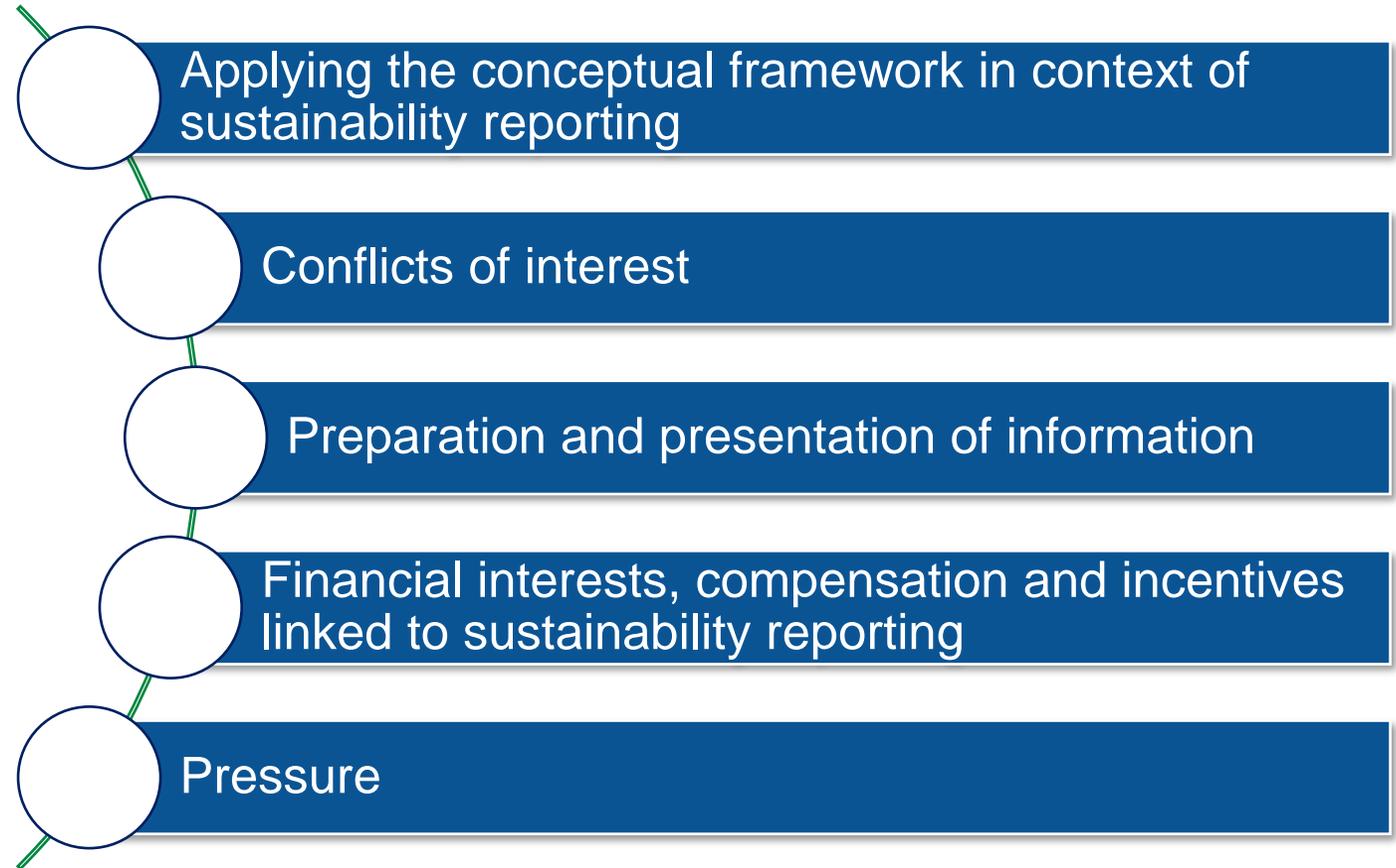
- IESBA will explore developing profession-agnostic ethics standards for sustainability reporting commencing 2025
- IESBA's ethics standards can be applied voluntarily by **all preparers of financial and non-financial (including sustainability) information** in the meantime

# Sustainability Reporting – Enhanced Ethics Provisions

Reinforcing the first line of defense against “greenwashing” and other corporate malfeasance



Truthful, high-quality corporate sustainability disclosures



# IESSA

*International Ethics Standards for Sustainability Assurance  
(including International Independence Standards)*

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## SUSTAINABILITY ASSURANCE

### Ethics and Independence provisions

Designed to be understood and applied by all practitioners, including those who are not PAs

**PROFESSION-  
AGNOSTIC  
(ALL Practitioners)**

**FRAMEWORK  
NEUTRAL**

Goal is also to underpin any reporting or assurance framework used to prepare or assure the sustainability information

Same high standards of ethical behavior and independence that apply to audits of financial information under the IESBA Code (in Parts 1 to 4A)

**EQUIVALENT  
to Standards for  
Audit**

**STANDALONE  
(New Part 5 of  
IESBA Code)**

Best option to achieve profession-agnostic objective and ensure alignment with PIF\* characteristics

\* Public Interest Framework (PIF) (see [Monitoring Group recommendations](#), pages 22-23)

# Standalone Part 5

## The IESBA Code

For Professional Accountants

For Sustainability Assurance Practitioners

**PART 1** Complying with the Code, the Fundamental Principles, and the Conceptual Framework (All Professional Accountants) **Section 100-199**

**PART 2**  
**Professional Accountants in Business (PAIBs)**  
 Part 2 is also applicable to individual PAPPs when performing professional activities pursuant to their relationship with the firm  
**Section 200-299**

**PART 3** Professional Accountants in Public Practice (PAPPs) **Section 300-399**

**PART 4A**  
**International Independence Standards**  
 Independence for Audits and Reviews  
**Section 400-899**

**PART 4B**  
**International Independence Standards**  
 Independence for Assurance Engagements other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5  
**Section 900-999**

**PART 5**  
**International Ethics Standards for Sustainability Assurance (including international Independence Standards)**  
 For Sustainability Assurance Engagements Scoped to Part 5  
**Section 5100-5700**

# Scope of Ethics Standards

## What is covered by Part 5

All sustainability assurance  
engagements

&

Any other engagements by the  
sustainability assurance  
practitioner for the same  
sustainability assurance client

## Services/activities not covered by Part 5

**If practitioner is a PA:** Explicit reminder that  
Parts 1 to 4B of IESBA Code apply

**If practitioner is a non-PA:** Encouragement  
to apply Parts 1 to 4B of IESBA Code (or  
others at least as demanding) in all situations  
not covered by Part 5 – because other  
aspects of conduct of the practitioner may  
contribute to (or impair) credibility and public  
trust in the practitioner's sustainability  
assurance work

# Ethics Provisions

Fundamental Principles & Conceptual Framework

Pressure to Breach the Fundamental Principles

Conflicts of Interest

Fees and Other Types of Remuneration

Inducements, Including Gifts and Hospitality

Responding to Non-Compliance with Laws and Regulations  
(NOCLAR)

Tax Planning Services

Use the Work of an External Expert (Exposure Draft)

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Interests, relationships and circumstances that might create threats to the fundamental principles in the context of an audit of financial statements might also create similar threats in a sustainability assurance engagement

**Ethics Standards in Part 5** include specific examples tailored by and for sustainability assurance practitioners

# Scope of Independence Standards

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- Sustainability assurance engagements with the same level of public interest as audits of financial statements
  - The International Independence Standards (IIS) in Part 5 apply to sustainability assurance engagement where the sustainability information:
    - a. Is reported in accordance with a general purpose framework; and
    - b. Is required to be provided in accordance with law or regulation; or is publicly disclosed to support decision-making by investors or other stakeholders.
- Law or regulation may require the application of the proposed IIS in IESSA to other sustainability assurance engagements



Part 4B of the extant Code sets out independence standards for other sustainability assurance engagements

# Independence Provisions

Quality Management and Determination of Public Interest Entities

Independence Considerations for Group Sustainability Assurance Engagements

Independence Considerations for Other Sustainability Assurance Practitioners Involved in Assurance Work

Independence Considerations for Assurance Work Performed at, or with respect to, Value Chain Entities

Non-Assurance Services

Independence Issues When a Firm Performs both Audit and Sustainability Assurance Engagements

Interests, relationships and circumstances that might create threats to independence in an audit of financial statements might also create threats in a sustainability assurance engagement

**International Independence Standards in Part 5** address specific characteristics of sustainability assurance engagements

# IESSA Discussion

2. Given the public interest in sustainability assurance, SAC members are asked for views on whether:
  - All sustainability assurance practitioners should be subject to the same ethics and independence standards irrespective of their backgrounds.
  - The proposed standards in the IESSA should be as robust as those for audits of financial statements.
3. SAC members are asked for views on the challenges for jurisdictions to adopt the IESSA as the baseline ethics and independence standards for sustainability assurance. How might IESBA address those challenges?



# IAASB-IESBA Sustainability Assurance Coordination Matters

IAASB: Claire Grayston and Dan Montgomery

IESBA: Szilvia Sramko, Laura Leal and Jon Reid

# IESBA – Sustainability Information

Opportunities, risks  
and impacts on or  
by the entity (single  
or double  
materiality)

Expanded reference  
beyond ESG to  
recognize growing  
diversity of  
sustainability topics

Broad and generic  
to be perennial and  
interoperable with  
other standards

Scopes in legal  
definitions and other  
frameworks,  
including ISSA 5000

Applies to both  
sustainability  
assurance and  
reporting

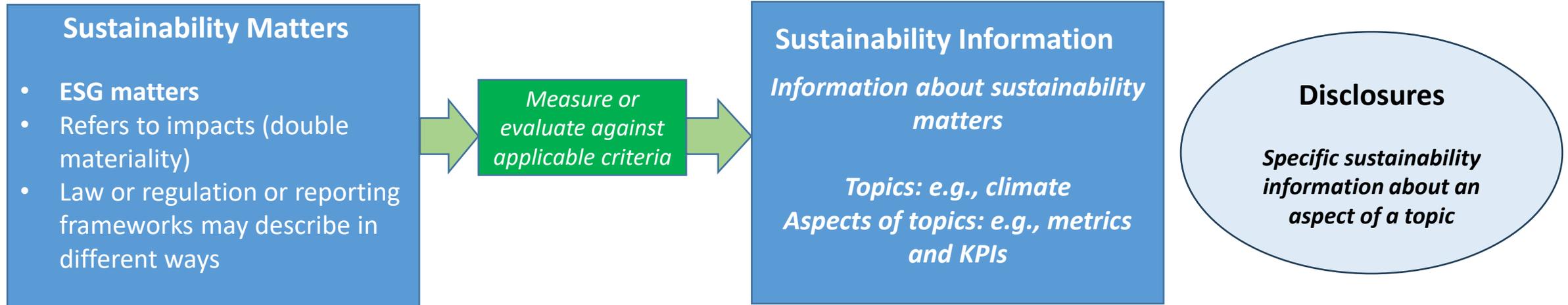
# Sustainability Matters and Sustainability Information

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## IAASB Directions at March Meeting:

- Supported:
  - Targeted revisions to definition of sustainability matters and sustainability information
  - Retain reference to disclosures (vs. “sustainability disclosures”)

## Matter for IESBA-IAASB Liaison:

- Alignment of the definitions of sustainability matters and sustainability information

# Relevant Ethical Requirements “At Least as Demanding” as the IESBA Code

## IAASB Directions at March Meeting:

- Consider applying the “three pathway” hierarchy for “at least as demanding” to relevant ethical requirements

## Matters for IESBA-IAASB Liaison:

- Approach to “at least as demanding” as the IESBA Code – who decides?
- Key role of regulators and jurisdictional/national standard setters

# IESBA-IAF Strategic Partnership



IESBA®



The International Accreditation Forum (IAF) and the IESBA have announced a strategic partnership to advance a common ethics framework to underpin the assurance of sustainability reporting. This partnership will support the growth of transparent, relevant, and trustworthy corporate sustainability disclosures worldwide.

Resources Available at  
[ethicsboard.org/EthicsinSustainability](https://ethicsboard.org/EthicsinSustainability)

## Cornerstone of Partnership

IAF to stipulate to national accreditation bodies worldwide that they use IESBA's proposed IESSA when accrediting and authorizing conformity assessment bodies to perform sustainability assurance engagements

# IESSA – Using the Work of Another Sustainability Assurance Practitioner (SAP)

SAP outside the firm performs assurance work at an entity or component within the client's organizational boundary

Is the other SAP under the firm's direction, supervision and review?

YES

## Standalone SAE

IESSA provisions applicable to a firm and sustainability assurance team members

## Group SAE

Section 5405

(Equivalent to independence for group audits)

NO

## Standalone and Group SAEs

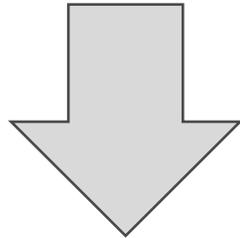
Section 5406  
(Confirmation of independence)

# IESSA – Value Chain Independence Considerations

The firm performs assurance work at the value chain entity

Another SAP performs assurance work at the value chain entity

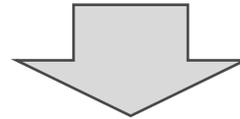
The firm performs assurance work on the value chain entity's information provided by the sustainability assurance client



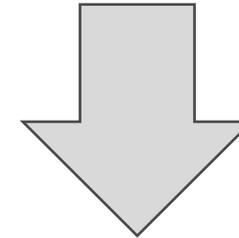
Firm and sustainability assurance team members required to be independent of VCE

## All SAPs

(Irrespective of whether under the firm's direction, supervision and review)



Confirmation of the other SAP's independence from VCE



Firm and sustainability assurance team members required to be independent of sustainability assurance client

# ISSA 5000: Engagement Team and Using the Work of Others

Practitioner intends to use assurance work of a firm other than the practitioner's firm for purposes of the engagement

Is engagement leader able to be sufficiently and appropriately involved?

YES

NO

**Individuals from that firm are members of the engagement team (including component practitioners)**

**Another practitioner (not part of the engagement team)**

## Matters for IESBA-IAASB Liaison:

- Definition of another practitioner
- Revisions related to using the work of practitioner's experts and another practitioner
- Use of "one-to-many" assurance reports

# IESSA – Group Engagements

- Sustainability reporting and assurance will be mandatory mostly for entities that operate as groups
  - Certain frameworks require reporting on a consolidated basis
- Proposed IESSA expressly addresses group sustainability assurance engagements
  - Equivalent to independence provisions for group audits
  - Independence considerations for group firm, component firms and group sustainability assurance team members
  - Specific questions in ED regarding how practice might evolve and potential issues in the application of the proposed provisions

## Group sustainability information

includes information of more than one entity or business unit

## Group sustainability assurance client

also includes its components at which assurance work is performed

Value chain entities are not components and not part of the group

# IAASB - Group Engagements

- Proposed ISSA 5000 now includes selected requirements specific to group engagements
  - Overall strategy and engagement plan, including conditional requirement if information is from multiple entities or business units
  - Communications among the engagement team (including component practitioners) and others, as applicable
  - Entity's process for assembling the group sustainability information

## Matters for IESBA-IAASB Liaison:

- Requirements and application material related to “group” engagements
- Definitions, particularly “component”
- Approach for value chain entities

### Group sustainability information

Includes information of more than one entity or business unit

### Group sustainability assurance engagement

An assurance engagement on group sustainability information

### Component

Practitioner-driven determination; can be inside or outside the organizational boundary

# IAASB-IESBA – Sustainability Assurance Co-ordination Discussion

4. SAC members are asked for their views on whether they agree with the approach to matters for further coordination between IAASB and IESBA on:
- Definitions of sustainability information and sustainability matters.
  - Determination of ethical requirements that are at least as demanding as the IESBA Code.
  - Group engagements, including information from the value chain.



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