



Meeting: Joint IAASB-IESBA Session  
Meeting Location: New York  
Meeting Date: September 18, 2024

# Agenda Item J

## Sustainability Coordination – Cover Note

### Objectives

The objectives of this Agenda Item are to:

- Consider a brief report-back on the status of the IAASB-IESBA coordination matters and indicate concurrence on the coordinated positions reached on those matters; and
- Consider and agree on the IAASB-IESBA Coordination Team’s proposals for alignment regarding any outstanding coordination matters arising from the IAASB’s and IESBA’s deliberations at the beginning of their respective September 2024 Board meetings.

Please note that this cover note is intended to be read together with the summary of the coordination matters in **Agenda Item J.1**.

### Introduction

1. Respondents to the IAASB’s [Exposure Draft on proposed ISSA 5000 \(ED-5000\)](#) and IESBA’s two exposure drafts [Proposed International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) \(IESSA\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting](#) and [Using the Work of an External Expert](#) highlighted the importance of coordination between the two Boards on key concepts and terminology and certain specific matters.
2. Ongoing coordination among the Staff and Task Forces of the Boards has taken place throughout the Boards’ respective projects.<sup>1</sup>

### Coordination Matters

3. The IAASB and IESBA Staff have coordinated throughout the development of their respective exposure drafts and that coordination has intensified during the development of proposals to address respondents’ comments on the exposure drafts and feedback from stakeholder outreach.
4. Both Boards are fully committed to alignment on the identified coordination matters. The Chairs and Senior Staff of the Boards and the IAASB-IESBA Coordination Team (see **Appendix 2**) met in July 2024 to discuss the status of the coordination matters and actions needed to further progress toward alignment. Based on the discussion at that meeting, it was agreed that several matters were fully aligned. For certain other matters, there was agreement on the fundamental principles, with some further work done subsequently on specific wording.

<sup>1</sup> Appendix 1 provides some brief background information on the two Boards’ activities since the release of the Exposure Drafts.

5. The matters that have been subject to IAASB-IESBA coordination are:

<b>Coordination Matter</b>	
1	Definitions of sustainability information and sustainability matters
2	Definition of relevant ethical requirements (RER)
3	Firm and engagement-level quality management
4	Group sustainability assurance engagements
4.1	Approach to groups
4.2	Component definition
4.3	Component “at which assurance work is performed”
5	Another Practitioner
5.1	Work performed in relation to a group component - engagement team vs. another practitioner
5.2	Relevant ethical requirements applicable when a sustainability assurance practitioner (SAP) intends to use assurance or non-assurance work of another practitioner
5.3	Interpretation of “using the work of another practitioner”
6	Transparency
6.1	Communication with financial statement auditors
6.2	Disclosure regarding whether or not the entity is (or is treated as) a public interest entity (PIE)
6.3	Disclosure of fee-related information in the assurance report
7	Using the work of a practitioner’s external expert
7.1	Competence, capabilities and objectivity
7.2	Definition or meaning of expertise
8	Effective date and transitional provisions

6. A summary of the coordination matters, including wording of the requirements, application material and provisions proposed and related explanations are provided for each coordination matter, in **Agenda Item J.1**.
7. The pre-Board meetings coordinated positions presented in **Agenda Item J.1** are subject to and will be incorporated as part of the IAASB's and IESBA's respective Board discussions on September 16, 2024 (see **Agenda Items 2-B.1 and 2-B.2** for the IAASB meeting and **Agenda Items 2-A, 3-B to 3-C and 3-E for the IESBA meeting**). The Chairs and Senior Staff of the respective Boards and the IAASB-IESBA Coordination Team will discuss the feedback from the two Boards' discussions during a coordination meeting on September 17, 2024, to reaffirm or seek alignment on any outstanding matters. The outcome of this coordination meeting will be reported back to both Boards for concurrence during the Joint IAASB-IESBA session on September 18, 2024.

**Matters for IAASB and IESBA Consideration**

1. IAASB and IESBA are asked whether they agree that there is alignment on the coordination matters identified.

**Material Presented**

Agenda Item J.1            Joint IAASB-IESBA Session – Sustainability Coordination Matters

## Appendix 1

### Background – IAASB and IESBA Activities Since Release of the Exposure Drafts

#### IAASB Sustainability Project

1. The IAASB approved an exposure draft of proposed International Standard on Sustainability Assurance 5000, [General Requirements for Sustainability Assurance Engagements](#) (ED-5000) at its June 2023 meeting. ED-5000, along with the [Explanatory Memorandum](#) (EM), was released on August 2, 2023 and closed for comment on December 1, 2023. The IAASB received 143 comment letters.
2. During the exposure period, the IAASB undertook a comprehensive [global outreach campaign](#) to promote awareness and understanding of the IAASB's proposals, to encourage stakeholders to respond to ED-5000 and to obtain additional feedback from a wide range of stakeholder constituencies.
3. Revisions to proposed ISSA 5000 in response to respondents' comments and stakeholder outreach were discussed with the IAASB at the Board meetings in March, June and July 2024. Proposed ISSA 5000, revised to address the IAASB's decisions and directions provided at those meetings, will be presented at the September 2024 IAASB meeting for approval.
4. Proposed ISSA 5000 is premised on application of the provisions of the IESBA Code<sup>2</sup> and ISQM 1,<sup>3</sup> or other professional requirements, or requirements in law or regulation, that are at least as demanding. Consequently, close coordination with IESBA to align concepts and terminology was identified as a public interest issue, which was reinforced by respondents' comments on ED-5000 and other stakeholder feedback.
5. Coordination matters were discussed with the IAASB in the July 2024 Board call, and the comments and directions from the Board on that call were considered by the Sustainability Assurance Task Force in making further revisions to the relevant paragraphs in **Agenda Items 2-B.1** and **2-B.2** for the September 2024 IAASB meeting. The revised wording has also been discussed with the IESBA team with the objective of remaining aligned on these matters.

#### IESBA Sustainability and Experts Projects

6. The IESBA undertook extensive fact-finding activities, including four global sustainability roundtables in March-April 2023 to inform its strategic direction on a range of key issues in developing the EDs. In particular, the roundtables, held in Paris, Sydney, Singapore and New York, were attended by over 140 senior-level participants representing over 80 different organizations from a wide range of stakeholder groups, including stakeholders representing assurance practitioners who are non-professional accountants.

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<sup>2</sup> International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

<sup>3</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

7. The IESBA approved for exposure in January 2024:
  - The [Proposed International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) \(IESSA\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting](#) (Sustainability ED); and
  - The revisions to the Code addressing [Using the Work of an External Expert](#) (Use of Experts ED).
8. In February 2024, following six months of extensive engagement, the International Accreditation Forum (IAF) and the IESBA [announced](#) a strategic partnership under which the IAF will stipulate to national accreditation bodies around the world that the IESSA is to be used when accrediting and authorizing conformity assessment bodies to carry out assurance work on corporate sustainability disclosures.<sup>4</sup>
9. The IESBA carried out a global outreach program during the public consultation of the Sustainability ED and Use of Experts ED, including global webinars, in-person seminars in Toronto, Brussels, Tokyo, Sydney and Melbourne, and many other meetings and presentations, both in person and virtual.
10. Stakeholders provided a total of:
  - [89 comment letters](#) on the Sustainability ED, which closed for public comment on May 10, 2024.
  - [64 comment letters](#) to the Use of Experts ED, which closed for public comment on April 30, 2024.
11. The IESBA will consider the full analysis of the feedback received on the Sustainability ED and the Use of Experts ED and the proposed changes to the texts of the EDs for first read at its September 2024 meeting.

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<sup>4</sup> When included in the ISO/IEC 17029 program

**IAASB-IESBA Sustainability Coordination Team**

**IAASB Project**

**International Standard on Sustainability Assurance**

Link to IAASB Project Page: [Sustainability Assurance | IAASB](#)

**Task Force Coordination Member**

- Josephine Jackson, Task Force (TF) Chair, IAASB Vice Chair

**IAASB Coordination Staff**

- Claire Grayston
- Dan Montgomery

**Drafting Team Coordination Member**

- Jamie Shannon

**IESBA Projects**

**Sustainability**

Link to IESBA Project Page: [Sustainability | Ethics Board](#)

**Experts**

Link to IESBA Project Page: [Use of Experts | Ethics Board](#)

Sustainability Project		Experts Project
Workstream 1 – Independence	Workstream 2 – Ethics	
<b>Task Force Coordination Members</b>		
<ul style="list-style-type: none"> <li>• Mark Babington, WS1 Chair, IESBA Member</li> </ul>	<ul style="list-style-type: none"> <li>• Christelle Martin, WS2 Chair, IESBA Member</li> </ul>	<ul style="list-style-type: none"> <li>• Laurie Endsley, TF Chair, IESBA Vice Chair</li> </ul>
<b>IESBA Coordination Staff</b>		
<ul style="list-style-type: none"> <li>• Szilvia Sramko</li> </ul>	<ul style="list-style-type: none"> <li>• Laura Leal</li> </ul>	<ul style="list-style-type: none"> <li>• Kam Leung</li> </ul>
<ul style="list-style-type: none"> <li>• Keith Billing</li> </ul>	<ul style="list-style-type: none"> <li>• Jon Reid</li> </ul>	