AGENDA PAPER

Item Number:	8
Date of Meeting:	4 September 2026
Subject:	Update on IESBA Project Independence Standards for Sustainability Assurance Engagements outside the scope of the IESSA

☐	**Action required**	x	**For discussion**	x	**For noting**	☐	**For information**

Purpose

To update the Board on the IESBA's Project Independence Standards for Sustainability Assurance Engagements that are not within the scope of Part 5 of the Code.

Background

In January 2025, the IESBA issued the *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) as a global ethics benchmark for assurance engagements on sustainability information. The IESSA is included in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) as Part 5. Australia has adopted the equivalent requirements in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

While the ethics provisions in the IESSA (sections 5100 to 5390) apply to all sustainability assurance engagements (SAEs), the independence requirements apply only to SAEs that have the same level of public interest as an audit of financial statements. That is, the independence requirements apply only to SAEs where the sustainability information on which the sustainability assurance practitioner expresses an opinion:

(a) Is reported in accordance with a general purpose framework; and
(b) Is
    i. Required to be provided in accordance with law or regulation; or
    ii. Publicly disclosed to support decision-making by investors or other users (paragraph 5400.3c).

For other SAEs, professional accountants are required to apply the independence provisions in Part 4B of the Code. Sustainability assurance practitioners who are not professional accountants are encouraged to comply with Part 4B.

During the public consultation on the exposure draft of the IESSA, some respondents encouraged the IESBA to consider developing a profession-agnostic Part 4B for SAEs that are not within the scope of the International Independence Standards (IIS) in the IESSA, to ensure a level playing field between professional accountants and other practitioners.

As part of its Strategy and Work Plan 2024-2027, the IESBA agreed to consider how the Code might be enhanced, whether through revision of the extant Part 4B or the development of a Part 4B-equivalent to the IIS in the IESSA.

In June 2025, the IESBA agreed to establish a Project Team to gather more information regarding the nature and extent of SAEs outside the scope of the IIS in the IESSA that are being performed in practice.

The objective of the workstream was to determine whether there is a sufficient basis for the IESBA to initiate a project to develop independence standards applicable to such engagements, and whether those standards should be profession-agnostic.

Current developments

Between Q4 2025 and Q1 2026, the IESBA Project Team undertook targeted information-gathering activities, including structured engagement with jurisdictional standard setters through the IESBA-Jurisdictional Standard Setters Liaison Group, targeted questionnaires to jurisdictional standard setters (APESB's response is given at Agenda Item 8(a)), professional bodies, and sustainability assurance practitioners, as well as insights from the State of Play in Sustainability Assurance data for 2024.

Based on the information gathered, the Project Team concluded that the global expansion of mandatory sustainability reporting and assurance is slowing down, with laws and regulations in many jurisdictions focused only on the largest entities. SAEs outside the scope of the IIS in the IESSA are still being undertaken in a range of contexts, including engagements based on special-purpose reporting frameworks, voluntary disclosures or reports intended for a limited group of users.

Given the diversity of SAEs outside the IIS in the IESSA, the Project Team also found significant differences in SAEs to which Part 4B is or will be applied across jurisdictions.

IESBA June 2026 Board meeting (Agenda Item 9)

At its June 2026 meeting, the Project Team provided a final report and recommended that the IESBA:

- not initiate a standard-setting project at this stage, consistent with the Public Interest Framework's emphasis on evidence-based standard-setting;
- continue monitoring developments in sustainability assurance practice through existing mechanisms, including the work of the IESSA Implementation Monitoring Advisory Group (IIMAG); and
- defer further consideration of this topic until there is clearer evidence of questions or challenges in practice and regulatory direction over SAEs within the scope of Part 4B.

IESBA considered the Project Team's final report and recommendations and agreed not to initiate a standard-setting project for such SAEs at this time, considering the current limitations in available information and stakeholder feedback indicating no perceived gaps in the Code.

The IESBA supported the recommendation to continue monitoring developments in sustainability assurance practice through existing mechanisms, including the IESSA Implementation Monitoring Advisory Group (IIMAG).

Way Forward

Technical Staff will continue to monitor any developments in the IESBA project and report back to the Board at a future meeting.

Recommendation

That the Board note the update on IESBA Project Independence Standards for Sustainability Assurance Engagements that are not within the scope of Part 5 of the Code.

Material Presented

Agenda Item 8 (a) APESB's response to IESBA's Survey on Part 4B

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