

## PROPORTIONALITY OF THE IESSA

The International Ethics Standards Board for Accountants (IESBA) published the *International Ethics Standards for Sustainability Assurance<sup>TM</sup> (including International Independence Standards<sup>TM</sup>)* (IESSA<sup>TM</sup>) in January 2025, with an effective date of December 2026. The IESSA sets a global ethical benchmark for all sustainability assurance practitioners (SAPs), irrespective of their background. The IESSA is contained in Part 5 of the IESBA Code.

An important consideration for the IESBA in developing the IESSA was to ensure that it is proportionate, consistent with the characteristic of scalability in the [Public Interest Framework](#). Equivalent to the ethics and independence standards for audit engagements, the IESSA is designed for sustainability assurance engagements (SAEs) for small and medium-sized enterprises (SMEs) as well as SAEs for large entities.

This publication highlights key aspects of the IESSA that illustrate its proportionality while maintaining its robustness, thereby supporting the performance of SAEs for entities of all sizes and underpinning public trust in those engagements. The publication is intended to facilitate the understanding and implementation of the IESSA by SAPs, especially small and medium practices (SMPs). Jurisdictional standard setters, regulators and oversight bodies, professional accountancy organizations, educational bodies and other stakeholders may also find the publication helpful.

*This publication is non-authoritative and does not override the Code, the text of which alone is authoritative.*

Aspect of IESSA	Nature of Proportionality
1. Application of the conceptual framework (CF). <sup>1</sup>	The application of the CF is inherently proportionate as the CF accommodates a wide range of facts and circumstances, including the various professional activities, interests and relationships that might create threats to compliance with the fundamental principles and to independence.
2. Determination of sustainability assurance client (SAC)	The IESSA defines an SAC as an entity in respect of which a firm conducts an SAE. If the client is a publicly traded entity, the SAC will always include its related entities. If the client is not a publicly traded entity, the SAC includes only the related entities over which the client has direct or indirect control. <sup>2</sup>
3. Determination of group component	When a group component is a legal entity, the group component is defined as the entity and any related entities within the reporting boundary over which the entity has direct or indirect control. A group component does not include related entities that are outside the reporting boundary.
4. Responding to non-compliance with laws and regulations <sup>TM</sup> (NOCLAR®)	<p>The IESSA includes a more stringent set of provisions addressing NOCLAR when the SAE is within the scope of the International Independence Standards (IIS) in Part 5.<sup>3</sup></p> <p>For those SAEs within the scope of the IIS in Part 5, the provisions regarding communication of NOCLAR or suspected NOCLAR to the auditor of the SAC<sup>4</sup> are proportionate depending on whether the SAC is also an audit client of the firm or a component of an audit client of the firm. If so, the IESSA requires the SAP to make such communication.</p> <p>However, if the SAC is also an audit client, or a component of an audit client, of a network firm, or if the SAC is not an audit client or a component of an audit client of the firm or a network firm, the IESSA requires the SAP to <i>consider</i> making such communication.<sup>5</sup></p>

<sup>1</sup> Section 5120, *The Conceptual Framework*

<sup>2</sup> Pursuant to paragraph R5400.27, when the sustainability assurance team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the SAP's independence from the client, the sustainability assurance team is required to include that related entity when identifying, evaluating and addressing threats to independence.

<sup>3</sup> Paragraphs R5360.10 to 5360.28 A1

<sup>4</sup> Paragraph R5360.18a

<sup>5</sup> Paragraph R5360.18b

Aspect of IESSA	Nature of Proportionality
5. Using the work of an external expert	The information required to be obtained from the external expert to enable the SAP to evaluate the external expert's objectivity is more extensive when the client is a public interest entity (PIE). <sup>6</sup>
6. Documentation	The general provision addressing documentation of independence in the IIS in the IESSA requires the SAP to only document the substance of any relevant discussions that support the SAP's conclusions regarding their compliance with the IIS. This includes, in particular, when a threat required significant analysis and the firm concluded that the threat was already at an acceptable level. <sup>7</sup>
7. Scope of the IIS in the IESSA	<p>While the ethics provisions in the IESSA (Sections 5100 to 5390) apply to all SAEs and other professional services performed for the same sustainability assurance client,<sup>8</sup> the IIS in the IESSA (Sections 5400 to 5600) apply only to SAEs with the same level of public interest as audits of financial statements,<sup>9</sup> i.e., those SAEs where the sustainability information on which the SAP expresses an opinion:</p> <p>(a) Is reported in accordance with a general purpose framework; and</p> <p>(b) Is</p> <ul style="list-style-type: none"> <li>(i) Required to be provided in accordance with law or regulation; or</li> <li>(ii) Publicly disclosed to support decision-making by investors or other users.<sup>10</sup></li> </ul> <p>For other SAEs not covered by the IIS in the IESSA, the less stringent independence requirements in the IIS in Part 4B of the Code apply.<sup>11</sup></p>
8. Independence provisions applicable to SAEs for PIEs	<p>The IESSA includes more stringent independence requirements that are only applicable to SACs that are PIEs. These include:</p> <ul style="list-style-type: none"> <li>• A requirement to cease to be the SAP if the amount of fees received from the client exceeds a specific threshold.<sup>12</sup></li> <li>• Requirements regarding the disclosure of fees to those charged with governance (TCWG) and the public.<sup>13</sup></li> </ul>

<sup>6</sup> Paragraph R5390.14

<sup>7</sup> Paragraph R5400.60

<sup>8</sup> Paragraph 5100.2(a)

<sup>9</sup> Paragraph 5100.2(b)

<sup>10</sup> Paragraph 5400.3b

<sup>11</sup> Paragraph 5100.2a

<sup>12</sup> Paragraph R5410.20

<sup>13</sup> Paragraphs 5410.22 A1 to R5410.32

Aspect of IESSA	Nature of Proportionality
	<ul style="list-style-type: none"> <li>Requirements when individuals in previous key sustainability assurance leader roles or in a Chief Executive (or equivalent) role at the firm join the client in certain key positions..<sup>14</sup></li> <li>Requirements pertaining to the rotation of individuals serving in key sustainability assurance leader roles..<sup>15</sup></li> <li>A prohibition on an SAP from providing a non-assurance service (NAS) to the client if a self-review threat might be created in relation to the assurance work..<sup>16</sup></li> <li>Requirements addressing communication with TCWG regarding the provision of an NAS to the client..<sup>17</sup></li> <li>Specific prohibitions from providing certain NAS to the client..<sup>18</sup></li> </ul>
9. Roles and responsibilities of individuals	<p>The IESSA recognizes that the role of the individual at the firm or in the sustainability assurance team is a factor when evaluating the level of threats created. The IESSA mentions the specific role of individuals as a factor in the evaluation of the level of threats in certain cases, such as in relation to:</p> <ul style="list-style-type: none"> <li>Compensation and evaluation policies..<sup>19</sup></li> <li>Holding financial interests in the client..<sup>20</sup></li> <li>Business relationships..<sup>21</sup></li> <li>Family and personal relationships..<sup>22</sup></li> <li>Recent service with a client..<sup>23</sup></li> </ul>
10. Rotation of key sustainability assurance leaders	<p>The required cooling-off period under the IESSA varies depending on the role of the key sustainability assurance leader:</p>

<sup>14</sup> Paragraphs R5524.6 and R5524.7

<sup>15</sup> Paragraphs R5540.7 to R5540.23

<sup>16</sup> Paragraph R5600.17

<sup>17</sup> Paragraphs 5600.21.A1 to R5600.25

<sup>18</sup> Paragraphs R5601.6, R5603.5, R5604.10, R5604.15, R5604.19, R5604.24, R5604.26, R5605.6, R5606.6, R5607.6, R5607.9, R5608.7, R5608.11 and R5610.8

<sup>19</sup> Section 5411

<sup>20</sup> Section 5510

<sup>21</sup> Section 5520

<sup>22</sup> Section 5521

<sup>23</sup> Section 5522

Aspect of IESSA	Nature of Proportionality	
	Key Sustainability Assurance Leader Role	Cooling-off Period. <sup>24</sup>
	Engagement leader	5 consecutive years
	Engagement quality reviewer	3 consecutive years
	Other key sustainability assurance leader	2 consecutive years
Group Sustainability Assurance Engagements		
11. Independence requirements for (1) component practitioners, and (2) members of the group sustainability assurance team within, or engaged by, such component practitioners	Component Practitioner Within the Group Sustainability Assurance Firm's Network	Component Practitioner Outside the Group Sustainability Assurance Firm's Network
	Requirement to be independent of the group sustainability assurance client in accordance with the requirements in Part 5 applicable to a network firm. <sup>25</sup>	Requirement to: <ul style="list-style-type: none"> <li>(a) Be independent of the group component in accordance with the requirements in Part 5 applicable to a firm with respect to all sustainability assurance clients;</li> <li>(b) Apply specified requirements in Section 5510 with respect to financial interests in the entity on whose group sustainability information the group sustainability assurance firm expresses an opinion; and</li> <li>(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.<sup>26</sup></li> </ul>

<sup>24</sup> Paragraphs R5540.13 to R5540.20

<sup>25</sup> Paragraph R5405.10

<sup>26</sup> Paragraph R5405.11(a)-(c)

Aspect of IESSA	Nature of Proportionality	
		With respect to any other relationships or circumstances between the client and the component practitioner (or a network firm from the component practitioners' network), apply the "knows or has a reason to believe" principle. <sup>27</sup>
	Requirement for members of the group sustainability assurance team within, or engaged by, a network firm within the group sustainability assurance firm's network to be independent of the group sustainability assurance client in accordance with the requirements in Part 5 applicable to the sustainability assurance team. <sup>28</sup>	<p>Requirement for members of the group sustainability assurance team within, or engaged by, a component practitioner outside the group sustainability assurance firm's network to be independent of:</p> <ul style="list-style-type: none"> <li>(a) The group component;</li> <li>(b) The entity on whose group sustainability information the group sustainability assurance firm expresses an opinion; and</li> <li>(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</li> </ul> <p>in accordance with the requirements of Part 5 applicable to the sustainability assurance team.<sup>29</sup></p> <p>In relation to any relationships or circumstances between the members above and any other related entities or other group components within the group sustainability assurance client, requirement for the members to notify the component practitioner about any such relationships or circumstances that might create threats to the individuals' independence, applying</p>

<sup>27</sup> Paragraphs R5405.12 and R5405.13

<sup>28</sup> Paragraph R5405.5

<sup>29</sup> Paragraph R5405.6

Aspect of IESSA		Nature of Proportionality							
			the “knows or has reason to believe” principle. <sup>30</sup>						
12. Assurance work performed at a value chain component (VCC)		The IESSA sets out a proportionate approach regarding the independence considerations <sup>31</sup> when assurance work is performed at a VCC by: <ul style="list-style-type: none"><li>• Focusing only on the independence of either the SAP or the component practitioner, whichever performs the assurance work, and not any other firms within their network.<sup>32</sup></li><li>• Requiring compliance with provisions applicable to non-PIE clients, irrespective of whether the VCC or the client is a PIE.<sup>33</sup></li><li>• Not including any related entities of the legal entity in the determination of the VCC at which assurance work is performed.<sup>34</sup></li></ul>							
Using the Work of Another Practitioner									
13. Using assurance work performed at the sustainability assurance client or a VCC		The IESSA takes a lighter approach for SAPs if they intend to use the assurance work of another practitioner performed at a VCC vs. the SAC: <table><tr><th>Assurance Work Performed at the SAC (or at a Group Component)</th><th>Assurance Work Performed at a VCC</th></tr><tr><td>Requirement for the engagement leader to take responsibility to make that other practitioner aware of the relevant ethics, including independence, provisions in Part 5 applicable to the SAC given the nature and circumstances of the SAE.<sup>35</sup></td><td>No communication requirement for the SAP or the engagement leader.</td></tr><tr><td>Requirement for the SAP to request the other practitioner to confirm that: (a) The practitioner meets the independence requirements in Part 5 applicable to a firm with</td><td>Requirement for the SAP to be satisfied that the other practitioner meets the independence requirements in Part 5</td></tr></table>		Assurance Work Performed at the SAC (or at a Group Component)	Assurance Work Performed at a VCC	Requirement for the engagement leader to take responsibility to make that other practitioner aware of the relevant ethics, including independence, provisions in Part 5 applicable to the SAC given the nature and circumstances of the SAE. <sup>35</sup>	No communication requirement for the SAP or the engagement leader.	Requirement for the SAP to request the other practitioner to confirm that: (a) The practitioner meets the independence requirements in Part 5 applicable to a firm with	Requirement for the SAP to be satisfied that the other practitioner meets the independence requirements in Part 5
Assurance Work Performed at the SAC (or at a Group Component)	Assurance Work Performed at a VCC								
Requirement for the engagement leader to take responsibility to make that other practitioner aware of the relevant ethics, including independence, provisions in Part 5 applicable to the SAC given the nature and circumstances of the SAE. <sup>35</sup>	No communication requirement for the SAP or the engagement leader.								
Requirement for the SAP to request the other practitioner to confirm that: (a) The practitioner meets the independence requirements in Part 5 applicable to a firm with	Requirement for the SAP to be satisfied that the other practitioner meets the independence requirements in Part 5								

<sup>30</sup> Paragraph R5405.7

<sup>31</sup> See Subsection B of Section 5405

<sup>32</sup> Paragraphs 5405.30A A2, 5405.30B A2, 5405.31 A2, 5405.32 A2, 5405.33 A2 and 5405.34 A2

<sup>33</sup> Paragraphs 5405.30A A1, 5405.30B A1, 5405.31 A1, 5405.32 A1, 5405.33 A1 and 5405.34 A1

<sup>34</sup> See definition of VCC in the Glossary to the Code

<sup>35</sup> Paragraph R5406.4

Aspect of IESSA	Nature of Proportionality					
	<p>respect to the entity at which the other practitioner performs assurance work; and</p> <p>(b) The individuals from that other practitioner who perform the assurance work meet the independence requirements in Part 5 applicable to a member of a sustainability assurance team with respect to that entity.<sup>36</sup></p>	<p>applicable to a firm with respect to that VCC..<sup>37</sup></p> <p>The SAP might meet the requirement above by reviewing a statement of independence issued by the other practitioner in relation to the assurance work performed at the VCC..<sup>38</sup></p>				
14. Using the assurance or non-assurance work of another practitioner	<p>The IESSA sets out proportionate requirements for the SAP when they intend to use the work of another practitioner, depending on whether that work is assurance or non-assurance work:</p> <table><tr><th>Using Assurance Work of Another Practitioner</th><th>Using Non-assurance Work of Another Practitioner</th></tr><tr><td><p>The IESSA sets out specific requirements for the SAP to obtain confirmation or be satisfied about the other practitioner's independence with respect to the entity at which the other practitioner performs assurance work (see above).<sup>39</sup></p></td><td><p>The IESSA requires the SAP to exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfil the SAP's responsibilities to comply with the fundamental principles of integrity, objectivity and professional competence and due care..<sup>40</sup></p></td></tr></table>		Using Assurance Work of Another Practitioner	Using Non-assurance Work of Another Practitioner	<p>The IESSA sets out specific requirements for the SAP to obtain confirmation or be satisfied about the other practitioner's independence with respect to the entity at which the other practitioner performs assurance work (see above).<sup>39</sup></p>	<p>The IESSA requires the SAP to exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfil the SAP's responsibilities to comply with the fundamental principles of integrity, objectivity and professional competence and due care..<sup>40</sup></p>
Using Assurance Work of Another Practitioner	Using Non-assurance Work of Another Practitioner					
<p>The IESSA sets out specific requirements for the SAP to obtain confirmation or be satisfied about the other practitioner's independence with respect to the entity at which the other practitioner performs assurance work (see above).<sup>39</sup></p>	<p>The IESSA requires the SAP to exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfil the SAP's responsibilities to comply with the fundamental principles of integrity, objectivity and professional competence and due care..<sup>40</sup></p>					

<sup>36</sup> Paragraph R5406.5

<sup>37</sup> Paragraph R5406.6

<sup>38</sup> Paragraph 5406.6 A1

<sup>39</sup> Paragraphs R5406.5 (a)-(b) and R5406.6

<sup>40</sup> Paragraph R5300.11



## Appendix

**List of Acronyms and Abbreviations**

CF	Conceptual Framework
IESSA	International Ethics Standards for Sustainability Assurance (including International Independence Standards)
IIS	International Independence Standards
NAS	Non-assurance service(s)
NOCLAR®	Non-compliance with laws and regulations™
PIE	Public interest entity
SAC	Sustainability assurance client
SAE	Sustainability assurance engagement
SAP	Sustainability assurance practitioner
VCC	Value chain component
TCWG	Those charged with governance

This document was prepared by the Staff of the [International Ethics Standards Board for Accountants®](#) (IESBA®).

## About IESBA

The IESBA is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting high-quality, international ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Along with the [International Auditing and Assurance Standards Board®](#) (IAASB®), the IESBA is part of the [International Foundation for Ethics and Audit™](#) (IFEATM). The [Public Interest Oversight Board](#) (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

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