

Ethics Standards for Sustainability Assurance and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

Key Impacts

Overview

New ethics standards for sustainability assurance (ESSA)

The launch of ESSA marks a significant milestone in Hong Kong, setting a clear and consistent baseline for the ethical conduct and independence of practitioners performing sustainability assurance engagements, thereby reinforcing public trust in assured sustainability information. ESSA is included as Part 5 in Chapter A of the HKICPA Code of Ethics for Professional Accountants (HKICPA Code), offering a robust ethics and independence framework for all sustainability assurance practitioners (SAPs). ESSA is a profession-agnostic standard that is designed to be used by professional accountant assurance practitioners (PAs) or non-professional accountant assurance practitioners (non-PAs).

NEW PART 5 IN CHAPTER A OF HKICPA CODE				NEW
For Professional Accountants				For All Sustainability Assurance Practitioners
PART 1	Complying with the Code, the Fundamental Principles, and the Conceptual Framework		(All Professional Accountants) Section 100-199	PART 5
PART 2	PART 3 Professional Accountants in Public Practice (PAPPs)		Section 300-399	Ethics Standards for Sustainability Assurance (ESSA)
Professional Accountants in Business (PAIBs) Part 2 is also applicable to individual PAPPs when performing professional activities pursuant to their relationship with the firm	PART 4A		PART 4B	For Sustainability Assurance Engagements Scoped to Part 5
	Independence Standards Independence for Audits and Reviews		Independence Standards Independence for Assurance Engagements other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5	
Section 200-299	Section 400-899		Section 900-999	Section 5100-5600

Scope of ESSA

Ethics Standards (sections 5100 – 5390) apply to: <ul style="list-style-type: none"> All sustainability assurance engagements Any other professional service 	Independence Standards in Part 5 (sections 5400 – 5600) apply only to a sustainability assurance engagement where the sustainability information on which the sustainability practitioner expresses an opinion: <ul style="list-style-type: none"> Is reported in accordance with a general purpose framework¹ (e.g. HKFRS Sustainability Disclosure Standards²; HKEX ESG Code³); and Is required to be provided in accordance with law or regulation (e.g. HKEX Listing Rules); or is publicly disclosed to support decision-making by investors or other users (e.g. entity's website).
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

¹ See glossary of ESSA for the definition of a general purpose framework.

² HKFRS Sustainability Disclosure Standards include (a) [HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and (b) [HKFRS S2 Climate-related Disclosures](#).

³ [Appendix C2 Environmental, Social and Governance Reporting Code](#) issued by the Hong Kong Stock Exchange.

provided to the same sustainability assurance client	<p>Independence Standards in the extant Part 4B in Chapter A of HKICPA Code apply to all other sustainability assurance engagements not within the scope of the Independence Standards in Part 5.</p> <ul style="list-style-type: none"> • PAs must continue to apply Part 4B. • Non-PAs are encouraged to comply with Part 4B.
------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Ethics standards for sustainability reporting (ESSR)

Parts 1 to 3 in Chapter A of the HKICPA Code have been enhanced to include specific ethics provisions for preparers of sustainability disclosures. These revised provisions must be applied by PAs and can be used by non-PAs.

Effective date and transitional provisions

ESSA	ESSR
<ul style="list-style-type: none"> • Except for the provisions pertaining to value chain components (i.e. Sections 5405 and 5406) which will be effective from 1 July 2028, the standards will be effective for sustainability assurance engagements on sustainability information for periods beginning on or after 15 December 2026; or as at a specific date on or after 15 December 2026. • Early adoption is permitted and encouraged. • Anyone who applies ESSA voluntarily ahead of its effective date shall comply with the consequential and conforming amendments to HKICPA Code as a result of the publication of ESSA. 	<ul style="list-style-type: none"> • The revisions will be effective as of 15 December 2026. • Early adoption is permitted and encouraged.

How major local stakeholders' comments are addressed

Level playing field

Stakeholders' comments

Concerns were raised regarding the effectiveness of the International Ethics Standards for Sustainability Assurance (IESSA), which hinges on the establishment of a comprehensive framework for sustainability reporting and assurance, including monitoring and enforcement mechanisms akin to those set for financial statement reporting and auditing. Furthermore, a robust and effective monitoring and enforcement system is critical for ensuring that IESSA is consistently applied by both PAs and non-PAs, creating a level playing field for all sustainability service providers and fostering trust and transparency among users of sustainability disclosures.

Local developments

On 10 December 2024, the Hong Kong Government launched a [Roadmap on Sustainability Disclosure in Hong Kong](#) which elaborates on Hong Kong's blueprint to develop a comprehensive ecosystem to support sustainability disclosures, encompassing sustainability assurance, data and technology, as well as skills and competencies. In relation to the regulatory regime on sustainability assurance, it is stated that the Accounting and Financial Reporting Council (AFRC) will release a proposed local regulatory framework for sustainability assurance for public consultation in 2025. The AFRC will work with relevant financial regulators and stakeholders to drive the development of Hong Kong's regulatory regime for sustainability assurance. This framework will address various aspects, including the registration of assurance providers, the implementation of assurance and ethics standards, and the establishment of the related regulatory regime.

Independence standards relating to value chain components (VCC)

Stakeholders' comments

Concerns were expressed regarding the requirement for practitioners performing assurance work at value chain entities to maintain independence from those entities, as this is viewed as excessive and disproportionate. Furthermore, there is a need to clarify the term “performing the assurance work at the value chain entity” in IESSA, considering the use of technology and remote access that enables practitioners to obtain information directly from value chain entities without the need for physical presence.

Final pronouncement

The IESBA has streamlined the relevant independence provisions in sections 5405 – 5406 of the final standards. It also offers additional guidance to deal with different circumstances involving “performing assurance work at VCCs”, as set out in paragraph 5405.2 A3. When the group sustainability assurance firm has determined that, to obtain evidence for the purposes of the group sustainability assurance engagement, assurance procedures need to be performed on the data or information maintained by the VCC which underlies the VCC’s sustainability information, the SAP is subject to the independence requirements set out in section 5405, with specific provisions outlined in subsection B (paragraphs R5405.30A to 5405.34 A2) of IESSA.

Implications

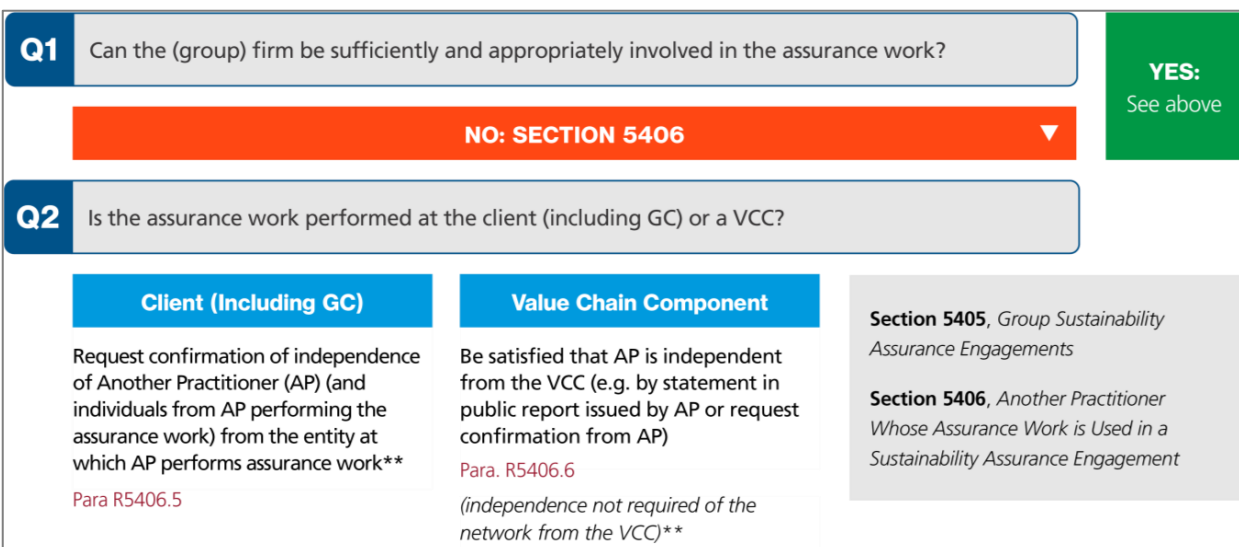
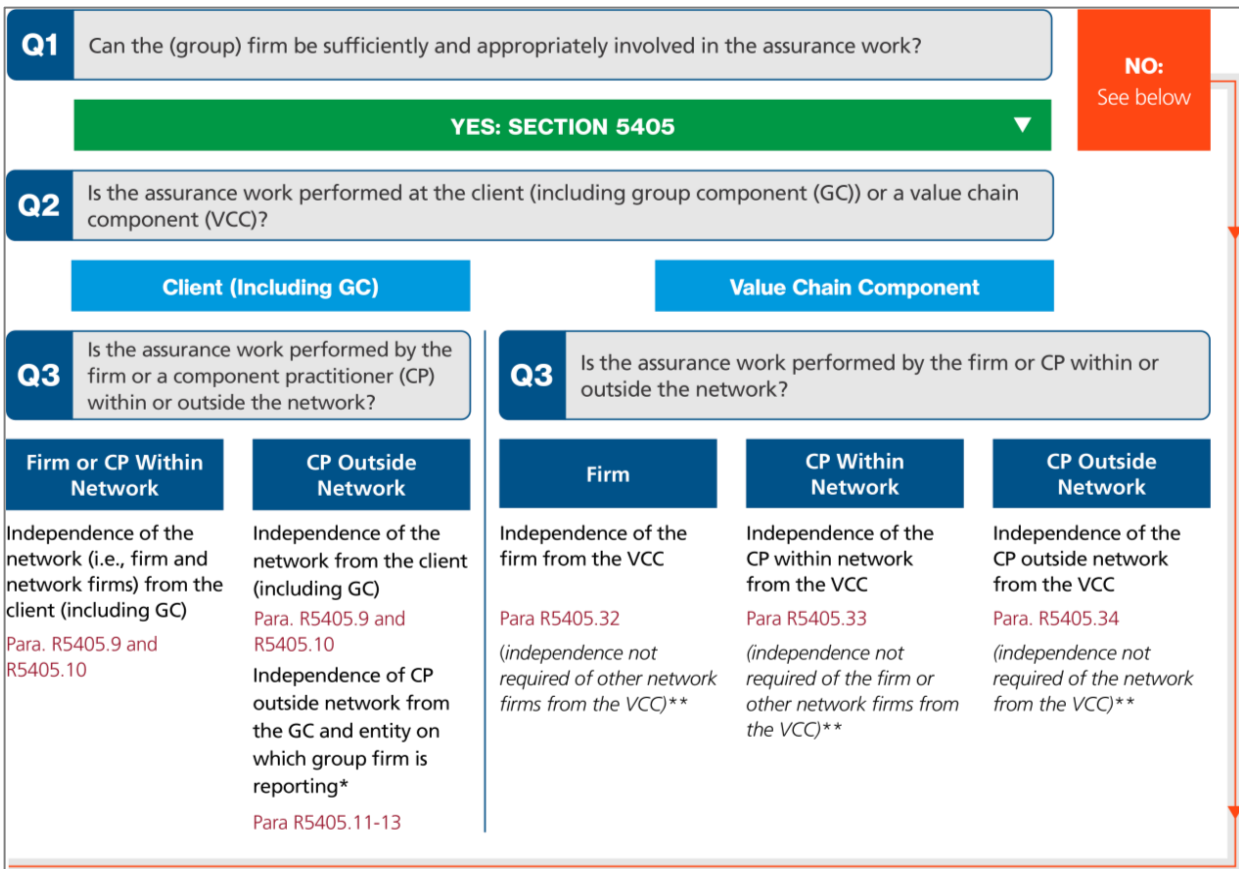
Practitioners are allowed by the ESSA to defer the effective date of provisions applicable when assurance work is performed at a VCC to 1 July 2028. Whether assurance work is to be performed at a VCC depends on the scope of the sustainability assurance engagement.

Practitioners should thoroughly understand (i) the new independence provisions in section 5405, particularly the meaning of “performing assurance work at a VCC”, as this concept drives the applicability of the independence requirements with respect to the VCC; and (ii) the additional guidance provided for the three different circumstances involving VCCs, as follows:

For purposes of the group sustainability assurance engagement			
	Actions	By	Independence considerations
1	Performs assurance procedures on the underlying data and information maintained by the VCC to identify risks of material misstatement of the VCC’s sustainability information	Group sustainability assurance firm Component practitioner	Comply with the independence requirements in section 5405 with respect to that VCC
2	Performs planning procedures at the group level solely to determine whether an entity or a business unit is a VCC at which assurance work will be performed	Group sustainability assurance firm	NOT subject to the independence requirements in section 5405 with respect to that entity or business unit
3	Obtains evidence about the VCC’s sustainability information without performing procedures on the underlying data or information maintained by the VCC	Group sustainability assurance firm	NOT subject to the independence requirements in section 5405 with respect to that VCC

Flowcharts: Illustration of the independence requirements in relation to performing assurance work at a VCC

(Source: IESBA Webinar – [IESSA Independence Standards: A Deep Dive](#))



Sustainability fees disclosure

Stakeholders' comments

Concerns were raised regarding the imposition of fee disclosure requirements for sustainability assurance engagements as unlike financial statement audits, there are no mandatory requirements for sustainability assurance or related fee disclosures, making it challenging for practitioners to request such disclosures from clients.

Final pronouncement

The IESBA acknowledged the comments raised regarding the current regulatory context for the disclosure of sustainability assurance fees by the client and the potential challenges firms might face to meet the obligations for fee disclosure. Nevertheless, it retained the fee disclosure requirements on the basis that there was a greater interest in stakeholders receiving the same information about a SAP's independence as in the case of the audits of the financial statements of public interest entities.

Implications

For a public interest entity (PIE)⁴, if the client does not make the public disclosure of fee-related information, the firm (also refers to a SAP) shall publicly disclose fees paid or payable to the firm and network firms for the sustainability assurance engagement and provision of other services charged during the reporting period for the engagement, and other fees set out in paragraph R5410.31. The firm might disclose the information in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders, for example:

- On the firm's website.
- In the firm's transparency report.
- Through targeted communication to specific stakeholders, for example a letter to the shareholders.
- In the sustainability assurance report.

As an exception to paragraph R5410.31, the firm may decide not to publicly disclose the fee-related information required under paragraph 5410.31 in the following circumstances:

- (a) When the parent entity also prepares group sustainability information, provided that the firm or a network firm expresses an opinion on this group sustainability information; or
- (b) When an entity is wholly-owned, directly or indirectly, by another PIE, provided that (i) the entity's sustainability information is consolidated into the group sustainability information prepared by the other PIE and (ii) the firm or a network firm expresses an opinion on that group sustainability information.

Non-PIEs do not need to publish such fee-related information.

It is important to emphasize that entities seeking sustainability assurance services should not only compare the fees charged by different assurance providers based on the disclosed information but should also consider other factors such as the scope and quality of the assurance provider's work.

Implementation support

Stakeholders' comments

Stakeholders requested support for implementation, for example, non-authoritative material or case studies to illustrate the thought process in the evaluation of threats and determination for any safeguards throughout Part 5.

⁴ As defined in the HKICPA Code. Practitioners shall also refer to the [Questions and Answers](#) publication released by the Staff of the IESBA and the [Questions and Answers](#) issued by the Institute for guidance on the revised definitions of listed entity and public interest entity.

Local support

The HKICPA has a holistic capacity building program that covers sustainability reporting, sustainability assurance and sustainability ethics, to assist practitioners in building awareness and enhancing their skills to effectively navigate the evolving sustainability landscape. Trainings on sustainability reporting began a few years ago and is ongoing. Trainings on sustainability assurance commenced in June 2025 with the first webinar providing an overview of the standard, followed by in-depth workshops held in August and September 2025. Trainings on sustainability ethics are tentatively scheduled to start in December 2025.

The IESBA has made available the following support materials to assist practitioners in the implementation process:

- [Basis for Conclusions](#)
- [Ethics & Independence for Sustainability Assurance – Fact Sheet](#)
- [Ethics for Sustainability Reporting – Fact Sheet](#)
- [Technical Overview Report](#)
- [ISSA 5000 and IESSA: Global Baseline Standards for Sustainability Assurance](#)
- [IESBA Staff Q&As on IESSA](#)
- [Frequently Asked Questions: Sustainability Assurance Engagements – ISSA 5000 and the IESBA Code](#)
- [List of Prohibitions for PIEs in IESSA](#)
- [Key Differences between IESSA and Parts 1 to 4A of the Code](#)
- [IESBA Staff Publication – Proportionality of IESSA](#)
- IESBA's [online platform](#) for submitting implementation questions/ feedback on IESSA
- Webinars:
 - [Sustainability Overview & Sustainability Reporting](#)
 - [Key Topics in the IESSA](#)
 - [IESSA Independence Standards: A Deep Dive](#)
- IESBA Explainers:
 - [Introduction to the Global Ethics Sustainability Standards](#)
 - [Ethics in Sustainability Reporting](#)
 - [IESSA and Ethics in Sustainability Assurance](#)