

**Sustainability Project – Work Stream 2****Ethics Standards for Sustainability Reporting – Profession-Agnostic vs  
Professional Accountants Only****I. INTRODUCTION**

1. In its September 15, 2022 [statement](#), the International Organization of Securities Commissions (IOSCO) encouraged standard-setters' work on assurance of sustainability-related corporate reporting and welcomed the work of the IESBA and IAASB in this regard.
2. In its statement, IOSCO particularly welcomed "*the Boards' plans to work towards high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability-related information.*" It served as a call by the international regulatory community for IESBA to develop global profession-agnostic ethics and independence standards for sustainability assurance.
3. In response, the IESBA re-allocated its resources promptly and fast-tracked its standard-setting work on sustainability assurance.
4. However, there is currently no similar regulatory call with respect to ethics standards for sustainability reporting. This opens the space for IESBA to consider whether it should develop ethics standards for sustainability reporting also in a profession-agnostic way for both professional accountants and other sustainability preparers or whether it should revise the Code only for professional accountants.
5. Part II of this paper presents reasons for both options and includes the Sustainability Work Stream 2's proposal.

**II. ETHICS STANDARDS FOR SUSTAINABILITY REPORTING****Case for Developing Profession-Agnostic Standards**

6. Before sustainability information can be subject to assurance, it must be first prepared and reported by or on behalf of an organization. If the IESBA were to develop ethics standards for sustainability reporting also in a profession-agnostic way for all sustainability preparers, then all those preparing, reporting, and providing assurance on sustainability information, regardless of their profession, could be covered by the same robust ethics standards (including independence) issued by the IESBA. This would contribute to a higher degree of integrity, quality, and reliability of the whole sustainability information supply chain, which would be in the public interest.
7. In addition, stakeholders are increasingly recognizing that preparers play a key role in safeguarding the integrity of financial and non-financial information as the "first line of defense" against improper reporting. Therefore, having high quality ethics standards would introduce strong, consistent guardrails at a critical point in the information supply chain, generating a higher level of trust in companies' sustainability (both financial and non-financial related information) disclosures.
8. Other reasons for the IESBA to develop profession-agnostic ethics standards for sustainability reporting include:
  - It would also ensure a level playing field on the reporting side between professional accountants and other preparers of sustainability information.

- There would be a complete profession-agnostic framework of ethics standards applicable to sustainability information (i.e., covering both reporting and assurance). This would promote consistency in the IESBA's approach to sustainability.
- There would be a set of robust global ethics standards that organizations, including national standard setters, regulators and professional bodies, could adopt and enforce.

### **Case for Developing Standards for Professional Accountants Only**

9. Factors that are part of an argument to not develop standards that are profession-agnostic, and focus on standards for professional accountants only, include:
  - Unlike IOSCO's call for the IESBA to develop ethics and independence standards for sustainability assurance, there has not been any equivalent regulatory call for the IESBA to develop ethics standards for all sustainability information preparers.
  - If there is a market demand for profession-agnostic standards for sustainability reporting, jurisdictions would likely be expected to take the first step, for instance, by enacting a legal duty applicable to preparers of sustainability information by which they would all have to abide by high quality international ethics standards (or national standards based on those international ethics standards).
  - To assess the level of market demand and the corporate governance implications, and to establish the public interest for profession-agnostic ethics standards for sustainability reporting, the IESBA should carry out the necessary research and consultation with a broad range of stakeholders, including regulators and oversight bodies, investors, international policy-making organizations, national standard setters, the business community including public sector and non-profit organizations, professional accountancy organizations and other preparers of sustainability information, and academics.
  - There would be a risk that the IESBA developed ethics standards that would not ultimately be used, which may undermine IESBA's credibility as a global standard-setter.
10. There is no consistent or universal regulatory or professional regime that applies to those preparers who are not professional accountants for monitoring, supervising, and enforcing compliance with the IESBA standards. Without such a regime:
  - Any new IESBA standards that are meant to be applicable to these other preparers would likely be unenforceable or otherwise ineffective.
  - It would be difficult to clearly identify the preparers to whom the IESBA standards should apply which could affect the adoption rate and implementation of the standards.
11. There is more than one route for regulators to address the challenges posed by sustainability reporting – i.e., approving legislation applicable to preparers (i.e., “hard law”) vs through the corporate governance regime (i.e., “soft law”). It would be important to understand which approach regulators around the world would use since they have different enforcement regimes.
12. Finally, as this option would cater to the traditional target users of the Code, i.e., professional accountants, it would be a more time-effective option as the scope of work is more limited.

### Work Stream 2's Proposal

13. Work Stream 2 acknowledges the advantages of having a comprehensive set of ethics standards for sustainability reporting that would apply to all preparers of sustainability information regardless of their professional background. However, it is of the view that:
- More research is needed before the IESBA can make an informed and strategic decision about whether to develop profession-agnostic standards, thereby extending the applicability of the Code to sustainability preparers who are not professional accountants. This decision should also be informed by how, and the extent to which, the profession-agnostic standards for sustainability assurance that IESBA has undertaken to deliver by December 2024 will be adopted, implemented, and enforced around the world.
  - Under the Sustainability Project, the IESBA should consider revisions to the Code to enhance its ethics standards with respect to sustainability reporting for professional accountants only. The process of developing these standards for professional accountants may inform a future phase to develop appropriate ethics standards to cover preparers of sustainability information other than professional accountants, should the IESBA determine that there is sufficient basis and public interest rationale for doing so.
14. It will be important to take advantage of the upcoming global roundtables planned for March and April 2023 to gather a preliminary understanding of whether there is a market demand for profession-agnostic ethics standards for sustainability reporting and, if so, whether stakeholders believe the IESBA is the appropriate body to meet that demand.
15. In addition, the IESBA should also remain attentive to the relevant regulatory frameworks that jurisdictions may enact in the short/medium-term regarding sustainability reporting to confirm whether there will be a duty for all preparers of sustainability information to comply with robust ethics requirements, and whether those requirements are those in, or based on, the IESBA Code.

#### **Matters for CAG Consideration**

Do CAG Representatives agree with:

- (a) WS2's proposal to limit the scope of Work Stream 2 to the development of ethics standards for sustainability reporting for professional accountants only; and
- (b) Taking into consideration the feedback from the roundtables, WS2's recommendation that the Board explores this strategic issue with stakeholders and consider initiating further research on the matter in due course?