Meeting: IESBA
Meeting Location: New York
Meeting Date: June 12-16, 2023

Agenda Item

2

Sustainability – Common Issues

Objectives of Agenda Item

1. To consider:
   (a) A presentation from AccountAbility;
   (b) The Task Force’s report-back on recent outreach activities, including the four global sustainability roundtables; and
   (c) Common issues relevant to both Work Stream 1 (Independence) and Work Stream 2 (Ethics).

Task Force Composition

2. The Task Force comprises two work streams:

<table>
<thead>
<tr>
<th>Work Stream 1 (Independence)</th>
<th>Work Stream 2 (Ethics)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Babington, Chair, IESBA Member</td>
<td>Christelle Martin, Chair, IESBA Member</td>
</tr>
<tr>
<td>Jens Poll, IESBA Member</td>
<td>Vania Borgerth, IESBA Member</td>
</tr>
<tr>
<td>Channa Wijesinghe, IESBA Member</td>
<td>Richard Huesken, IESBA Member</td>
</tr>
<tr>
<td></td>
<td>Sung-Nam Kim, IESBA Member</td>
</tr>
<tr>
<td>Supported by:</td>
<td>Supported by:</td>
</tr>
<tr>
<td>David Clark, IESBA Technical Advisor</td>
<td>Chris Twagirimana, IESBA Technical Advisor</td>
</tr>
<tr>
<td>Marta Kramerius, IESBA Technical Advisor</td>
<td></td>
</tr>
<tr>
<td>Masahiro Yamada, IESBA Technical Advisor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kristen Wydell, IESBA Technical Advisor</td>
</tr>
</tbody>
</table>

Activities Since the Last IESBA Discussion

3. After the March 2023 IESBA meeting, the Task Force met in person and via video conference to prepare the agenda materials for this meeting. The in-person meeting included joint sessions during which the Work Streams discussed, among other matters, the options for the presentation of the profession-agnostic standards for sustainability assurance, based on the feedback from the global roundtables, and the composition of the Sustainability Reference Group.

4. IESBA Staff continues to coordinate closely with IAASB Staff, especially on proposed definitions, considering that the terms and concepts used by both Boards should be aligned to the furthest
extent possible. In May 2023, the IESBA and IAASB liaison members met twice via video conference to discuss coordination matters ahead of the IAASB’s expected approval of its exposure draft in June 2023.

5. IESBA and IAASB Staff also attended as observers the April 2023 inaugural meeting of the International Organization for Standardization’s (ISO) Joint Working Group responsible for the development of ISO’s standards on validation and verification of sustainability information.

6. IESBA representatives also:
   • Presented to the ISO Committee of Conformity Assessment (CASCO) in April 2023 on how the Code would work for sustainability assurance engagements.
   • Moderated a roundtable organized by ACCA in April 2023 where ethics and independence issues related to sustainability reporting and assurance were discussed.

7. In early June, WS1 and WS2 will provide a high-level overview of the feedback from the roundtables and the Task Force’s proposals regarding the ethics and independence standards for sustainability reporting and assurance to the representatives of the IESBA-National Standard Setters Liaison Group Meeting.

8. The Board will be briefed on the main outcomes of these and other outreach meetings at its June 2023 meeting.

Presentation from AccountAbility

9. Daniel Metzger, Associate Director and Head of Mid-East and Asia at AccountAbility, will give a presentation on AccountAbility’s role in the sustainability field, its stakeholders, the global standards it sets and how they might interoperate with the sustainability-related ethics and independence standards IESBA is developing, and the opportunities for collaboration between the two organizations.

Common Issues

Update on Global Sustainability Roundtables

10. Due to the nature and potentially wide scope of the sustainability project, the IESBA agreed that obtaining further stakeholder views is critical to the IESBA’s objectives in relation to its two sustainability work streams. Therefore, the IESBA committed to organizing global roundtables to engage with a wide range of stakeholders, including sustainability assurance practitioners who are not professional accountants, to inform both its sustainability project and its related project on the use of experts.

11. The IESBA conducted four global roundtables in Paris, Sydney Singapore and New York in March and April 2023, with over 140 senior-level participants from a wide range of stakeholder groups,¹ including non-professional accountants.

¹ The participants came from the following stakeholder groups: Academics, Accounting Firms, Independent National Standard Setters (INSS), Non-PAs, Professional Accountancy Organizations (PAO), Preparers/TCWG, Regulators, Users/Investors, Global and Regional Standards Setters, and Others, such as global and national organizations for the accountancy profession.
12. Prior to the roundtables, participants were provided with a Briefing Note presenting information about the Code and background information on the sustainability and use of experts projects. During the breakout discussions at the roundtables, participants discussed nine questions related to sustainability reporting and assurance.

13. Directionally on the pivotal issues, feedback from the roundtable participants was fairly consistent across regions. In addition, participants provided rich insights, perspectives and other input on various issues or matters pertinent to the project. Refer to Agenda Item 2-A for the summary of the feedback received from roundtable participants.

Presentation of Profession-Agnostic Standards for Sustainability Assurance

14. At its March 2023 meeting, the IESBA agreed to ask for the roundtable participants’ feedback regarding which approach to the presentation of the standards would most effectively meet the IESBA’s objective of delivering profession-agnostic standards for sustainability assurance that can be readily and widely adopted and implemented. The Briefing Note and supplementary material provided an overview of each option (Options A to C) and illustrative texts.

15. At its May 2023 meeting, the Task Force considered all the input received on the different options for the presentation of the ethics and independence standards for sustainability assurance engagements from the IESBA, the IESBA Consultative Advisory Group and roundtable participants, and developed its proposal for the IESBA’s consideration at this Board meeting.

16. The feedback from the roundtable participants and the Task Force’s responses and proposal are presented in Agenda Item 2-A. During the Board meeting, the Task Force will seek IESBA members’ views and input on the Task Force’s proposal and its rationale.

Update on Reference Group

17. The Task Force agreed to seek expressions of interest from roundtable participants to join the IESBA Sustainability Reference Group (SRG), to be composed of up to 10 individuals with a background, experience or expertise in sustainability reporting or assurance, or responsibilities for such reporting or assurance, and who are not assurance practitioners from the accountancy profession.

18. The final composition of the SRG as well as its terms of reference will be published on the sustainability webpage on the IESBA website.

19. The inaugural meeting of the SRG, chaired by WS1 member Channa Wijesinghe, will be held in June 2023, ahead of the IESBA meeting. The Board will be briefed on the main outcomes of this meeting at the Board meeting.

Action Requested

20. IESBA members are asked to:

(a) Consider the presentation from AccountAbility;

(b) The report-backs on recent outreach activities on the project; and

(c) Discuss and provide input on the common issues, with special regard to the Task Force’s proposed option for the presentation of the profession-agnostic ethics and independence standards for sustainability assurance engagements.
Material Presented

Agenda Item 2-A Summary of Feedback from the Global Roundtables

Agenda Item 2-B Revised Glossary