Sustainability – Ethics Considerations
Issues and Work Stream 2 Views

I. INTRODUCTION

1. This issues paper discusses the key issues identified by the Sustainability Work Stream 2 (WS2) as it began to develop its initial draft of ethics standards for sustainability reporting and assurance.

2. One of the most significant issues relates to the scope of the ethics standards for sustainability assurance (Section II below), including matters relating to:
   - The concept of “the profession”.
   - The fundamental principle of professional behavior.
   - The terms “professional activity” and “professional services”.
   - The applicability paragraphs.

3. Other issues highlighted in this issues paper for the IESBA’s consideration include:
   - Specific issues relating to Parts 1 and 3 equivalents in new Part 5 of the Code (Section II below).
   - Scope of the ethics standards for sustainability reporting (revisions to Part 2 of the Code) (Section III below).
   - Terms and definitions including “sustainability information”, “sustainability assurance practitioner” vs “sustainability assurance provider” and “professional activity” (Section IV below).
   - Scope of WS2’s work with respect to potential new sections in extant Part 3 of the Code (Section V below).

4. Following IESBA deliberations of the issues highlighted in this paper and other agenda material at the upcoming IESBA June 2023 meeting, the WS2 would like to obtain:

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<td>• The Board’s strategic direction on the scope of the ethics standards for sustainability assurance, i.e., Option 1, 2 or 3 as explained in Section II below.</td>
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<td>• The Board’s views on the preliminary drafts for Part 5 (see Agenda Item 4-B and Agenda Item 4-C).</td>
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<td>Draft Part 2 Revised</td>
<td>• The Board’s strategic direction on the scope of the ethics standards for sustainability reporting, i.e., confirming the WS2’s proposal from March 2023 to focus the scope of the current project on standards for PAs only as explained in Section III below.</td>
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<td>• The Board’s views on the draft of select revised sections of Part 2 (see Agenda Item 4-D)</td>
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| Definitions | • The Board’s views on the WS2’s revised draft of “sustainability information” included in Section IV below.  
• The Board’s views on the use of the term “sustainability assurance practitioner” vs “sustainability assurance provider” as detailed in Section IV below.  
• The Board’s views on the WS2’s proposal not to change the extant definition of “professional activity” as explained in Section IV below. |
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## II. ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE

### New Draft Part 5

5. As highlighted in Agenda Item 2-A, the Sustainability Task Force (STF) agreed that Option B (i.e., a new Part 5 of the Code) and sub-Option B(iii) should be the recommended option for the presentation of the ethics and independence standards for sustainability assurance, taking into account the Board’s feedback at the IESBA March 2023 meeting as well as the support from participants at the four global sustainability roundtables (RTs) held in March-April 2023. For a summary of the RT comments, refer to Agenda Item 2-A.

6. Under Option B(iii), the ethics and independence standards set out in the new Part 5 will apply to all sustainability assurance practitioners, regardless of whether they are professional accountants (PAs) or other professionals or practitioners (non-PAs) performing sustainability assurance engagements.

7. In light of the STF’s recommendation above, the WS2 developed the draft revisions to Parts 1 and 3 of the Code and incorporated them into the new draft Part 5 of the Code for all sustainability assurance practitioners in accordance with Option B(iii).

8. For the purposes of the IESBA June 2023 meeting, the draft equivalent Part 1 set out in the draft new Part 5 includes the full Part 1 (Agenda Item 4-B) while the draft for equivalent Part 3 includes only selected sections (Agenda Item 4-C).

9. The WS2 is of the view that the draft Parts 1 and 3 equivalents were prepared in accordance with the characteristics set out in the Public Interest Framework (PIF), notably:

- **Coherence** with the overall body of IESBA’s standards, recognizing that the extant Code is already a robust guide for ethical behavior when providing audit, review and other assurance services. As such, Parts 1 and 3 of the extant Code were used as a baseline for developing the ethics requirements and application material in the new draft Part 5.

- **Clarity and conciseness** of the standards, by using a language and structure that is understandable by non-PAs. In particular, draft Part 5 follows the same building block approach in the extant Code (i.e., starting with the fundamental principles and the conceptual framework as the foundations of the new ethics and independence standards for sustainability assurance).

The language used also ensures an interpretation of Part 5 that aligns with the current interpretation of extant Parts 1 and 3. Therefore, the language used in draft Part 5 is as much
as possible identical to the language used in extant Parts 1 and 3, notwithstanding the necessary adaptations, notably in terms of sustainability-related examples in the application material.

- **Implementability and enforceability**, by adopting an identical structure to extant Parts 1 and 3, with a clear distinction between requirements and application material. Further, since the new Part 5 is part of the existing Code, it will avoid the issues raised by IESBA members about the lengthy legal process of adopting a new standalone standard or Code for sustainability assurance in some jurisdictions.

10. At the IESBA September 2023 meeting, WS2 will present the full set of draft standards for the Board’s consideration which will, amongst other matters, include conforming amendments to extant Parts 1 and 3 of the Code, such as explaining how Part 5 fits with the rest of the Code in extant paragraphs 120.3 A1 and 300.2.

**Scope of the Ethics Standards**

11. In accordance with its approved project proposal, the IESBA is committed to developing standards for use by all assurance practitioners (PAs and non-PAs) in sustainability assurance engagements. Therefore, the scope of the project and of the standards for sustainability assurance to be developed is limited to the provision of one type of service – sustainability assurance engagements.

12. However, the extant Code sets out standards that apply to PAs in the provision of all types of professional activities. In other words, the extant Code focuses on one profession (which can carry out different types of services), whereas the scope of the sustainability project focuses on one single type of service (which can be carried out by different professionals).

13. This raises some questions about the scope of the ethics standards for sustainability assurance, in particular, how to adapt the ethics standards in extant Parts 1 and Part 3 of the Code for all professional activities by PAs into ethics standards for the provision of sustainability assurance engagements by both PAs and non-PAs.

14. In considering the scope of the ethics standards for sustainability assurance engagements, the WS2 had considered the focus of the regulatory call made by the International Organization of Securities Commissions (IOSCO) for IESBA to develop profession-agnostic standards for sustainability assurance seems to be focused on the provision of the service. The IOSCO states in its September 2022 statement that:

   "(…) investors need confidence that third-party assurance engagements have been conducted to an equivalent high quality in accordance with professional, technical and ethics standards – whether carried out by an audit firm or a non-audit provider."

15. The IOSCO’s March 2023 report, Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting, continues to support its earlier call for profession-agnostic standards on the provision of sustainability assurance engagements and does not seem to (or at least it does not explicitly) cover other activities performed by or relationships of the practitioner providing sustainability assurance. It could be argued that standards issued outside of the IOSCO’s regulatory call may have limited support in case the non-PA regulatory or professional bodies do not endorse them on a voluntary basis.
Options for Scope of Ethics Standards

16. The WS2 has identified three options with regard to the scope of the ethics standards for sustainability assurance in the new Part 5:

- **Option 1:** Setting ethics standards only for the performance of sustainability assurance engagements of heightened public interest\(^1\) by sustainability assurance practitioners. This would be aligned with the scope proposed by WS1 for the independence standards. This option would have the narrowest scope.

- **Option 2:** Setting ethics standards for the performance of sustainability assurance engagements of heightened public interest and other engagements performed by sustainability assurance practitioners for the same sustainability assurance clients.

- **Option 3:** Setting ethics standards for the performance of all engagements by sustainability assurance practitioners, including but not limited to sustainability assurance engagements of heightened public interest. This would include all activities and services performed by sustainability assurance practitioners, not only for sustainability assurance clients but also for all other clients. This option would have the widest scope.

**WS2 Recommendation**

17. WS2 recommends that Option 2 be adopted to develop ethics standards for sustainability assurance in the new Part 5.

18. While recognizing that the scope of the project is limited to sustainability assurance, WS2 considers that the essential role that sustainability assurance practitioners play in the public interest with respect to sustainability assurance goes beyond the provision of those engagements and should include other situations that could affect the public trust that is placed in sustainability assurance. This is particularly the case of the remaining relationship with the sustainability assurance client\(^2\), as the potential lack of compliance with the fundamental principles in other engagements performed for such clients may have a direct impact on the credibility and public trust underpinning sustainability assurance.

19. However, WS2 considers that such a role should not extend so far as to cover all engagements performed for all clients as that would mean that in practice the IESBA would be setting ethics standards for the multiple professions that provide sustainability assurance services. The WS2 is of the view that whilst such a broad approach could provide guidance to non-PA practitioners over a broader range of ethical behavior, it would be outside the scope of the project, which focuses primarily on the service, and not on its providers or the profession they belong to. For the same reason, the WS2 does not recommend extending the scope of the ethics standards in the new Part 5 to the full extent of the practitioner’s relationship with the firm (see discussion below on the applicability paragraphs). Further, the WS2 considers that it would be less likely for the relevant regulators, professional bodies or standard setters to adopt such broad scope for ethics standards relating to the provision of sustainability assurance.

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\(^1\) To align with the scope proposed by WS1 for the independence standards.

\(^2\) For whom the practitioner performs a sustainability assurance engagement of heightened public interest, to align with the scope proposed by WS1 for the independence standards.
20. An example of the WS2’s rationale is extant paragraph 310.4 A1 which lists examples of circumstances that might create a conflict of interest. In developing an equivalent of this paragraph in Part 5 (see Agenda Item 4-C), the WS2 was of the view that:

- Covering situations of conflicts of interest that may take place only in the course of performing sustainability assurance engagements of heightened public interest would be too narrow (Option 1). Option 1 could leave out conflicts of interest involving a sustainability assurance client and other clients of the sustainability assurance practitioner which could ultimately affect the credibility and public trust underpinning sustainability assurance engagements.

- Covering situations of conflicts of interest involving every engagement that the practitioner performs for every client would be too broad (Option 3). Option 3 could scope in conflicts of interest between clients for whom the practitioner does not provide sustainability assurance. Those potential conflicts of interest could have no impact on the service that is the scope of the project and therefore no relevance to the public interest in the provision of sustainability assurance.

- Covering situations of conflicts of interest involving a sustainability assurance client and another client most adequately protects the credibility and public trust underpinning sustainability assurance without expanding the ethics standards to cover all the services provided by a sustainability practitioner to all clients (Option 2).

21. WS2 considers that Option 2 is in line with IESBA’s determination that sustainability assurance must be underpinned by the same high standards of ethical behavior and independence that apply to audits of financial information.4

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3 310.4 A1 Examples of circumstances that might create a conflict of interest include:

- Providing a transaction advisory service to a client seeking to acquire an audit client, where the firm has obtained confidential information during the course of the audit that might be relevant to the transaction.

- Providing advice to two clients at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties’ competitive positions.

- Providing services to a seller and a buyer in relation to the same transaction.

- Preparing valuations of assets for two parties who are in an adversarial position with respect to the assets.

- Representing two clients in the same matter who are in a legal dispute with each other, such as during divorce proceedings, or the dissolution of a partnership.

- In relation to a license agreement, providing an assurance report for a licensor on the royalties due while advising the licensee on the amounts payable.

- Advising a client to invest in a business in which, for example, the spouse of the professional accountant has a financial interest.

- Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client.

- Advising a client on acquiring a business which the firm is also interested in acquiring.

- Advising a client on buying a product or service while having a royalty or commission agreement with a potential seller of that product or service.

4 See paragraph 13 of the approved project proposal.
22. Notwithstanding the above, the WS2 recognizes that applying high ethics standards in situations not scoped in by Part 5 is also important. Therefore, the WS2 proposes to include the following in the introductory paragraphs of Part 5 (see Agenda Item 4-B):

- An explicit reminder for sustainability assurance practitioners who are PAs that Parts 1 to 4B of the Code continue to apply to them; and
- An encouragement to those who are not PAs to adopt high standards of ethical behavior in all situations not covered by Part 5 since other aspects of the conduct of a sustainability assurance practitioner may contribute to (or impair) the credibility and public trust underpinning sustainability assurance.

23. The WS2 also considers that Option 2 is aligned with the PIF characteristics, noting:

- **Consistency** with priorities and the scope of the sustainability project approved by IESBA in December 2022: Option 2 is still centered around the service (sustainability assurance) but recognizes that the public interest underpinning such service spans other situations.
- **Appropriate coherence** with the other IESBA standards: Although the extant Code applies to a certain profession and thus to all activities, services and relationships of PAs, the scope of the sustainability project focuses on a certain service that can be provided by practitioners from different professions or industries. Option 2 is an appropriate middle ground focusing on the professionals performing sustainability assurance engagements during the provision of that service and other services for the same client.
- **Appropriate scope and relevance** of the standards under Option 2: They adequately serve the public interest underpinning sustainability assurance.

24. WS2 has included the scope of the standards in the introductory paragraphs of Part 5 (Agenda Item 4-B). As these draft paragraphs are intended to cover the scope for both the ethics and independence standards in Part 5, WS2 will further liaise with WS1 to ensure there is agreeance between the two work streams on how the scope of the standards should be expressed in Part 5.

25. Below is a more detailed discussion of specific topics regarding the scope of the ethics standards including the WS2’s recommendations.

**Concept of “the Profession”**

26. Paragraphs 100.1 and 100.2 of the extant Code set out the accountancy profession’s responsibility to act in the public interest and the role of professional accountants in societies. However, the sustainability project entails developing standards for multiple professions. Further, some of those performing sustainability assurance engagements may not belong to a “profession” in the general sense of the term (e.g., human rights experts).

27. One approach (in line with Option 3) would be to apply those extant provisions to address the professions of all those providing sustainability assurance. However, there may not be sufficient public interest to do so (i.e., apart from sustainability assurance). In addition, this would raise the question of whether IESBA is the appropriate body to set public interest expectations for multiple

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5 Paragraph 100.2 was added to the Code as part of IESBA’s "Role and Mindset" project.
professions, as the sustainability spectrum covers a vast range of areas. Further, as highlighted above, the use of the term “profession” also may not cover all sustainability assurance practitioners.

28. Another approach (in line with Options 1 and 2) would be to replace those provisions with new wording about the public interest underpinning the provision of assurance of sustainability information instead of public interest in any particular profession or industry. In other words, reframing the focus of the extant standards from the accountancy profession to the service provided. This would be in line with the scope of the project as highlighted above and it is therefore WS2’s recommendation. See the introductory paragraph of Agenda Item 4-B.

Fundamental Principle of Professional Behavior

29. Subsection 115\(^6\) of the Code sets out the fundamental principle of professional behavior. In particular, the Code requires a PA to avoid any conduct that the PA knows or should know might discredit the profession\(^7\) and when undertaking marketing or promotional activities, to not bring the profession into disrepute.\(^8\)

30. As mentioned above, setting profession-agnostic standards for sustainability assurance implies considering multiple professions.

31. One approach (in line with Option 3) would be to revise those requirements to include a reference to the practitioner’s profession or industry (e.g., “discredit the practitioner’s profession or industry”). Such an approach would be in line with extant Subsection 115 and even if the practitioner does not belong to a profession, the reference would still cover those who do. However, this approach raises the question of whether IESBA is the appropriate body to prevent other professions’ discredit or disrepute.

32. A second approach (in line with Options 1 and 2) would be to shift the focus from the profession to the service, i.e., sustainability assurance (and the public interest underpinning it), because that is the scope of the ethics standards being developed by IESBA, regardless of who is providing it.

33. The WS2 is of the view that this second approach aligns with its recommendation for adopting Option 2 as the scope of ethics standards in Part 5. In adopting this approach, the WS2 proposes the following revisions (See Agenda Item 4-B):

- Adapt extant paragraph R115.1(c) into Part 5 as follows: “Avoid any conduct that (…) might affect public trust in sustainability assurance”.
- Adapt the last sentence of extant paragraph R115.1 into Part 5 as follows: “A sustainability assurance practitioner shall not knowingly engage in any business, occupation or activity that impairs or might impair public trust in sustainability assurance, and as a result would be incompatible with the fundamental principles”.

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\(^6\) Subsection 115, Professional Behavior

\(^7\) Paragraphs 110.1 A1(e)(iii), R115.1(c) and 115.1 A1

\(^8\) Paragraph R115.2
The Terms “Professional Activity” and “Professional Services”

34. Parts 1 and 3 of the extant Code apply to all professional activities and business relationships of PAs, for instance:

- Paragraph 113.1 A1 \(^9\) states that “Serving clients and employing organizations with professional competence involves the exercise of sound judgment in applying professional knowledge and skill when undertaking professional activities”.

- Paragraph 300.6 A1 \(^10\) states that “Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a professional accountant when undertaking a professional service: (…).”

- Paragraph 310.8 A3 provides examples of actions that might be safeguards to address threats created by a conflict of interest, including “Having an appropriate reviewer, who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and conclusions are appropriate.”

35. The terms “professional activity” and “professional services” are currently defined in the Code as:

- **Professional activity**
  
  “An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, tax, management consulting, and financial management.”

- **Professional services**
  
  “Professional activities performed for clients.”

36. In line with its other proposals above (paragraphs 28 and 33), the WS2’s recommendation is to retain those provisions in Part 5 and adapt them to focus on the other engagements performed for the sustainability assurance client. See Agenda Item 4-B and Agenda Item 4-C.

37. To avoid confusion with the terms “professional activity” and “professional services” which are defined terms in the Code and focus on the accountancy profession, the WS2 proposes to use the term “engagement” in Part 5 instead of these two terms. This would mean that the terms “professional activity” or “professional services” would not be used in Part 5. See also the discussion on the definition of “Professional Activity” in Section IV below.

Applicability Paragraphs

38. Paragraphs 120.4 \(^11\), R300.5, and 300.5 A1 are the so-called “applicability paragraphs”. Paragraph R300.5 states:

“When dealing with an ethics issue, the professional accountant shall consider the context in which the issue has arisen or might arise. Where an individual who is a professional accountant in public practice is performing professional activities pursuant to the accountant’s relationship

\[^9\] Subsection 113, Professional Competence and Due Care

\[^10\] Section 300, Applying the Conceptual Framework – Professional Accountants in Public Practice

\[^11\] Section 120, The Conceptual Framework
with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.”

39. The effect of the applicability paragraphs is that PAs in public practice (PAPPs) providing audit or assurance services to their clients need to comply with the ethics requirements not only in Part 3 of the extant Code but also, in certain situations, with the provisions in Part 2. The applicability paragraphs were introduced as part of the suite of changes under the IESBA’s Restructuring the Code project. In developing these provisions, the Board acknowledged that PAPPs might face similar issues and ethical dilemmas as PAs in business (PAIBs) and believed that it is in the public interest that the Code be clear about the circumstances in which provisions in Part 2 should also apply to PAPPs.12

40. Paragraph 300.5 A1 provides the following examples:

- Facing a conflict of interest when being responsible for selecting a vendor for the firm when an immediate family member of the accountant might benefit financially from the contract. The requirements and application material set out in Section 210 apply in these circumstances.
- Preparing or presenting financial information for the accountant’s client or firm. The requirements and application material set out in Section 220 apply in these circumstances.
- Being offered an inducement such as being regularly offered complimentary tickets to attend sporting events by a supplier of the firm. The requirements and application material set out in Section 250 apply in these circumstances.
- Facing pressure from an engagement partner to report chargeable hours inaccurately for a client engagement. The requirements and application material set out in Section 270 apply in these circumstances.

41. In the Basis for Conclusions, Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice, the IESBA recognized that “although the provisions in Part 2 of the restructured Code deal primarily with matters that are relevant to professional activities that occur internally within the employing organization, there are situations where those provisions will also be relevant to a PAPP when the PAPP performs professional services for clients or to the PAPP’s client relationships”. This would be the case for Sections 220 (on the preparation and presentation of information) and 270 (on pressure to breach the fundamental principles), which are not dealt with in the other parts of the Code. (See paragraph 15 of the Basis for Conclusions.)

42. In other words, Part 2 generally applies to the relationship between PAs and their employing organizations (or firms, in the case of PAPPs and under the applicability paragraphs) but Sections 220 and 270 also apply to the relationship between PAPPs and their clients.

43. Section 220 is related to sustainability reporting, and it is therefore excluded from the scope of Part 5 (which focuses on sustainability assurance). However, Section 270 could potentially be adapted to be included in Part 5. Another option is to keep this topic as an encouragement for non-PAs, which is the WS2’s recommendation (see paragraph 22 above).

12 Refer to the Basis for Conclusions, Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice.
44. The question raised by the applicability paragraphs is whether sustainability assurance practitioners should not only comply with the equivalent of Part 3 but also with the equivalent of Part 2. In other words, whether the ethics standards should also apply to the entirety of the relationship between sustainability assurance practitioners and their firms.

45. This could mean replicating the entire Part 2 in Part 5. Doing so would have the following implications:

- It would add another layer to the scope of the ethics standards and consequently set it further apart from the WS1’s recommended scope for the independence standards.
- It would require significant time and resources for the drafting (by WS2) and subsequent analysis (by the Board) since Part 5 would be composed of equivalents Parts 1, 2, 3 and 4A.

46. For those reasons and in line with its other proposals above, the WS2’s recommendation is not to make Part 2 applicable to sustainability assurance practitioners (i.e., not to replicate the sections of Part 2 in the new Part 5). In this regard, the WS2 also notes that:

- Draft Part 5 will already cover certain aspects of the relationship between the sustainability assurance practitioner and the firm.
- Sustainability assurance practitioners that are PAs will in any case have to comply with Part 2 pursuant to the applicability paragraphs since Parts 1 to 4B of the Code continue to apply to them.
- The WS2 included in the introductory paragraphs of Part 5 (see Agenda Item 4-B) an encouragement for sustainability assurance practitioners that are not PAs to generally adopt a conduct aligned with high ethical principles in all situations not covered by Part 5 including some examples (notably, drawn from Part 2).

**Matters for IESBA Decision**

1. Do IESBA members agree with WS2’s recommendations:

   (a) To adopt Option 2 with respect to the scope of the ethics standards for sustainability assurance.

   (b) Notably, with respect to:

   - The concept of “the profession”
   - The fundamental principle of professional behavior
   - The terms “professional activity” and “professional services”

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13 Although some Sections in extant Parts 2 and 3 cover the same topics, they do it from a different perspective. For instance, Sections 210 and 310 both deal with conflicts of interest: the former for conflicts of interest within the PAPPs’ relationship with the firm and the latter for conflicts of interest within the PAPPs’ relationship with the client. The same for Sections 250 and 340: the former for inducements from customers or suppliers of the PAPPs’ firm and the latter for inducements from the PAPP’s client. And the same for Sections 260 and 360: the former for responding to NOCLAR by the PAPP’s firm and the latter for NOCLAR by the PAPP’s client.

14 See equivalent paragraphs 120.13 A1 to A3 (on “Organizational Culture”) in Agenda Item 4-B and equivalent paragraphs 300.7 A5 and A6 (on “The Firm and its Operating Environment”) in Agenda Item 4-C.
(c) To include in the introductory paragraphs of Part 5 a reminder for PAs that Parts 1 to 4B of the Code continue to apply and an encouragement for non-PAs to use the same ethics standards for all situations not covered by Part 5.

2. Do IESBA members agree with the WS2’s recommendation not to replicate Part 2 in Part 5? If disagree, IESBA members are asked to share views on how Part 2 should be adapted into Part 5.

Other Topics Identified in the Draft Standards

47. Below are the most relevant topics in equivalent Parts 1 and 3 in the new draft Part 5 that WS2 would like to specifically mention for the Board’s consideration.

Part 1 Equivalent (see Agenda Item 4-B)

48. The following table contains a number of draft equivalent Part 1 provisions to be included in the draft Part 5 that the WS2 would like to highlight to the IESBA for its consideration.

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| Fundamental Principle of Confidentiality   | Paragraph 114.3 A1(b)(i)\(^{15}\) determines that PAs have a professional duty or right to disclose confidential information, when not prohibited by law, to comply with the quality review of a professional body.  
                                           | The WS2 intends to seek the Sustainability Reference Group’s (SRG) input on the appropriateness and clarity of this wording (notably, the reference to “quality review”) for non-PAs.                                                |
| Reference to International Standards on Quality Management | Paragraph 120.14 A1 is a reference to International Standard on Quality Management (ISQM) \(^{16}\). Participants in the RTs, while acknowledging the importance of quality management as well as keeping equivalent requirements between PAs and non-PAs in this area, recognized the difficulties that non-PAs may have with implementing ISQM 1.  
                                           | Given that draft International Standard on Sustainability Assurance (ISSA) 5000 \(^{17}\) mentions \(^{18}\) the applicability of ISQM1, WS2 proposes to retain the provision and add a reference to “sustainability assurance”, subject to any views from the International Auditing and Assurance Standards Board (IAASB) to the contrary as part of the two Boards’ coordination. The same is relevant for paragraph 120.15 A3. |

\(^{15}\) Subsection 114, Confidentiality

\(^{16}\) ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

\(^{17}\) ISSA 5000, General Requirements for Sustainability Assurance Engagements

\(^{18}\) See e.g. page 8
Matters for IESBA Consideration

3. Do IESBA members agree with WS2’s proposals set out in paragraph 48 above, in particular the proposal regarding references to ISQM1?

Part 3 Equivalent (see Agenda Item 4-C)

49. The following table contains a number of draft equivalent Part 3 provisions to be included in the draft Part 5 that the WS2 would like to highlight to the IESBA for its consideration.

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| Identifying Threats – Self-Review Threats | In terms of self-review threats, extant paragraph 300.6 A1(b) states:  
  * A PA “issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems”.  
  The WS2 proposes to adapt it into Part 5 as “A sustainability assurance practitioner issuing an assurance opinion or report on the effectiveness of the operation of systems for collecting, measuring or managing sustainability information after designing or implementing the systems.”  
  * A PA “having prepared the original data used to generate records that are the subject matter of the assurance engagement”.  
  The WS2 proposes to adapt it into Part 5 as “A sustainability assurance practitioner having prepared the original data used to generate sustainability information that is the subject matter of the sustainability assurance engagement.”  
  The WS2 proposes to add two new examples of self-review threats to equivalent paragraph 300.6 A1(b) in Part 5:  
  * A sustainability assurance practitioner having provided sustainability reporting services for an entity in a sustainability assurance client’s value chain, the outcome of which is subject to the sustainability assurance engagement for the client.  
  * A sustainability assurance practitioner having provided sustainability-related certification services before performing the sustainability assurance engagement. |
| Evaluating and Addressing Threats Reference to Non-Assurance Services | The appropriateness of the provisions referring to non-assurance engagements (see paragraphs 300.7 A4 and 300.8 A2) will be assessed in collaboration with WS1 (equivalent Section 600).                                                                                                                                                                                                 |
Communications with Those Charged With Governance (TCWG)  

Paragraph 300.9 A2\(^{19}\) includes examples of subgroups of TCWG. Given the governance specificities that may be required in companies for the oversight of sustainability information, it is important to include an adequate reference to the internal committees tasked with those responsibilities.

WS2 proposes to adapt this provision into Part 5 as "Examples of a subgroup of those charged with governance include an audit committee or another internal committee tasked with oversight of sustainability information, or an individual member of those charged with governance" and intends to discuss the appropriateness and sufficiency of this wording with the SRG.

NOCLAR  

Extant Section 360 \(^{20}\) includes two groups of provisions that deal with essentially the same issues regarding NOCLAR. One is under the heading “Audits of Financial Statements” (paragraphs R360.10 - 360.28 A1) and the other is under the heading “Professional Services Other than Audits of Financial Statements” (paragraphs R360.29 - 360.40 A1).

Since one of the objectives of the project is to set standards that are equivalent to those for audit engagements, the WS2 proposes to develop equivalent provisions in Part 5 using the provisions for “Audits of Financial Statements” as a basis and add certain provisions from “Professional Services Other than Audits of Financial Statements” as appropriate.

In particular, the WS2 proposes to add the provisions on “Communicating the Matter to the Entity’s External Auditor” (paragraphs R360.31 - 360.35 A1). Those paragraphs are not included in the extant provisions applicable to audits of financial statements but should be added to Part 5 as the sustainability assurance practitioner may need to communicate the NOCLAR to the external auditor. In this regard, the WS2 proposes:

- To adapt the third bullet\(^{21}\) in extant paragraph 360.34 A1 into Part 5 as “Whether the purpose of the engagement is to investigate potential non-compliance within the sustainability assurance client to enable it to take appropriate action”; and
- Not to add the last bullet\(^{22}\) in extant paragraph 360.34 A1 to Part 5 as a non-PA should not be required to have that kind of knowledge or sensibility.

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\(^{19}\) “Examples of a subgroup of those charged with governance include an audit committee or an individual member of those charged with governance.”

\(^{20}\) Section 360, Responding to Non-Compliance with Laws and Regulations

\(^{21}\) “Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action.”

\(^{22}\) “The likely materiality of the matter to the audit of the client’s financial statements or, where the matter relates to a component of a group, its likely materiality to the audit of the group financial statements.”
Matters for IESBA Consideration

4. Do IESBA members agree with WS2’s proposals set out in paragraph 49 above, in particular the following proposals regarding NOCLAR:
   
   (a) To use the provisions for “Audits of Financial Statements” in equivalent Section 360 as a basis and to add certain provisions from “Professional Services Other than Audits of Financial Statements” as appropriate; and
   
   (b) Not to add the last bullet in extant paragraph 360.34 A1 to Part 5 as a non-PA should not be required to have that kind of knowledge or sensibility.

Input from the SRG

50. The WS2 intends to seek input from the SRG regarding the sustainability assurance-specific examples for equivalent Part 3 following the June 2023 IESBA meeting.

III. ETHICS STANDARDS FOR SUSTAINABILITY REPORTING

Scope of the Standards – Profession-Agnostic or for PAs only

51. At the IESBA March 2023 meeting, the WS2 proposed:
   
   • To limit the scope of ethics standards for sustainability reporting by PAs only; and
   
   • Taking into account feedback from the Consultative Advisory Group (CAG) and RTs, the IESBA to explore the strategic issue of developing profession-agnostic ethics standards for sustainability reporting with stakeholders and consider initiating further research in due course.

52. At that meeting, the IESBA agreed on the importance of having ethics standards that apply to all preparers of sustainability information. However, some concerns were raised in terms of the enforceability of such standards in the absence of a clear international regulatory call. Time and resource constraints for immediate action were also considered. The IESBA also agreed to seek views from participants from the RTs on this issue (see Agenda Item 2-A for a high-level summary of the responses to the RT questions).

53. At the RTs, participants recognized the importance of all preparers of sustainability information abiding by ethics standards, but their views differed on which path (e.g., corporate governance codes and the ‘comply or explain’ mechanism) should be followed or the responsible entity (e.g., professional bodies or the companies themselves) for the development of those standards. There was no strong support for IESBA to develop profession-agnostic ethics standards for sustainability reporting at this moment. Amongst other matters, feedback from the RTs includes:
   
   • Participants overall acknowledged the importance of having ethics standards apply to all preparers of sustainability information as preparers and TCWG are the first lines of defense against corporate malfeasance but shared doubts about the enforceability of such standards on non-PAs should the IESBA develop them.
• The overall opinion was that the first step in this area must be taken by the relevant regulators. However, it does not seem to be on the radar of most of them.
• Some participants considered that setting those standards should be the role of professional organizations or the companies themselves (in terms of the board and/or senior management) instead of IESBA’s.
• Participants supported the adoption of the corporate governance route to address this matter, as reporting is essentially a governance issue. Participants agreed that corporate governance codes and the ‘comply or explain’ mechanism should be the initial vehicles to address this matter.
• One participant saw value in IESBA issuing a staff paper or guidelines written in layman’s terms before embarking on a standard-setting project.

54. Taking into account the feedback from the RT participants, the WS2:
• Reaffirms its proposal to the IESBA in March 2023, to develop ethics standards for sustainability reporting by PAs only under the current project.
• Recommends the IESBA to consider, as a separate work stream, the development of guidance material based on Part 2 of the Code for preparers of sustainability information who are not PAs, for voluntary adoption by entities (for instance, as internal policies or procedures).

Matter for IESBA Decision
5. Do IESBA members agree with WS2’s proposal:
   (a) To limit the scope of WS2 under the current project to the development of ethics standards for sustainability reporting by PAs only; and
   (b) For the IESBA to consider, as a separate work stream, the development of guidance material based on Part 2 of the Code for preparers of sustainability information who are not PAs, for voluntary adoption by entities.

Draft Standards for IESBA Discussion
55. For the purposes of the Board’s deliberation at its June 2023 meeting:
• In light of the Board’s feedback in March 2023 and input received from the RT participants, the WS2 has developed the draft revisions to Part 2 of the Code to incorporate sustainability reporting only by PAs (see Agenda Item 4-D).
• The WS2 has proposed draft revisions only to Sections 220 and 230 for the IESBA's consideration.

56. Revised Sections 220 and 230 were prepared in accordance with the characteristics set out in the PIF, in particular:
• Coherence with the overall body of IESBA’s standards, recognizing that the extant Part 2 already contains robust standards that address ethics issues relating to PAIBs providing professional activities.
• Relevance and clarity and conciseness of the standards, notably by adding only those considerations and examples that are necessary to make Sections 220 and 230 fit for sustainability reporting.

• Implementability and enforceability, notably by maintaining the integrity of Sections 220 and 230 and making specific revisions where necessary.

57. With regards to Section 220, the WS2 is of the view that provisions do not require significant changes in order to include sustainability-related reporting considerations. In particular, the WS2 proposes to add sustainability-specific examples (see new paragraph 220.4 A2 and revised paragraph 220.5 A1 in Agenda Item 4-D). The WS2 also notes that Section 220 contains provisions relating to “Relying on the Work of Others” that will be considered by the Experts Task Force.

58. The WS2 did not identify any changes needed for Section 230.

59. The WS2 will present the remaining sections in Part 2 for the Board’s discussion at the September 2023 IESBA meeting.

IV. TERMS AND DEFINITIONS

60. At the March 2023 IESBA meeting, the WS2 presented its proposed approach regarding three key terms and definitions: sustainability information, sustainability assurance practitioner and professional activity.

61. In developing its proposals for the June 2023 IESBA meeting, the WS2 has taken into account the Board’s and CAG’s comments in March 2023 as well as the draft Part 5 (equivalent Parts 1 and 3) set out in Agenda Items 4-B and 4-C.

Sustainability Information

Feedback from the March 2023 CAG and IESBA Meetings

62. The CAG was generally supportive of WS2’s suggested approach and initial draft with a few wording suggestions.

63. Whilst IESBA participants expressed mixed views on whether IESBA standards require a definition of “sustainability information”, the IESBA remained open about the need for a defined term in the Code.

23 For an overview of the revisions being considered by the STF to the glossary, refer to Agenda Item 2-B.
Other Standards

64. WS2’s presentation at the IESBA March 2023 meeting included the definitions that the International Sustainability Standards Board (ISSB) and the European Financial Reporting Advisory Group (EFRAG) intended to use in their respective standards:

- **Sustainability** will be described in the ISSB’s General Sustainability-related Disclosures Standard (S1) as the ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term. Sustainability is a condition for a company to access over time the resources and relationships needed (such as financial, human, and natural), ensuring their proper preservation, development and regeneration, to achieve its goals.

- **Sustainability-related financial information** in ISSB standards means information that gives insight into sustainability-related risks and opportunities that affect enterprise value, providing a sufficient basis for users of general purpose financial reporting to assess the resources and relationships on which an entity’s business model and strategy for sustaining and developing that model depend.

- In EFRAG’s standards, **sustainability matters** means environmental, social and human rights, and governance factors, including sustainability factors defined in point (24) of Article 2 of Regulation (EU) 2019/2088 – which mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

65. At the May STF meeting, WS2 also considered terms and definitions used by other organizations:

- In 1987, the United Nations Brundtland Commission defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

- The standards issued by the Global Reporting Initiative (GRI) define sustainable development / sustainability as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The GRI standards also include a definition of impacts meaning the effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development. Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

- The International Organization for Standardization (ISO)’s standards 14065 and 17029 use the terms “sustainability [reports/reporting]” but do not define them. Coordination activities between IESBA-ISO Staff indicate that ISO has no current plan to define “sustainability” or “sustainability information”.

- AccountAbility’s AA1000 Assurance Standard v3 uses the terms “sustainability”, “sustainability information”, “sustainability topics”, and “sustainability performance” but does not define them.

**Definition of “Sustainability Information” in Draft ISSA 5000**

66. In March 2023, the IAASB considered the following draft definition of “sustainability information” under ISSA 5000:
“Information that results from measuring or evaluating the underlying subject matter against the applicable criteria. Sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards.”

67. As mentioned at the IESBA March 2023 meeting, the STF does not consider this definition suitable for the purposes of IESBA standards essentially due to its technical and process-oriented nature.

68. In March 2023, WS2 presented an initial draft of “sustainability information” for the purposes of the IESBA standards to the IESBA and the IESBA CAG:

“This information relating to environmental, social and governance factors, including policies, performance, plans and goals, that are relevant to an organization’s activities or impacts over the short, medium and long term. This also includes any specific information designated as such by the applicable reporting framework in the particular jurisdiction.”

69. Given the two Boards intend to use the same term with different meanings some bridging options have been explored, taking into account that the IAASB intends to approve its draft ISSA 5000 for exposure in its June 2023 meeting.

70. In April 2023, the IAASB considered the IAASB’s Sustainability Task Force (IAASB STF) proposal to mention the IESBA’s definition of “sustainability information” (using the wording of the WS2’s initial draft presented in March 2023) in the introduction of ISSA 5000. However, the IAASB questioned the text used and its interaction with the functional definition of “sustainability information” in ISSA 5000.

71. In light of IAASB’s feedback, the IAASB STF has considered adding a new definition of “sustainability matters” in draft ISSA 5000 that would replace the concept of “underlying subject matter” in ISSA 5000’s proposed definition of “sustainability information”. As such, the IAASB’s proposed definition of “sustainability information” would be:

“The new term “sustainability matters” would be defined the same way as IESBA plans to define “sustainability definition”.

72. For IESBA, this approach raises concerns in terms of using the concept of “sustainability matters” instead of “sustainability information” for the purpose of the ethics standards, as detailed below.

73. The STF will provide an update of the two Board’s coordination and effort to align the definitions for the term “sustainability information” at the IESBA June 2023 meeting.

Preference for the Term “Sustainability Information”

74. The WS2 considered using other concepts – such as “sustainability matters”, “sustainability data”, “sustainability factors” – instead of “sustainability information”.

75. However, the term “sustainability information” seems the most adequate in terms of consistency, clarity and conciseness of IESBA standards as required by the PIF. Notably, this takes into consideration that:
• The concept in question should act as the equivalent of “historical financial information” with respect to sustainability.

• In terms of reporting, Section 220 of the Code deals with the preparation and presentation of information, using the term “information” throughout the standards. If a different word is used for sustainability purposes, the revisions in Part 2 of the Code – notably, in Section 220 – would potentially require the use of lengthy and repetitive expressions (“information” for financial reporting and another term for sustainability reporting), possibly affecting the standards’ overall coherence, clarity and conciseness and consequently their implementability and enforceability.

76. The term “sustainability information” also seems to be the one that best defines the appropriate scope for the IESBA standards, as required by the PIF, as those standards need to adequately cover both reporting and assurance activities. IESBA standards will apply to a PA’s conduct throughout a wide range of activities, such as collecting, classifying, recording, measuring, maintaining and approving (sustainability) information; presenting that information in the form of sustainability reports, statements or more broadly disclosures; and then also issuing an opinion on those disclosures (which is the scope of draft ISSA 5000). \(^{24}\)

Need for a Defined Term of “Sustainability Information”

77. The term “sustainability information” is mentioned in draft Part 5 (for all sustainability assurance practitioners) \(^{25}\) and revised Part 2 (for PAs only) \(^{26}\). Therefore, it is a concept that will be used in the IESBA’s new standards for sustainability reporting and assurance.

78. If the IESBA does not define this term, it is likely that the ethics standards will be weakened due to potentially arbitrary, misleading or too narrow interpretations. Therefore, having a definition serves a clarifying and pedagogic purpose, thus contributing to the clarity, implementability and enforceability of IESBA standards as required by the PIF.

Revised Draft Definition of “Sustainability Information”

79. The starting point for WS2’s revised draft was the initial draft presented in March 2023 to IESBA and the CAG, given the general support expressed by CAG representatives and Board participants.

80. Taking into account comments from CAG representatives and IESBA participants in March 2023, the WS2 developed the following revised definition of “sustainability information” for the IESBA’s consideration:

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\(^{24}\) For the independence standards, the STF agreed to propose the use of “sustainability information” and “sustainability information on which the practitioner expresses an opinion”, as appropriate. The latter expression is the parallel of the Code’s defined term of “financial statements on which the firm will express an opinion”.

\(^{25}\) See equivalent paragraphs 100.1; 120.16 A2 [objectivity, example (b)]; 300.6 A1 (self-review threats); 300.9 A2; 360.3; R360.16 (b); R360.17 (b).

\(^{26}\) See revisions to paragraphs 220.3 A2 and 220.6 A1.
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81. This revised draft includes a first paragraph that would be the definition and a second paragraph as additional description or application material:

- The ‘definition’ part of the draft (i.e., the first paragraph) is structured in a way similar to the definition of “historical financial information” in the Code to strengthen the parallel between the two definitions.
- The ‘description or application material’ part of the draft (i.e., the second paragraph) intends to illustrate various components of what may be considered sustainability information without trying to be exhaustive. It makes express reference, inter alia, to the value chain and the measurement of performance.

82. Amongst other matters:

- The reference to environmental, social and governance (ESG) factors was retained as it is a commonly understood term but was expanded to make the definition future-proof. This is reflected in the ‘definition’ part of the draft (i.e., the first paragraph).
- The notion of “impacts” – on the entity and by the entity – was expanded to make the definition less organization-focused and broad enough to work regardless of the underlying concept of materiality (single or double). This is reflected in the ‘definition’ part of the draft (i.e., the first paragraph).
- The reference to national law or applicable framework in the initial draft was retained and moved to the ‘description or application material’ part of the draft (i.e., the second paragraph).

Matters for IESBA Consideration

7. IESBA members are asked:

(a) If they agree with WS2’s proposals regarding the approach to developing a definition for “sustainability information” including the need for a term to be included in the IESBA standards.

(b) To share views on the revised draft definition (see paragraph 80).
Sustainability Assurance Practitioner vs Provider

83. At the IESBA March 2023 meeting, IESBA participants provided feedback on the use of “practitioner” vs “provider”. Specifically, some IESBA participants felt the term “practitioner” was more geared towards individuals whereas the term “provider” would cover both individuals and firms.

84. WS2 notes that ISO standards (ISO/IEC 17029 and ISO 14065) use validation/verification “bodies” and AccountAbility’s AA1000 Assurance Standard v3 uses assurance “provider”.

85. WS2 proposes to use the term “sustainability assurance practitioner” for the following reasons:

- “Practitioner” is a profession-agnostic term. It is commonly used in other fields to refer to, for instance, medical practitioners or legal practitioners. It is therefore not a term specific to the accountancy profession.
- Using the term “sustainability assurance practitioner” would promote consistency with IAASB standards. Draft ISSA 5000 uses the term “practitioner” which scopes in both individuals and firms as it is defined as:

> “The individual(s) conducting the engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm). Where this ISSA expressly intends that a requirement or responsibility be fulfilled by the engagement leader, the term “engagement leader” rather than “practitioner” is used.”

The IAASB’s reference group composed of non-PAs did not raise any issues with using the term “practitioner”.

86. Regardless of the specific term to be used in the IESBA standards, WS2 did not consider the draft definition proposed in March 2023 warrants any revision:

> “The individual(s) conducting the engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm).”

The WS2 notes that the use of “engagement leader” instead of “engagement partner” is a topic that WS1 will present to the IESBA at the June 2023 meeting and does not influence this discussion.

Matters for IESBA Decision

8. Do IESBA members agree with WS2’s proposal to use the term “sustainability assurance practitioner” instead of “sustainability assurance provider” to designate “The individual(s) conducting the engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm)”?

Professional Activity

87. The Code applies to all professional activities performed by PAs. “Professional activity” is defined in the Code as “an activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, tax, management consulting, and financial management.”
Sustainability Assurance

88. The relevance of this term for sustainability assurance and the possible need to amend its definition is intrinsically linked to the scope of the ethics standards for sustainability assurance as discussed above in Section II.

- As stated above, the WS2 recommends that the scope of the ethics standards for sustainability assurance (and therefore, of Part 5) cover sustainability assurance engagements of heightened public interest (to align with WS1’s recommended scope) as well as other engagements performed for sustainability assurance clients.

- In accordance with this recommendation, a generic reference to “activities” or “services” in draft Part 5 would suffice. It would not be necessary (or appropriate\(^\text{27}\)) to qualify those activities or services as “professional” as the qualifier would be the sustainability assurance client. However, to avoid confusion with the terms “professional activity” and “professional services” that are currently defined in the Code, the WS2 proposes to use the term “engagement” instead. See Agenda Item 4-B and Agenda Item 4-C.\(^\text{28}\)

- As a consequence, it would not be necessary to use (or change) the terms defined in the Code of “professional activity” or “professional services” for the purposes of sustainability assurance.

Sustainability Reporting

89. The relevance of this term for sustainability reporting and the possible need to amend its definition is intrinsically linked to the scope of the ethics standards for sustainability reporting as discussed above in Section III.

- As stated above, the WS2 recommends that the scope of the ethics standards for sustainability reporting (notably, Part 2 of the extant Code) covers PAs only. This means that the suitability of the definition of “professional activity” would need to be analyzed in respect of PAs only and for the purposes of Parts 1 and 2 of the extant Code.

- As mentioned during the IESBA March 2023 meeting, the current definition is used by professional accountancy organizations in some jurisdictions such as Australia for purposes of certification, qualification, training, etc. of PAs. Therefore, any potential revisions to this definition require careful consideration of possible unintended consequences.

- The WS2 is of the view that the term “accounting” (one of the examples in the extant definition) may be sufficiently broad to include reporting activities, such as sustainability reporting by PAs. The WS2 further notes that no changes were made to the extant definition of “professional activity” as a result of the technology project, even though technology-related activities were not expressly mentioned in the definition.

- In light of the above, WS2 does not propose any changes to the extant definition.

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\(^{27}\) Qualifying the activities or services as “professional” would raise the issues described in Section II above connected to IESBA setting standards for multiple professions (Option 3) vs the professionals providing a specific service (Options 1 and 2).

\(^{28}\) See for instance equivalent paragraphs R112.2; 113.1 A1; 120.5 A1(a); 300.7 A2; 310.2; 340.3.
Matters for IESBA Consideration

9. Do IESBA members agree with WS2’s proposal not to revise the extant definition of “professional activity”?

V. WS2’S SCOPE OF WORK

90. The project proposal sets out a number of topics for WS2 consideration as they relate to ethics issues, including:

- Whether ethics responsibilities should vary based on a PAIB’s role and seniority in an employing organization.
  
  This is a broad and cross-cutting issue that does not seem to present relevant sustainability-related specificities. In addition, the proposed IESBA Strategy and Work Plan for 2024-2027 includes a potential new work stream on the role of CFOs and other senior PAIBs where this topic could be addressed in a more holistic way.

- Whether a new section should be added to Part 3 to guide PAPPs that are engaged to assist their clients in sustainability-related tasks and activities other than sustainability assurance.

91. While recognizing the relevance of these issues, WS2 considers that they are not specifically related to the sustainability project as they go beyond its scope, which is to develop ethics and independence standards for use by all assurance practitioners in sustainability assurance engagements as well as to address the ethics issues that might arise in sustainability reporting.

92. Additional considerations include the time constraints of this project and the fact that the scope of the project already entails for WS2 the development of the equivalent to Parts 1 and 3 of the Code and the revision of Part 2.

93. Therefore, WS2 recommends the IESBA to consider the analysis of these issues within the context of separate work streams.

Matter for IESBA Decision

10. Do IESBA members agree with WS2’s proposal:

(a) To limit the scope of WS2 under the current project to the development of ethics standards for sustainability reporting and assurance; and

(b) For the IESBA to consider, as separate work streams, whether ethics responsibilities should vary based on a PAIB’s role and seniority in an employing organization; and whether a new section should be added to Part 3 to guide PAPPs that are engaged to assist their clients in sustainability-related tasks and activities.

29 See paragraphs 28(b), 37 and 38 of the project proposal.

30 Notably including provisions related to preparing and presenting information (i.e., equivalent to Section 220), acting with sufficient expertise (i.e., equivalent to Section 230) and pressure to breach the fundamental principles (i.e., equivalent to Section 270).

31 See paragraph 1 of the project proposal.