SECTION 411
COMPENSATION AND EVALUATION POLICIES

Introduction

411.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

411.2 A firm’s evaluation or compensation policies might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

411.3 A1 When an audit-sustainability assurance team member for a particular audit-sustainability assurance client is evaluated on or compensated for selling non-assurance services to that audit-sustainability assurance client, the level of the self-interest threat will depend on:

(a) What proportion of the compensation or evaluation is based on the sale of such services;

(b) The role of the individual on the audit-sustainability assurance team; and

(c) Whether the sale of such non-assurance services influences promotion decisions.

411.3 A2 Examples of actions that might eliminate such a self-interest threat include:

- Revising the compensation plan or evaluation process for that individual.
- Removing that individual from the audit-sustainability assurance team.

411.3 A3 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the audit-sustainability assurance team member.

R411.4 A firm shall not evaluate or compensate a key audit-sustainability assurance partner leader based on that partner’s engagement leader’s success in selling non-assurance services to the partner’s engagement leader’s audit-sustainability assurance client. This requirement does not preclude normal profit-sharing arrangements between or bonus schemes partners for engagement leaders of a firm.