SECTION 511
LOANS AND GUARANTEES

Introduction

511.1 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.

511.2 A loan or a guarantee of a loan with an auditor sustainability assurance client 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

511.3 A1 This section contains references to the “materiality” of a loan or guarantee. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

Loans and Guarantees with an Auditor Sustainability Assurance Client

R511.4 A firm, a network firm, an auditor sustainability assurance team member, or any of that individual’s immediate family shall not make or guarantee a loan to a sustainability assurance audit client unless the loan or guarantee is immaterial to:

(a) The firm, the network firm or the individual making the loan or guarantee, as applicable; and

(b) The client.

Loans and Guarantees with an Auditor Sustainability Assurance Client that is a Bank or Similar Institution

R511.5 A firm, a network firm, an auditor sustainability assurance team member, or any of that individual’s immediate family shall not accept a loan, or a guarantee of a loan, from an auditor sustainability assurance audit client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.

511.5 A1 Examples of loans include mortgages, bank overdrafts, car loans, and credit card balances.

511.5 A2 Even if a firm or network firm receives a loan from an auditor sustainability assurance client that is a bank or similar institution under normal lending procedures, terms and conditions, the loan might create a self-interest threat if it is material to the auditor sustainability assurance client or firm receiving the loan.

511.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having the work reviewed by an appropriate reviewer, who is not an auditor sustainability assurance team member, from a network firm that is not a beneficiary of the loan.
**Deposits or Brokerage Accounts**

**R511.6** A firm, a network firm, an audit sustainability assurance team member, or any of that individual’s immediate family shall not have deposits or a brokerage account with an audit sustainability assurance client that is a bank, broker or similar institution, unless the deposit or account is held under normal commercial terms.

**Loans and Guarantees with an Audit Sustainability Assurance Client that is Not a Bank or Similar Institution**

**R511.7** A firm, a network firm, an audit sustainability assurance team member, or any of that individual’s immediate family shall not accept a loan from, or have a borrowing guaranteed by, an audit sustainability assurance client that is not a bank or similar institution, unless the loan or guarantee is immaterial to:

(a) The firm, the network firm, or the individual receiving the loan or guarantee, as applicable; and

(b) The client.