Draft Minutes of the 82nd Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held on March 13-17, 2023 in Abu Dhabi, UAE

Voting Members
Present: Gabriela Figueiredo Dias (Chair)
Laurie Endsley (Vice Chair)
Saadiya Adam
Mark Babington
Vania Borgerth
Sanjiv Chaudhary
Richard Huesken
Sung-Nam Kim
Rania Uwaydah Maridini
Christelle Martin
Andrew Mintzer
Paul Muthaura
Felicien Muvunyi (Days 1,2,4,5)
Luigi Nisoli
Jens Poll (Days 1-4)
Rania Uwaydah Maridini
Channa Wijesinghe
Yaoshu Wu

Non-Voting Observers
Present: Gaylen Hansen, IESBA Consultative Advisory Group (CAG) Chair, and Jumpei Kato, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer
Present: Robert Buchanan

IESBA and IFAC Staff
Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Geoffrey Kwan (Director), Laura Leal, Kam Leung, Szilvia Sramko, Carla Vijian, Jeanne Viljoen, Astu Tilahun, Diana Vasquez
David Johnson (IFAC Communications)

1 Ms. Laura Friedrich, Technical Advisor to former IESBA member Brian Friedrich, also attended parts of the meeting virtually.
1. Opening Remarks

OPENING STATEMENT FROM MS. DIAS

Mr. Wael Abdul Qader,
Dear IESBA Board Members,
Dear Technical Advisers to the IESBA Board Members,
Dear Official Observers and external Observers
Dear Staff team,

Good morning to all of you.

My first words today go to the Abu Dhabi Accountability Authority (ADAA) and to Mr. Wael Abdul Qader, to whom I would like to express my deep gratitude for hosting this IESBA board meeting in Abu Dhabi – the first IESBA meeting ever in the Middle East – and offering the IESBA the unique opportunity to reach new frontiers and audiences while setting up a close relationship to the ADAA and the accountancy profession in the region.

The IESBA is an independent standard setter that has as its main mandate to develop ethics and independence standards to support professional accountants and other professionals navigate the ethical dilemmas and complexities faced in preparing and assuring corporate information.

Our robust ethics standards are developed independently and are provided pro bono to all those professionals that may want to use them. Their development and approval by the IESBA Board must follow due process and are developed be in accordance with a specific Public Interest Framework. They are subject to oversight and certification by the independent Public Interest Oversight Board, monitored by the Monitoring Group, and aim to serve the public interest.

Alongside the high quality of the IESBA’s ethics and independence standards, as the a result of a long experience in the field and of the solid process followed, this oversight and governance structure, based on independence, full transparency, non-profit nature, due process, external oversight and exclusive focus on the public interest, makes the IESBA’s standards unique, reliable and an effective and critical support to foster confidence in corporate reporting and information like no other standards do.

I very much hope that this meeting in Abu Dhabi, for what it means, will set an indelible mark on the IESBA’s project to disseminate its ethics standards globally and on its mission to work for the public interest worldwide.

The IESBA is reaching new frontiers, new stakeholders, and new areas of focus. Enlarging its outreach, not with a view to simply socializing our work, but definitely as a way to emphasize the importance and the positive impact of ethics, is at the forefront of our priorities.

The very kind invitation from ADAA to host the IESBA Board meeting, alongside the expression of outstanding generosity, does not come as a coincidence but as the a result of a common purpose to work for the public interest.

Charles Darwin, without whom civilization as we know it would have never been the same, said once that it is not the strongest or the most intelligent of species that survive, but rather the one that is most responsive to change.
The approach between two organizations like the ADAA and the IESBA, which had never interacted before, is a positive sign of how times are changing, how at least some of us are being responsive to change and therefore, how much we are creating the conditions to contribute to a system that works for the people and the planet.

But I cannot but highlight how much sustainability, as a global and collective project and urgency, is bringing together people, organizations, projects and policymakers that had never dreamed of working together before and making them coordinate around common objectives and a common purpose. If 2023 is the year of sustainability for the UAE, it is also the year of sustainability for the IESBA. This is the time for us to move fast in the development of ethics and independence standards for sustainability reporting and assurance, aiming at having our draft standards to be exposed by the end of the year and ready by the end of 2024. This is the time for the IESBA, just like for the UAE, of looking at today for tomorrow.

COP 28 is around the corner and we are proud to partner with ADAA, as a UAE organization, at such exciting times when the UAE is preparing itself to lead the most important event supporting the most relevant initiatives to help the transition to a more sustainable future. So are our standards, aiming at completing the future global infrastructure of standards for sustainability reporting and assurance, formed by the ISSB standards, the IAASB standards and the IESBA standards.

But there is more in our projects that make this relationship meaningful. The IESBA’s ethics and independence standards could not fit better into the ADAA’s mandate to work for the integrity and transparency of businesses under their remit. ADAA’s project to ensure fair and transparent financial reporting, operational compliance, achieve value for money, and improve the quality of audit across all entities subject to ADAA’s mandate not only has many commonalities with the IESBA project but also may profit immensely from using the IESBA’s Code of Ethics. An important market such as the UAE cannot be sustainable unless it relies upon strong ethical standards ensuring quality information being provided to the very sophisticated investors in the UAE companies and markets.

Mr. Wael, dear colleagues, observers, staff and friends:

Ethics is stateless and timeless and above and beyond frontiers, countries, politics or jurisdictional frameworks. Ethics is not only the most critical element supporting public trust in corporate reporting and assurance (and therefore, in businesses), but also can be the driver of mutual recognition and understanding between countries and economic and political systems. Ethics is the most critical element to fight fraud, corruption, wrongdoing and greenwashing – the ADAA’s mission, the essence of IESBA’s project and a common goal of all modern nations.

Therefore, we have not only an opportunity but also a duty to work together to help build a more trustworthy environment for corporate information and assurance and as a consequence, for businesses and economies at the service of the welfare of the citizens.

I hope that this approach between the IESBA and ADAA will soon bear fruits and that we may be soon celebrating a significant expansion of our Code of Ethics in the UAE and very specifically, in Abu Dhabi.

Thank you very much.
GUEST ATTENDANCE AND GENERAL UPDATES

Following her opening statement, Ms. Dias highlighted the following matters, among others:

- The participation of Messrs. David Madon, IFAC Director, Sustainability, Policy & Regulatory Affairs, and Willie Botha, Program and Technical Director, International Auditing and Assurance Standards Board (IAASB), for presentations during the meeting.
- Over 60 international observers registered to follow the discussions virtually.
- The activities of the Planning Committee during the quarter, which included updates on the preparations for the global sustainability roundtables; consideration of an updated draft of the Strategy and Work Plan 2024-2027 (SWP) consultation paper; and consideration of responses to the September 2022 Board discussion on ways to improve the effectiveness and efficiency of IESBA working processes.
- Plans for upcoming outreach activities.

APPROVAL OF MINUTES

The IESBA approved the minutes of the November-December 2022 public session as amended.

2. Strategy and Work Plan (SWP) 2024-2027

Mr. Kwan commenced the session by providing a report-back on the March 2023 CAG discussion on the topic, noting the CAG Representatives’ general support for the proposed strategy and work plan set out in the draft consultation paper (CP). Mr. Hansen added that the CAG discussion was robust and that the CAG was supportive of the direction of the draft CP.

PROPOSED STRATEGY 2024 – 2027

Mr. Kwan provided an overview of the proposed strategy, including the proposed vision, strategic drivers, themes, and actions as set out in the draft CP.

With regards to the proposed vision, the IESBA agreed to the following revisions:

- Clarifying that ethical behavior is in the context of businesses and organizations.
- Extending the recognition of the impact of the IESBA’s standards to not only the sustainability of financial markets and global economies but also that of organizations.
- Removing the reference to “production, reporting and assurance” to clarify that public trust is ultimately in the financial and non-financial information.

The IESBA was supportive of the proposed strategic drivers, themes, and actions. Upon deliberation, the IESBA also agreed to the following:

- The reference to “trust crisis” as one of the environmental drivers is appropriate to highlight the adverse impact on public trust in the accountancy profession as a result of the collapses of large public companies and other financial scandals.
- The term “profession-agnostic” is the appropriate term to use with respect to the development of ethics and independence standards for sustainability assurance to indicate that the new IESBA standards can be applied by all sustainability assurance practitioners, whether or not they are from the accountancy profession.
• The CP should highlight that the Board’s coordination with global standard setters includes the International Public Sector Accounting Standards Board (IPSASB), and that the Board also has a focus on engaging with those professional accountants (PAs) in business (PAIBs) who hold the role of chief financial officer within the public sector.

PROPOSED WORK PLAN 2024 – 2027

The IESBA supported the ongoing and pre-committed work streams (Tables A and B of the draft CP).

With regards to the potential new work streams set out in Table C of the draft CP, IESBA participants were generally supportive of those work streams. Among other matters, they made the following comments:

• National standard setters and other local bodies require time to implement changes to the Code, particularly after a period of rapid and significant changes. As such, the IESBA needs to consider the impact of the volume and pace of changes on local bodies and PAs.

• There seemed to be too many topics listed in Table C and the IESBA should not be committing its resources to all the potential topics at this stage, given the constantly changing environment. The list of topics in Table C should instead be framed in such a way as to avoid the perception that the IESBA has already committed to all the topics listed.

Upon deliberation, the IESBA agreed to, among other matters:

• Change the title of the section “Proposed New Work Streams” to “Potential New Topics Identified,” and remove the information about “anticipated demand on resources” from Table C to mitigate concerns that the IESBA is over-committing its available resources.

• Keep the list of topics in Table C to gather views from stakeholders on these topics and their priorities.

• Clarify that the IESBA will consider a number of factors before adding any potential new topics to its work plan.

PIOB OBSERVER’S REMARKS

Mr. Buchanan commended the IESBA on the rich discussion and expressed his support for both the process of developing the CP and its issuance.

APPROVAL OF CONSULTATION PAPER

After agreeing to the necessary refinements, the IESBA unanimously approved the CP for issuance with the affirmative votes of 16 out of the 16 IESBA members present.

The IESBA set a comment period of 90 days from the date of issuance of the CP.

WAY FORWARD

The IESBA will consider the feedback to the CP and the Planning Committee’s responses and proposals at its September 2023 meeting.

3. Sustainability Reporting and Assurance

I. IFAC Presentation

Ms. Dias introduced David Madon, IFAC Director for Sustainability, Policy & Regulatory Affairs, to present an update on IFAC’s “State of Play” research regarding sustainability assurance practices across the globe.
The research expanded IFAC’s State of Play 2021 data to update the understanding (based on 2021 reporting) of market practices for the assurance of environmental, social, and governance (ESG or sustainability) information globally. The research was conducted based on information from 1,350 large, listed companies across 21 jurisdictions.

IESBA members commended IFAC’s research and agreed that it provided very useful information and insights into the current landscape of sustainability assurance. IESBA participants raised the following questions and made the following observations in light of the presentation:

- The research outcome clearly demonstrates that voluntary adoption of sustainability assurance standards would not result in consistent market practices. Given the different reporting, assurance, and ethics standards applicable in the different jurisdictions, the sustainability information available to users varies from jurisdiction to jurisdiction. There is therefore a need for global sustainability standard setters, including the IESBA, to work together and engage with the regulatory community to drive consistency.

  Mr. Madon agreed that engagement with the regulatory community is critical but he added that it also needs to take place at the local level.

  Ms. Dias agreed that effective interaction with regulators is important. However, she cautioned against waiting for regulators’ actions before global standard setters take any steps. She believed that global standard setters, including the IESBA, need to be proactive and provide regulators with information and research relevant to their considerations as a basis for their actions.

- Whether IFAC plans to reach out to policymakers, global regulators and other stakeholders to advocate for greater convergence in sustainability-related standards. In this regard, it was queried whether IFAC was considering engaging with other organizations, such as the International Organization for Standardization (ISO), and General Reporting Initiative (GRI), and discussing how they can coordinate their efforts more effectively.

  Mr. Madon clarified that IFAC would present this information to several stakeholders, including IFAC member bodies, accounting firms, and national and global regulators. He explained that IFAC’s mission is to promote global convergence in the sustainability reporting and assurance standards and advocate for the adoption and implementation of the IAASB’s and IESBA’s sustainability-related standards. He added that there was already an ongoing discussion with organizations such as ISO and AccountAbility on the convergence of sustainability standards.

- Whether there were any updated data available regarding the linkage between integrated reporting and the application of the ISAE 3000 (Revised).²

  Mr. Madon indicated that there is an increasing trend in the application of ISAE 3000 (Revised) to assurance of sustainability information in integrated reports compared to sustainability assurance on standalone sustainability reports.

- When updated research with information in relation to the 2022 sustainability reporting would be available.

² International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information
Mr. Madon responded that information on trends related to the 2022 reporting season would only be available next year. However, he added that updated state-of-play research would be available this year based on the 2021 reporting season, including data from twenty additional jurisdictions.

- Whether the research provided any data on companies’ choices of assurance providers.

Mr. Madon explained that there was no information regarding trends in how companies choose assurance providers. He noted that market pressure seems to be driving voluntary assurance. He added that the factors influencing the companies’ choices depend on the different commercial motivations that vary country by country.

- A suggestion that it be helpful to understand the level of disclosure regarding compliance with the Code.

- A suggestion for including a forecast on future trends based on the most recent regulatory developments, for example, the increase in the number of mandatory assurance reports based on the EU Corporate Sustainability Reporting Directive (CSRD). It was also suggested that it would be helpful to understand any trends in convergence between firms of PAs and firms of non-PAs.

Mr. Madon observed that as the EU moves towards mandatory assurance, the IAASB’s and IESBA’s sustainability standards will play a critical part in the transition.

- A view that more outreach might be necessary to better understand what ethics and independence frameworks other providers use apart from the Code and how those frameworks are developed. In this regard, there was a view that a comparison between those other ethical frameworks and the Code would help demonstrate the robustness of the Code’s provisions and the IESBA’s due process.

- Whether the research focused on who in the organizations prepares and signs the sustainability reports and whether they are required to comply with any ethics framework.

Mr. Madon responded that the research did not include such information. He added that he anticipated significant changes to the preparation and presentation of sustainability information as soon as the standards on sustainability reporting come into effect.

Ms. Dias thanked Mr. Madon for the very helpful and informative update.

II. Update from the IAASB

Ms. Dias welcomed Mr. Willie Botha, Program and Technical Director of the IAASB, to brief the Board on the status of the work being undertaken by the IAASB on sustainability assurance.

Mr. Botha provided an outline of the scope of the IAASB’s International Standard on Sustainability Assurance (ISSA) 5000, and how the draft addresses priority areas such as materiality and the work effort required for limited assurance vs reasonable assurance. He also provided an overview of a number of key components covered by ISSA 5000, including relevant ethical requirements, quality management, relying on the work of others, and the definition of sustainability information. He highlighted the ongoing close coordination between the IESBA and the IAASB regarding their respective sustainability projects at the standard-setting board (SSB) Chair, Task Force and staff levels. In terms of timeline, Mr. Botha informed the IESBA that the IAASB exposure draft is expected to be released in the second half of 2023, with the approval of the final standard expected in the second half of 2024.

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3 Proposed ISSA 5000, General Requirements for Sustainability Assurance Engagements
In response to queries raised by IESBA participants, Mr. Botha clarified that:

- As an overarching standard, the proposed ISSA 5000 does not address the specificities of group engagements but recognizes, particularly in the application material, that an entity’s sustainability information is often aggregated across different entities or business units and across jurisdictions.

- The focus of the proposed ISSA 5000 is on assurance engagements that enable the practitioner to express an assurance conclusion on general-purpose external reporting. However, the draft standard recognizes that different assurance services, such as certification, may also be provided and that such work may be considered by the assurance practitioner as part of relying on the work of others.

- The proposed ISSA 5000 sets out requirements to evaluate the suitability of the criteria used (e.g., its availability to users) as well as application material that addresses the different types of suitable criteria, including those that are voluntary and entity-developed.

IESBA participants noted the potential coordination challenges that may arise from the anticipated acceleration of the IAASB’s timeline for issuing an exposure draft, such as achieving consistent definitions of key terms to facilitate the interoperability of the two Boards’ standards. In response, Mr. Botha reassured the IESBA that the IAASB remains committed to close coordination with the IESBA. Mr. Buchanan also stressed the importance of having consistent terms and definitions used in the two Boards’ standards.

Ms. Dias thanked Mr. Botha for his informative update and contributions to the discussion.

III. Common Issues

RESEARCH AND OUTREACH UPDATES

Mr. Billing provided a brief overview of the provision of sustainability assurance by organizations that are not accounting firms (“other assurance providers”). Among other matters, he highlighted the organizational structure of the other assurance providers and the nature of the assurance services they provide. He also shared observations about how they report compliance with ethics standards as well as on regulatory developments pertaining to sustainability. This overview was based on some limited research undertaken by the Technical Advisors supporting the Task Force in Q1 2023.

Ms. Dias and Messrs. Gunn and Siong provided an update on stakeholder outreach with the International Organization for Standardization (ISO), the Institute of Electrical and Electronics Engineers (IEEE) and AccountAbility in Q1 2023. Ms. Dias and Mr. Gunn noted that ongoing engagement with ISO will involve coordination at the leadership and technical levels as well as regular mutual updates on the two standard setters’ sustainability-related work. Ms. Dias also stressed the importance of these stakeholder engagement activities as well as the relevant regulatory developments to help inform how the IESBA should strategically approach such engagements. Mr. Siong also noted that all three stakeholders will be represented at the upcoming global sustainability roundtables.

GLOBAL ROUNDTABLES

Ms. Martin, Chair of the Sustainability Work Stream 2 (WS2), and Ms. Vijian updated the Board on the preparations for the global sustainability roundtables to be held in Paris, Sydney, Singapore, and New York between late March and early April 2023. Ms. Martin noted that the Task Force would seek participants’ input on a number of strategic issues, including the presentation of the ethics and independence standards for sustainability assurance as well as the potential development of profession-agnostic ethics standards.
for sustainability reporting. Ms. Martin further noted that the CAG was supportive of the roundtables and had suggested that the IESBA coordinate its outreach efforts with the IAASB.

Among other matters, IESBA participants raised the following comments or suggestions:

- The roundtables and other outreach are important in obtaining timely input from a broad group of stakeholders. While the IESBA had capacity constraints to hold physical roundtables in some regions, the IESBA should assess the need and opportunities to seek input from other stakeholders as the project progresses.

- Consideration should be given to outreach in jurisdictions with adaptation activities (e.g., jurisdictions that have low emissions already), for instance, from the Africa region, instead of focusing solely on jurisdictions that are driving mitigation solutions. In this regard, it was also noted that the IESBA’s approach is to be framework-neutral, i.e., not dependent on whether the relevant reporting standards address single or double materiality, and whether entities focus on mitigation or adaptation measures to address carbon emissions.

- A suggestion that the Task Force consider seeking participation from credit rating agencies as well as from the public and civil sectors.

REFERENCE GROUP

Mr. Kwan presented the Task Force’s proposal to establish a reference group of stakeholders to act as a sounding board to inform the development of ethics and independence standards for sustainability reporting and assurance engagements.

The Board was supportive of the Task Force establishing a reference group of experts to inform its work. Among other matters, IESBA participants raised the following comments:

- Given that the standards will be applicable to both PAs and non-PAs, consideration should be given to including in the reference group individuals within and outside the accounting profession.

- There may be challenges with having a larger, mixed group of stakeholders from within and outside the accounting profession as this may lead to unbalanced discussions given the wide difference in knowledge of, and familiarity with, the Code between the two groups. Further, the IESBA already has the opportunity to periodically engage with the accountancy profession through forums such as the Forum of Firms and the IFAC Small and Medium Practices (SMP) Advisory Group.

- All three proposed ways for establishing the reference group were sensible, starting with considering the experts on the IAASB’s reference group, issuing a call for expressions of interest, and reaching out to specific roundtable participants.

- The Task Force should aim for the composition of the reference group to have diverse representation. It should also consider what a reasonable size would be for the group to optimize efficiency and effectiveness.

IV. Presentation of Profession-agnostic Ethics and Independence Standards for Sustainability Assurance

Mr. Babington and Ms. Martin, Chairs of the Sustainability Workstreams 1 and 2, respectively, led the session on common issues in the project. They first invited Mr. Billing to give the Board an overview of the findings from the limited research undertaken by the project staff into sustainability assurance providers
that are not accountancy firms. They then invited Ms. Dias and Mr. Siong to brief the Board on recent outreach meetings with the International Organization for Standardization (ISO), the Institute of Electrical and Electronics Engineers (IEEE), and AccountAbility. Ms. Martin then briefed the Board on the preparations for the four global roundtables in Paris (March 24), Sydney (March 30), Singapore (April 3) and New York (April 6).

Mr. Babington also recapped the Board’s decisions to date and outlined the three options under consideration for the presentation of the profession-agnostic ethics and independence standards for sustainability assurance, together with the main pros and cons of each option:

Option 1: An integrated approach that would encompass all the relevant ethics and independence sustainability provisions within the extant Code, extending the applicability of those provisions to sustainability assurance practitioners other than PAs.

Option 2: A new Part 5 that would separately contain the provisions relevant to sustainability assurance engagements but housed within the Code.

Option 3: A standalone handbook of ethics and independence standards for sustainability assurance engagements.

Finally, Mr. Babington briefed the Board on the key takeaways from the March CAG discussion the previous week, including on the presentation options for the profession-agnostic standards.

GLOBAL ROUNDTABLES

IESBA members raised the following:

- In relation to climate change, much focus is on jurisdictions that are on a mitigation path as opposed to an adaptation one. There was a question as to how guidance could be provided in terms of how adaptation activities could be measured and reported. It was felt that there is a greater focus on mitigation because it is much easier than adaptation.

  Mr. Babington noted that this was an important point as within the current sustainability ecosystem, the focus is largely on reporting the impact of business activities on climate and how to mitigate such impact. He offered to raise this issue at the International Sustainability Standards Board’s (ISSB) Sustainability Standards Advisory Forum, in which he participates. He expressed the view that over time, resources on reporting will need to shift to adaptation with respect to greenhouse gas (GHG) emissions, i.e., the measurable steps an entity is taking to transition to net zero vs. just measuring the impact of its business on the environment. He added that adaptation will become more important in the future, especially in jurisdictions that have not had a significant focus on GHG emissions.

- Ms. Dias emphasized that the approach to the Board’s development of sustainability-related ethics and independence standards is framework-neutral.

- Regarding the targeted participants, it was suggested that consideration be given to including participants from the credit rating industry, the UNDP Sustainable Finance Hub, and the civil sector, such as Transparency International.

Mr. Buchanan emphasized the critical importance of the roundtables as they are part of the due process. He appreciated the report-back on the recent outreach activities, noting that these will lay the foundation for the work ahead. He also noted a good balance of stakeholder representation at the roundtables and encouraged further outreach as needed.
PRESENTATION OF THE PROFESSION-AGNOSTIC STANDARDS

Ms. Dias highlighted that the approach to the presentation of the new standards with respect to sustainability assurance is a critical aspect of the project. She noted that the Board has been discussing the packaging and presentation of the standards at length for some time now, and that the options Mr. Babington presented reflected significant progress in terms of the Board’s thinking on the matter. She therefore felt that the Board was closer to making a decision on the final pathway in the public interest based on robust information and reflections, taking into account the input to be gathered from the roundtables.

Ms. Dias summarized three key premises regarding the profession-agnostic standards for sustainability assurance providers:

1. The standards are at the same level for both PAs and non-PAs.
2. The standards are fit for use and accessible by PAs and non-PAs alike.
3. The standards are as clear and simple to use as possible while maintaining a “single version of the truth” and keeping the same level of exigency for all assurance providers.

IESBA members broadly reconfirmed those premises. Among other matters, IESBA members also raised the following:

- Regarding Options 2 and 3, whether the implications of duplication could be elaborated, for example, indicating that it will imply a level of effort to maintain separate sets of provisions.

  Mr. Babington concurred but noted that the desired outcome is to have standards that are easy to use, otherwise there is a risk of breaches of the Code if the standards are difficult to apply.

  There was an observation that duplication already exists between Parts 4A and 4B in the extant Code, and that there have been no real practical issues in updating both Parts as needed.

- Options 2(ii) and 3 are largely the same in terms of content. Option 1 will be complicated to understand and apply because of the extent of changes that would be needed to the extant Part 4A. What will be important is to have clarity regarding which provisions under the Part 5 option a firm should apply if it is both the auditor and sustainability assurance provider.

- A longer Code is not necessarily to be avoided as users will go to the part they need. The Public Interest Framework’s (PIF) characteristic of clarity should be the key driver instead of simplicity. Option 2 appeals because it would be a cleaner slate from which to start developing the sustainability-related standards.

  Mr. Babington agreed that there is a difference between clarity and simplicity. For example, if the sustainability assurance engagement is for a global oil and gas entity, clarity would be needed but it would not be simple. He noted that every option has advantages and disadvantages, and that it is important for the Board to engage with stakeholders to work out which option yields the optimal outcome. He added that a decision on the options cannot be deferred indefinitely.

- Consideration should be given to consequential and conforming amendments to Part 4B that may be needed in addition to the new profession-agnostic standards.

- Sustainability reporting is an evolving field and consideration should be given to sustainability information eventually merging with the financial statements in the longer term. In that context, an integrated approach under Option 1 would better align with PAs undertaking both the audit of the financial information and the assurance of the sustainability information.
Ms. Dias agreed that integrated reporting is the longer term vision. However, she clarified that the terms “integrated” and “standalone,” as used to describe the options, refer to the presentation of the standards and not their substance. She emphasized that none of the options would preclude or make it more difficult to perform an assurance engagement on an integrated report. She added that what makes the context different is that the Board is developing standards that non-PA assurance providers can also use, hence the need to seek an appropriate balance for PAs and non-PAs.

Mr. Babington observed that entities report sustainability information as if it is a non-financial matter whereas the non-financial information impacts the financial information. He added that there is currently a gap in sustainability reporting in that entities are not reporting the impact of sustainability information on the financial statements.

- It will take some time to reach the goal of integrated reporting. What is needed now is to address sustainability reporting. In that regard, Options 2 and 3 would work better in terms of ease of use and understandability for non-PAs.

- While Option 3 has merits, it might present a challenge in Australia, as in the UK, with respect to ease of adoption as it might be time-consuming to obtain legal backing for a separate handbook. Also, even if the same firm is carrying out the audit and sustainability assurance engagement, two different teams might be involved as the skills needed might be different. From the illustrative text previously presented to the Board on Option 1, that option seemed to be more complex. Option 2 is appealing, subject to hearing from the roundtables.

- The key dimension to bear in mind is usability from the perspective of the non-PA assurance provider. The reality in major jurisdictions such as the EU is that the market for sustainability assurance providers is already open to non-PAs. Accordingly, there is a need for a pragmatic approach. In that context, Option 1 would be easier for PAs and Option 3 would be easier for non-PAs. The compromise is Option 2, which can evolve with flexibility, although it might not be the final destination as sustainability reporting evolves.

- Option 2 would provide a better framework than Option 1 as the latter would not be as flexible as the former if the Code needs to be expanded in the future to cover other types of assurance engagements.

- The eIS platform will provide the flexibility to present the new standards in a way that would enhance ease of use and access for all users.

Mr. Kato expressed support for Option 2, noting that it would be beneficial from a public interest perspective for non-PAs to use the Code for sustainability assurance engagements. He emphasized the importance of timeliness in delivering the standards.

Mr. Gunn encouraged the Board to further reflect on the value of Option 3 from a strategic perspective as it would have the least constraints and would provide the most opportunity to innovate. He added that this option would also provide the most strategic benefit in terms of enabling the IESBA’s standards to penetrate new markets. He noted that Option 2 is a more balanced regime for PAs and non-PAs, and Option 1 is in a more mature and stable environment.

PIOB OBSERVER’S COMMENTS

Mr. Buchanan congratulated the Board on the in-depth discussion and the high level of engagement of IESBA members on this issue. He advised the Board about being clear regarding the options on which
stakeholders’ input would be sought at the roundtables. He also emphasized the need to convey at the roundtables the premises on which the Board will be working, including the same high level of standards for PAs and non-PAs. To sharpen the discussion at the roundtables, he encouraged the Task Force to map out the different options and their advantages and disadvantages against the key characteristics in the PIF. He looked forward to clear feedback from the roundtables to enable the Board to reach a quick decision on the options so that the focus can turn to the drafting.

Mr. Buchanan also commented that if the key factor is clarity as opposed to simplicity, that would militate against Option 1 because of the accessibility issue for non-PAs. He indicated that Option 3 could be a longer term solution, although the Board might find from a post-implementation review that Option 2 could be acceptable to all users, especially with an eIS version.

TIMELINE FOR IAASB’S SUSTAINABILITY PROJECT

Ms. Dias informed the Board about the IAASB’s plan to bring its timeline for the approval of an Exposure Draft of its ISSA 5000 forward by a quarter to June 2023. She indicated that this would mean a difference of about six months between the two Board’s Exposure Drafts, assuming the IESBA approves its Exposure Draft in Q4 2023. She noted that this will have some implications in terms of the coordination with the IAASB project, recognizing that the IESBA’s project is at an earlier stage of development. She also noted that this will increase the pressure on IESBA staff given a potential increase in the intensity of coordination activities leading to June.

Noting the update, a few IESBA members raised the following:

- The matter of group sustainability assurance engagements should be included in the list of coordination issues even if the IAASB is not going to address it in its current sustainability project.
- The matter of the use of experts is not only an assurance matter but also an ethics matter. The IAASB appears to have already made some determinations on the topic in its proposed ISSA 5000 but there is a need to also engage in close coordination with the IAASB on the IESBA’s Use of Experts project.

V. Work Stream 1 (WS1)

Mr. Babington, Chair of Work Stream 1 (WS1), provided an overview of WS1’s proposals regarding the independence considerations for sustainability assurance engagements, including (i) proposed key terms and definitions to be used in the independence standards and (ii) the key independence matters to be addressed.

In general, IESBA members supported WS1’s approach to developing the independence standards for sustainability assurance engagements.

SCOPE OF INDEPENDENCE STANDARDS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS

Determination of Sustainability Assurance Engagements

IESBA members discussed the differentiation between assurance and certification-type engagements and whether the independence standards for sustainability assurance engagements should cover both.

Some IESBA members raised that the term “assurance” is used in many different contexts in practice, and it might be necessary to clarify in the Code the difference between assurance and certification-type engagements. IESBA members discussed what the basis of the differentiation might be and whether it is the type of reporting framework used or the level of confidence delivered. Mr. Babington believed that from
the public interest point of view, users have different expectations from assurance provided on sustainability information developed according to a general purpose framework than assurance provided on information developed under specific criteria, or even criteria designed by the entity itself.

Concerning the determination of the sustainability assurance engagement, IESBA members raised, among others, the following points:

- Given the uncertainty around what a certification-type engagement is, if the Board aims to provide a comprehensive standard for all sustainability providers, it should not exclude any type of assurance engagement from the scope of the standard.

- Certification of sustainability information does not refer to the level of the assurance; therefore, it would be appropriate to scope out certification-type engagements.

- The proposed determination of whether an engagement is a sustainability assurance engagement is in line with the determination of assurance engagements in the extant Code; accordingly, it is appropriate to capture those engagements within the scope of the standard.

- In practice, the term "assurance" is used more loosely in a context that is not in line with the Code's and the ISAs' definitions of an assurance engagement. If the IESBA were to deviate from the extant Code's definition of an assurance engagement to get closer to a "common language" use of the term, this could lead to different scopes with respect to assurance engagements on financial and sustainability information.

Mr. Babington highlighted that the new ethics and independence standards for sustainability assurance engagements are aimed at underpinning public trust in such engagements. Given the short timeframe for the project, he suggested that the IESBA consider what type of engagements is more relevant from the public interest point of view and prioritize those engagements over others. He clarified that based on WS1’s proposals, other engagements would be covered under Part 4B of the Code. He added that the IESBA could consider expanding the scope of the new standards and address those other engagements at subsequent phases of the project.

Mr. Siong and Ms. Dias noted the importance of the IESBA thoroughly considering the type of engagements the Board should prioritize based on their heightened public interest. Mr. Siong wondered whether the Code should provide clarification regarding certification-type engagements. He believed that the proposed “sustainability assurance engagement” definition, which is in line with the extant “assurance engagement” definition, provides a clear description and appropriately captures the engagements that should be scoped in, irrespective of their nature.

**Sustainability Assurance Engagements of Heightened Public Interest**

Board members generally agreed that sustainability assurance engagements cover a wide range of assurance services. Therefore, as a first step, it is necessary that the Board identify those services for which a high-bar of ethics and independence standards, equivalent to the standards for an audit of financial statements, should apply. They supported WS1’s focus on sustainability assurance engagements of heightened public interest.

Regarding the term “heightened public interest,” a Board member asked WS1 to consider whether another term could be used, as the current term might be confusing relative to the determination of a PIE.
In relation to the proposed criteria for a sustainability assurance engagement of heightened public interest, a few Board members suggested that the Code clarify (i) the term "general purpose framework" and (ii) how firms should determine whether the sustainability information is "widely" available.

Mr. Babington explained that a general purpose reporting framework covers a recognized framework that allows preparers to prepare the information to achieve the objectives of the reporting. He added that if sustainability information is published along with the annual report or as a company announcement to identify potential sources of investments or business, it could be perceived as being widely available to the public.

The IESBA also considered WS1’s proposals for the determination of a "general purpose reporting framework" and discussed whether it should cover both "fair presentation" and "compliance" frameworks. Given the premise of equivalence to the standards for audit engagements, a few Board members suggested that the determination in the context of the independence standards for sustainability assurance engagements only cover "fair presentation" reporting frameworks. However, a few other Board members argued that some sustainability reports, especially on governance matters such as anti-corruption and anti-bribery, are developed under compliance frameworks, as the nature of the matter does not allow for fair presentation. They were of the view that those matters could have the same level of public interest as environmental matters. Another Board member had concerns that WS1’s proposal could potentially lead to the exclusion of governance matters from the scope of sustainability assurance engagements covered by the new standards because such sustainability information is usually developed in accordance with compliance frameworks.

Mr. Babington responded that WS1 proposes that the Board prioritizes engagements that provide limited or reasonable assurance on sustainability information because there is greater clarity around the information that forms the basis of such engagements. However, he added that in the case of other types of engagements, Part 4B would still apply. He noted that it is within the remit of sustainability assurance standards setters’ work, such as the IAASB’s, to determine how practitioners can provide assurance on specific matters related to governance. He suggested that this question be part of the IESBA's coordination with the IAASB.

Mr. Siong agreed that the IESBA must understand how regulators and assurance standard setters, such as the European Commission and the IAASB, approached this question and what sustainability issues other global sustainability reporting standards would cover, apart from environmental issues. He added that the IAASB’s approach in the draft ISSA 5000 was very generic; the IAASB focused on the evaluation of the criteria used for the sustainability reporting. He suggested further coordination with the IAASB to better understand whether future ISSA standards would cover compliance frameworks.

**KEY DEFINITIONS IN THE PROPOSED INDEPENDENCE STANDARDS**

**Sustainability Assurance Team and Related Definitions**

In relation to the determination of the firm, network firms, and the sustainability assurance team, a few IESBA members observed that the Code’s corresponding definitions in Part 4A, developed for audit engagements, may not be applicable to the structure and ownership of firms that are not accounting firms. Therefore, they asked WS1 to consider whether the terms used in Part 4A of the Code in the context of an audit of financial statements, are comprehensive and clear for non-PA sustainability assurance providers.

Mr. Siong suggested consideration of how the standards for sustainability assurance engagements would address the "network" of a sustainability assurance provider that is not a PA. He also questioned how the
standard should determine a "firm" if it is not the entity that employs the practitioner, but another entity with ownership over that entity.

**Sustainability Assurance Client and Related Definitions**

Regarding the determination of a sustainability assurance client, an IESBA member noted that the definition of related entities aims to address the relationships that could create threats to the firm's objectivity. He was of the view that the relationships with related entities are not different in the context of sustainability assurance engagements. Mr. Babington agreed.

IESBA members supported that the independence standards for sustainability assurance engagements include different provisions for sustainability assurance clients that are PIEs, following the approach taken in Part 4A of the Code.

Mr. Siong suggested that WS1 consider how the standard should define a PIE in the context of sustainability assurance engagements. He pointed out that the current PIE definition in the Code is related to the client's financial condition. He questioned whether the PIE definition for sustainability assurance engagements should include consideration of other factors. In this regard, an IESBA member suggested that WS1 also consider whether entities determined as PIEs for audit engagements have the same heightened public interest in the context of sustainability assurance engagements.

Mr. Babington was of the view that the new standards should provide flexibility for jurisdictions regarding the determination of a PIE in the context of sustainability assurance engagements.

**INDEPENDENCE CONSIDERATIONS**

**Prohibited Services and Relationships**

IESBA members agreed with WS1 proposals that the threats to independence in the context of audit engagements are the same in the context of sustainability assurance engagements. The Board supported WS1 reviewing Part 4A with a view of determining whether the relationships and services are also relevant to sustainability assurance engagements from an independence perspective. An IESBA member suggested that WS1 develop specific criteria that could help evaluate whether a specific service or relationship is relevant. Ms. Dias supported that proposal.

A few Board members commented that the specific services in the subsections of Section 600 in Part 4A are also relevant to sustainability assurance practitioners. A Board member pointed out that ethics and independence issues could arise if the sustainability assurance provider had previously participated in developing the criteria for the sustainability reporting or provided any other sustainability information services to the client. Another Board member suggested that WS1 consider whether services supporting capacity building at the client could create threats to independence.

Mr. Hansen agreed that the specific non-assurance services in Part 4A apply in the context of sustainability assurance services, except for accounting and bookkeeping services.

**Potential Challenges of Non-PA Assurance Providers**

IESBA members agreed that the Board should assist and provide guidance for non-PA assurance practitioners who will implement and use the Code's provisions for the first time. Mr. Siong raised that first-time implementation for sustainability assurance engagements could also create challenges for PA practitioners if a separate team, other than the audit team, performs the engagement.
A few IESBA members cautioned the Board against providing transitional provisions for sustainability assurance providers who are non-PAs. They felt that a transition period could compromise the consistent implementation and application of the requirements. Instead, they suggested that the Board consider an appropriate effective date that would provide sufficient time for implementation.

PIOB OBSERVER'S REMARKS

Mr. Buchannan supported WS1’s approach to independence considerations for sustainability assurance engagements. However, he had some concerns about the different timelines of the IAASB’s and IESBA’s projects as this could make effective coordination between the two Boards more challenging.

Mr. Buchannan highlighted the importance of considering and applying the PIF while the IESBA develops the new standards and other standards in general. He noted that the PIF could assist the Board with making judgments on how to balance competing interests, which is crucial in the context of the new profession-agnostic standards. He also pointed out that the PIF could help to, among others (i) identify the users and interests that are being served by the standards, (ii) meet users’ expectations while still aiming for a high-bar of standards, (iii) and ensure consistent application of the definitions and requirements in the new standards.

Mr. Buchannan also suggested that the IESBA be transparent about how the Sustainability Task Force has addressed the competing interests of stakeholders and how it has followed the PIF while developing the ethics and independence standards for sustainability assurance engagements.

Finally, in relation to the scope of the new standards, he noted an expectation gap regarding the determination of assurance in the context of sustainability assurance engagement because the market and stakeholders tend to use this term loosely. He supported Board members’ suggestion that the IESBA keep monitoring the developments concerning sustainability reporting frameworks and the sustainability areas they would cover.

VI. Work Stream 2 (WS2)

KEY DEFINITIONS

Ms. Martin presented WS2’s proposed approach regarding the definitions of “sustainability information,” “sustainability assurance practitioner” and “professional activity” as well as WS2’s initial draft definitions.

Sustainability Information

Ms. Martin explained that WS2 did not consider the “sustainability information” definition in draft ISSA 5000 to be suitable for the IESBA standards given the technical nature of the ISSA definition and the fact that IESBA standards cover a broad range of activities. She also noted that WS2 had considered definitions of the same or similar terms being developed by the ISSB and European Financial Reporting Advisory Group (EFRAG).

Ms. Martin briefed the IESBA on the feedback received from the CAG in March 2023. She noted that the CAG generally supported WS2’s approach of developing a broad overarching definition that is framework-neutral and that there was a recognition of the importance of coordination with the IAASB. There was also a query raised about the need for a definition.

On the view that the IESBA standards need not have a definition for the term “sustainability information,” IESBA participants raised the following comments, among other matters:
• There is no need for a definition unless it is necessary to operationalize the standards. This option would also make the standards timeless. The United Nations Convention against Corruption was given as an example where the term “corruption” is not defined; instead, its spirit is described, and examples are given.

• There was a suggestion on using the same definition as the IAASB to achieve alignment and to avoid confusion among those using both sets of standards. However, it was noted that the definition set out in the draft ISSA 5000 may be too technical for the purposes of the Code.

• Conceptually, it may not be necessary to define the term given that there is also no definition for “financial information” in the Code. However, it was noted that the terms “historical financial information” and “financial statements” are defined terms in the Code.

• The definition also seems to define what is “sustainability” in addition to “sustainability information.” Therefore, it may be more helpful to include some of the concepts of sustainability in the introduction so that there may be more flexibility with how “sustainability information” is defined.

• The draft definition seems overly complicated and may lead to confusion and different interpretations.

• The definition should be as broad as possible so that the Code does not inadvertently scope out any sustainability information being reported from the perspective of an ethical construct. For instance, the IESBA’s Tax Planning and Related Services project did not include any definition for the term “tax planning.” Also, the definition should be evergreen and the concept of “environmental, social and governance” is still evolving.

• Instead of having its own definition, it may be helpful to define the term by reference to other frameworks that already have a definition. However, it was noted that such an approach may render the new standards no longer framework-neutral. On the suggestion of defining the term by reference to the “applicable reporting or assurance framework,” Ms. Martin pointed out that such a reference may not be sufficient for those cases where the reporting is done voluntarily and no structured framework is used.

• It may be sufficient to include an explanation of what “sustainability information” is in the introduction or as guidance material.

Other IESBA participants expressed support for having a definition of “sustainability information” and, among other matters, provided the following comments:

• Appropriately, the draft definition does not focus on financial aspects such as the ISSB definition and is not as extensive as the EFRAG definition; it also brings in the concept of generating value over time.

• Having a definition is useful given sustainability reporting and assurance are new areas and the standards should provide clarity and conciseness, taking into account the PIF.

• The proposal resembles a “minimum harmonization” proposal and is a good compromise in developing a definition that is helpful for framing what sustainability information is in the context of the Code.

• A third paragraph might be added that states for the purposes of assurance, the term means subject matter information as defined by the IAASB. However, it was noted that this suggested new paragraph would likely not be understood by those who are not PAs.
• There was a suggestion to add more detail regarding what is being assured. However, it was noted that the definition also needs to cover the reporting activities.

• The definition should be framework-neutral and cover voluntary reporting.

Mr. Gunn asked WS2 to consider if there are any requirements in the Code that warrant a definition of the term “sustainability information.” In this regard, Mr. Siong encouraged the IESBA not to conclude yet whether a definition is needed until the Task Force has an opportunity to develop the draft standards, particularly with respect to the independence requirements.

Following WS2’s deliberation of the Board’s feedback, Ms. Martin conveyed WS2’s views as follows:

• A definition is necessary as it meets the characteristics of appropriate scope and clarity in the PIF. Further, as the extant Code already defines certain accounting-related terms, there needs to be an equivalent for sustainability information.

• The proposed IAASB definition is not suitable for the Code’s purposes given the technical nature of that proposed definition. Further, to retain framework-neutrality, the IESBA standards should not reference the ISSB or EFRAG definition.

• The term may have a definition or description but it must be sufficiently broad to cover ESG matters, be framework-neutral and cover both historical and forward-looking information. Reference to an applicable reporting or assurance framework is not sufficient. In this regard, some IESBA members pointed out that sustainability is a dynamic area and covers topics such as tax planning. As such, the IESBA definition must be limited by the ESG factors.

Sustainability Assurance Practitioners

On the draft definition of “sustainability assurance practitioner,” IESBA participants raised the following comments, among other matters:

• Certain qualifications should be added to this definition for the practitioner as there are qualification requirements to being a PA.

• As sustainability reporting does not have the same regulatory framework as financial reporting, it may be useful to keep the definition as broad as possible at this stage.

• Whether the term “provider” should be used instead of “practitioner” since the former could be perceived as being more suitable for covering both individuals and firms, and more profession-agnostic. Ms. Martin clarified that, regardless of the specific term, the definition covers both individuals and firms, and that the term “practitioner” is aligned with the terminology used by the IAASB in draft ISSA 5000.

The IESBA also broadly discussed the term “engagement partner” vs. “engagement leader.” From a coordination and alignment perspective, there was support from IESBA members to use the same term as the draft ISSA 5000 and not to introduce new terms, unless there are valid reasons otherwise.

Among other matters, the following comments were also made by IESBA participants:

• The term used should cover the person responsible for the opinion.

• The Code already contains a definition of engagement partner, which requires the person to have the appropriate authority from a professional, legal or regulatory body. It is, therefore, not up to the
IESBA but the relevant local body to determine what the qualification should be. This approach will be the same if “engagement leader” were to be used.

- A generic term should be considered as organizations that are not accounting firms do not generally use the term “partner” to denote those with the necessary authority and position.
- While the draft ISSA 5000 uses the term “engagement leader,” ISQM 1 retains the term “engagement partner.”
- Whether the IESBA standards could state that the two terms are the same, reflecting the fact that different organizations use different terms.
- It may be more appropriate to wait until there is more clarity about the requirements before the IESBA decides whether to use the term “engagement leader” or “engagement partner.”

Following WS2’s deliberation of the Board’s feedback, Ms. Martin conveyed WS2’s views as follows:

- The term is necessary for the ethics standards in order to cover non-PAs.
- It is preferable to use the term “sustainability assurance practitioner” as it aligns with the IAASB’s term. In this regard, some participants expressed the view that the term “practitioner” may be too entrenched as an accounting concept.

Professional Activity

Ms. Martin noted that as the extant definition of “professional activity” is used by professional accountancy organizations in some jurisdictions for certification, qualification, training and other related purposes, care should be taken when considering any revision to the definition. Ms. Martin also explained that any revisions and their impact would be dependent on the IESBA’s strategic decision on the presentation of the new standards.

Among other matters, IESBA participants raised the following comments:

- It would be useful to mention certification, qualification, and training so the new standards cover those who are the PA’s equivalent.
- It would be preferable to add to the current definition instead of removing any part of it.

Scope of the Reporting Standards

Ms. Martin presented the case for and against the development of profession-agnostic ethics standards for sustainability reporting. She also explained WS2’s proposal to limit the scope to PAs only under the current project and for the Board to explore this strategic issue with stakeholders and consider initiating further research in due course. She also reported back the CAG’s feedback on this matter, noting that the CAG was generally supportive of WS2’s proposal. Ms. Martin noted that this is an important strategic decision for the IESBA’s consideration before drafting could take place.

Ms. Dias noted that the Board’s discussion must be guided by what best serves the public interest. She suggested that the Board consider its policy position and then determine what might be achievable.

While acknowledging the public interest in trustworthy sustainability reporting regardless of who prepares the information, IESBA participants were generally supportive of WS2’s recommended approach, given that the proposal would allow the IESBA to deliver its new standards within the agreed timeline. Some IESBA participants also stressed that given the role of preparers as the first line of defense against corporate
malfeasance, the IESBA should include consideration of developing profession-agnostic ethics standards for sustainability reporting as part of its longer-term plan.

Among other matters, IESBA participants also provided the following comments:

- Given the lack of a regulatory call for profession-agnostic standards in this area, monitoring and enforcement will be an issue.
- WS2’s proposal would provide a safeguard to protect the integrity of the sustainability information while the responsibility for the information would continue to rest with company directors or other senior executives. Further, the assurance standards will also provide another safeguard.
- The IESBA should take the opportunity to foster discussions with stakeholders and other key players in the reporting ecosystem on how to improve the quality of reporting and should not wait until the sustainability project is completed.
- Consideration could be given to developing non-authoritative material for non-PAs. There would also be an opportunity for the IESBA to consider a new work stream on this topic at the conclusion of the current project. In this regard, it was noted that given the current regulatory developments in sustainability reporting, the IESBA will have time to understand the issues and consider how to further support trustworthy reporting.

PIOB OBSERVER’S REMARKS

Mr. Buchanan complimented the Board on the level of the discussions and noted that a lot of progress had been made. He also made the following comments:

- He supported WS2’s proposed approach to limiting the scope of the ethics standards for sustainability reporting to PAs only at this time in light of the limited resources and the urgency of the work. He also agreed that the Board does not need to wait for a regulatory call with regards to sustainability reporting to take further actions.
- He encouraged the IESBA and IAASB to continue with their engagement with regulators as well as their coordination efforts to ensure the interoperability of their respective standards and the consistency of the terminology used.
- The definition of sustainability information is a challenging issue but the Task Force has received sufficient guidance from the Board.
- The Task Force should use the PIF to guide its work.

VII. Way Forward

The IESBA will consider the feedback from the global roundtables and preliminary drafts of the proposed ethics and independence provisions for sustainability reporting and assurance at its June 2023 meeting.

4. ADAA-IESBA Panel Session

The IESBA participated in a panel discussion with the Abu Dhabi Accountability Authority (ADAA) on the role of ethics and the accountancy profession in enhancing ethical culture within organizations, the roles of the profession and other key players in the global fight against economic crime, and how putting ethics at the top of the business, public policy and regulatory agendas advances sustainability goals and protects the public interest.
Ms. Fatema Lari, ADAA Principal, welcomed and introduced the panelists, which included:

- Ms. Dias
- Prof. Poll
- Ms. Ayesha Al Sheryani, ADAA Executive Auditor

Ms. Dias thanked ADAA for organizing the panel discussion and for hosting the IESBA meeting in Abu Dhabi.

Among other matters, the following topics were discussed and key comments were raised by the panelists:

- The importance of ethical culture within organizations and businesses, and the role of the accountancy profession in enhancing that culture. This speaks to the role of the IESBA to develop principles-based ethics standards that govern the behavior of PAs.
- ADAA’s work in promoting ethical behavior in its subject entities and its adoption of the Code.
- The role of the accountancy profession in the fight against economic crime given the profession’s responsibility to act in the public interest, as well as the role of other key players in this fight. In this regard, it was noted that ethical responsibilities go beyond just the fight against economic crime as they are also relevant in other areas, such as tax planning, where addressing the grey area demands an ethical approach. There is also a growing trend in that regulators and legislators are focusing more on the services than on the service providers.
- The role of ethics in addressing the weak points in the financial ecosystem. For instance, it was noted that the focus of management and those charged with governance (TCWG) in promoting shareholders’ interests exclusively creates ethical challenges.
- How technology such as artificial intelligence (AI) will impact the profession. It was noted that with the advancements in technology, the accountancy profession will continue to play a critical role within organizations as ethical thinking and judgment cannot be replaced by technology. Therefore, the profession should embrace new technologies. The Code, with its principles-based standards, will continue to be relevant in addressing ethical issues such as confidentiality. Reference was also made to the IESBA’s Technology Project and the recently approved technology-related revisions to the Code.
- The potential of the Code being applicable to other professions and the IESBA’s commitment to developing profession-agnostic standards for sustainability assurance. It was noted that whether the IESBA’s standards will ultimately be used by others will depend on the local regulators adopting those standards.
- The development of new standards by the IESBA to support an ecosystem of high quality sustainability reporting and assurance.
- How the Code can help to address the pervasive issue of greenwashing. In this regard, reference was made to the October 2022 IESBA Staff Publication, Ethics Considerations in Sustainability Reporting (Including Guidance to Address Concerns about Greenwashing).
- The differences in the definition concept of a Public Interest Entity (PIE) in the Code and the concept of an entity of significant public interest in IAASB standards, and the coordination between the two SSBs.
Ms. Lari thanked all the panelists for a rich and lively discussion. She then closed the session.

5. **Use of Experts**

Ms. Endsley, Chair of the Experts Task Force, introduced the topic by providing a brief recap of the approved project plan to develop ethics and independence provisions addressing the use of experts, including those external or internal to a PA’s firm or employing organization.

Mss. Endsley and Leung then presented the Task Force’s preliminary thinking and proposed approach, including:

- Proposed new definitions of the terms “expert,” “internal expert,” and “expertise” in the glossary to distinguish experts from other individuals used in a multidisciplinary team.
- A principles-based approach (“enhanced ethical framework” in Parts 2 and 3 of the Code) to guide PAs in their determination as to who is an appropriate expert to use.
- A proposal that for external experts used in an audit or other assurance engagement, it is in the public interest that select independence requirements apply to such experts to safeguard their objectivity. Specifically, if an external expert’s work significantly influences the outcome of the assurance engagement, the Code should require the expert to be independent (“significant influence test”).

The IESBA expressed general support for the preliminary proposed approach. Among other matters, IESBA participants raised the key comments below.

**COORDINATION WITH IAASB AND PRELIMINARY PROPOSED DEFINITIONS**

- It is important to coordinate with the IAASB and, where relevant, explain why and how the Task Force’s preliminary proposed approach differs from the IAASB’s current approach. There was a view that the preliminary proposed significant influence test could align with how the ISAs determine the nature, timing and extent of audit procedures.
- Whether the scope of the preliminary proposed definitions of “external expert” and “management expert” should be expanded beyond those who possess expertise in a field or area other than accounting or assurance, and those whose work is used by the client to prepare financial statements, respectively. In particular, in relation to the use of an external expert, it was observed that SMPs or small- and medium-sized entities (SMEs) might hire individuals with expertise in accounting or auditing/assurance as the SMPs or SMEs might not have the necessary competence internally. In addition, not every PA will necessarily have all the accounting or assurance expertise needed for particular professional activities (for example, accounting for financial instruments, despite such a matter being accounting-related).
- Whether an expert is internal or external to the PA’s firm or employing organization might sometimes not be clearly delineated. It was suggested that the substance of the contract with the expert should be assessed considering other factors, for example, whether the expert and the firm or employing organization have short-term versus long-term contracts or significant business relationships.

**PRELIMINARY PROPOSED ENHANCED ETHICAL FRAMEWORK**

- Whether the preliminary proposed approach has the right balance of ethical considerations. For example, would the guidance be at a general level or be more granular by providing a means or
process by which a PA might obtain information regarding factors to identify threats and how a PA might evaluate them.

- It is important to understand how the external expert is contracted, the method of selecting the expert, the ownership of the expert if it is an organization (for example, such ownership at times might be within complex private equity structures), and the relationships and interests between the expert and the firm’s client.

- Regarding the preliminary proposed factors to evaluate the work of an expert:
  - Obtaining access to the expert’s working papers might be challenging due to intellectual property and commercial reasons. There was a view that the IAASB might better deal with this factor as it concerns obtaining sufficient appropriate evidence. It was suggested that the evaluation of the expert’s work from an ethical perspective should be focused on the expectation of the PA to take reasonable steps to understand and evaluate the work of the expert, including the inputs, assumptions, and methodology used by the expert.
  - PAs might find it challenging to evaluate the expert’s work as the PAs do not have the competence to do so.

- A suggestion to involve TCWG of the firm’s client or employing organization, especially where there is limited availability of experts.

PRELIMINARY PROPOSED APPROACH TO INDEPENDENCE AND THE SIGNIFICANT INFLUENCE TEST

- While it is appropriate to address independence considerations for external experts, care should be taken in not building structures of compliance on professions other than the accountancy profession.

- A question as to the basis for determining “significant influence,” for example, whether an attestation performed by an expert would be significant.

- A suggestion to consider the use of multiple experts and the PA’s responsibilities in such circumstances, as well as how the significant influence test would be applied in such circumstances. It was also observed that multiple experts might be needed for each of the “environmental,” “social,” and “governance” elements of sustainability.

- When the work of a management’s expert is used, whether it is appropriate to require such experts to be independent as they are not part of the firm and performing work for the firm’s client.

PIOB OBSERVER’S REMARKS

Mr. Buchanan thanked the Task Force for its work and expressed support for the preliminary proposed direction and approach. He also noted that the PIOB technical staff has highlighted the importance of considering independence for internal experts within firms. Finally, he encouraged the Task Force to consider the PIF as it progresses its work.

WAY FORWARD

Ms. Endsley noted that the Task Force would consider all the comments from the Board, in conjunction with the feedback from the discussions on the project at the March and April 2023 global sustainability roundtables, as the Task Force further develops its thinking and proposals for the June 2023 IESBA meeting.
6. Emerging Issues and Outreach Committee (EIOC)

FTX FAILURE

Ms. Vijian briefed the Board on recent significant developments relating to the FTX collapse. She highlighted some of the potential ethical issues concerning PAs that might have arisen in this case based on the alleged circumstances, as reported in the press.

IESBA members broadly agreed that the apparent ethical issues have linkages to the Code. While recognizing that the matters that have been raised in the media are only allegations, IESBA participants raised the following comments:

- There seemed to have been significant red flags in this case, such as the apparent lack of a CFO, weak corporate governance, and a lack of internal controls within the organization. In this regard, there was a question as to whether the Code should put PAs on alert if a transaction or arrangement is structured to be outside the scope of the Code, similar to how ISAs deal with an unreasonable limitation to the scope of the auditor’s work.

- The size of the FTX collapse suggests systemic fragility in that some part of the system of regulatory supervision and oversight appears not to have been working properly. In this regard, it was noted that the collapse appears to have more to do with regulation (or the lack thereof) than the Code.

- There appear to be indications of potential misconduct in this case on both the auditor and PAIB sides, including the auditor being too close to the entity. Further, agreed-upon procedures engagements appear to have been misused to convey a positive impression of the trustworthiness of FTX’s business.

- Whether this case might influence how the concept of a PIE is defined.

- Whether there would be merit to commissioning the development of non-authoritative material based on the observations and findings from the case.

The Board agreed to reflect further on what its potential actions might be in such cases.

CHATGPT

Ms. Friedrich then gave a demonstration of the generative Artificial Intelligence (AI) tool known as ChatGPT. The Board noted the exponential growth of AI tools such as ChatGPT worldwide to perform a variety of tasks.

The IESBA considered and shared reflections regarding the use of generative AI, including the following:

- What the potential impact on the accountancy profession might be.

- The need for appropriate use of generative AI as a tool, including the availability of sufficient data on which to train the tool.

- The need for care in evaluating the output of the AI system.

- The Board’s recently finalized technology-related revisions to the Code will provide a framework for evaluating the use of generative AI and its outputs. However, the IESBA should not stifle such use.

- How the IESBA can stay ahead of the fast-moving developments and the significant increase in risks of fraud, misinformation, etc.
After further deliberation, the IESBA agreed to keep a watching brief on the developments at a high-level while avoiding getting immersed in undue details.

FRAUD

The IESBA also received a brief update on a May 2022 Position Paper issued by the Netherlands Authority for the Financial Markets (AFM) on audit firms’ approach to fraud and fraud risks at audited entities. The IESBA was also briefed on the IAASB’s project to revise ISA 240.4

The IESBA agreed to close coordination with the IAASB on the ISA 240 project, such coordination being especially important in light of the Dutch AFM’s Position Paper.

JURISDICTIONAL UPDATES

Ms. Borgerth concluded the presentation by noting the jurisdictional updates provided by some IESBA members. Ms. Adam added that the Independent Regulatory Board for Auditors (IRBA) in South Africa had just issued its inspection report and that it contained a number of ethics and independence findings.

PIOB OBSERVER’S REMARKS

Mr. Buchanan commended the EIOC for identifying developments such as the FTX failure and ChatGPT that may impact the IESBA’s strategy and the public interest, and bringing them to the IESBA for discussion. He added that non-authoritative material on the topic of AI that was recently issued, with the benefit of the IESBA’s Technology Working Group’s contribution, would be relevant to the ChatGPT developments.

Regarding the topic of fraud, he indicated that the December 2020 IESBA Staff Publication, *Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic*, was very helpful. The publication was developed collaboratively with national standard setters (NSS) and the IAASB. He suggested that the topic could be further discussed with NSS at the next opportunity.

An IESBA member expressed the view that the IESBA should await the completion of the IAASB’s Fraud project before considering any update to the Staff publication.

Finally, Mr. Buchanan indicated his strong support for the jurisdictional updates and encouraged the IESBA to do them quarterly.

WAY FORWARD

The Board will receive the next update from the EIOC at the September 2023 IESBA meeting.

7. Rollout of “Definitions of Listed Entity and Public Interest Entity” Revisions

TRACK 1 OF IAASB PIE PROJECT

Mr. Mintzer commenced the session by providing a summary of the IAASB PIE Task Force proposals regarding Track 1 of the [IAASB PIE project](https://www.iasb.org/standards/governance/defined-terms), including proposed revisions to International Standard on Auditing (ISA) 700 (Revised)5 and ISA 260 (Revised).6 Track 1’s objective is to determine whether the

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4 ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*
5 ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
6 ISA 260 (Revised), *Communication with Those Charged with Governance*
audit’s report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements.

Among other matters, Mr. Mintzer noted that the IAASB Task Force was of the view that the auditor’s report provides a clear mechanism to operationalize the transparency requirement set out in paragraph R400.20 of the IESBA PIE Revisions, taking into account the feedback received from respondents to the IAASB exposure draft (ED).7

Mr. Mintzer also highlighted concerns raised by respondents to the IAASB ED about compliance with paragraph R400.20 of the Code if an auditor’s report only has limited distribution. He noted that these respondents have provided suggestions on how the IESBA might address these concerns. He added that the Working Group will consider these respondents’ suggestions after the IAASB approves its final text on Track 1, which is planned for June 2023.

Mr. Mintzer informed the IESBA that the IAASB has revised its timeline for Track 2 of the IAASB PIE project due to other priorities, with the exposure draft now expected to be approved in June 2024.

IFAC SURVEY ON ADOPTION OF THE IESBA PIE REVISIONS

Ms. Leal shared with the IESBA preliminary data gathered by IFAC from a limited survey of 26 of its member bodies regarding the adoption and implementation of the IESBA PIE Revisions. She noted that this data had also been shared with the IAASB Staff.

An IESBA participant noted that, in emerging jurisdictions, one of the main challenges is how to set the right parameters to capture those entities that should be scoped in as PIEs. Mr. Siong stressed the importance of monitoring local adoption of the IESBA PIE Revisions given that the standards are due to become effective in December 2024, recognizing that more systematic analysis will be conducted as part of the post-implementation review in due course.

JURISDICTIONAL PIE DEFINITIONS DATABASE

Ms. Leal briefed the Board on the Staff’s development of a jurisdictional PIE definitions database covering the jurisdictions included in the 2021 exercise as well as additional jurisdictions in Latin America, Africa, and Asia. The database was released in April 2023.

PIOB OBSERVER’S REMARKS

Mr. Buchanan noted that the PIOB would be encouraged by the level of local adoption of the IESBA PIE Revisions as highlighted in the IFAC survey. He also complimented the Working Group on its work, including its coordination with the IAASB PIE Task Force.

WAY FORWARD

The IESBA will receive an update on the development of Track 1 of the IAASB PIE project at its June 2023 meeting.

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7 IAASB ED, Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for PIEs
8. **IAASB-IESBA Coordination**

Ms. Adam, IESBA Coordination Liaison to IAASB, briefed the Board on coordination activities with the IAASB since the beginning of the year. As a reminder, she outlined the coordination principles described in the IAASB-IESBA Coordination Framework and the maintenance of the master workbook of coordination matters by the two Boards’ staff. She also reminded the Board of the past effective coordination engagements with the IAASB, such as on the Engagement Team – Group Audits project.

Concerning current projects, Ms. Adam noted that coordination matters are being addressed within the projects on an ongoing basis. In particular, regarding the IAASB’s project to revise ISA 240, she noted the timeline for the release of the exposure draft and matters for the IESBA’s consideration at the June 2023 meeting. She noted that as the IAASB progresses with the project, some matters, such as the definition of fraud and possible additional guidance on the term “professional skepticism,” may require input from the IESBA.

With regards to IAASB initiatives that may require coordination, Ms. Adams drew the Board’s attention to the IAASB’s Going Concern, Sustainability, and Audit of Less Complex Entities (LCE) projects. The Board noted the importance of the coordination efforts, especially on the sustainability workstream going forward, and thanked Ms. Adam for the update.

9. **IESBA Communications**

Mr. Johnson, Senior Manager, IFAC Communications, presented an update to the Board on IESBA communications. Among other matters, Mr. Johnson outlined:

- The team of IFAC and IESBA staff members who collaborate to support the IESBA’s communications initiatives.
- The IESBA’s communications goals and strategic priorities.
- The key drivers for the communications strategy in 2023.
- Strategic planning for developing targeted communications, engaging with existing stakeholders and subscribers, identifying new audiences, partnering with other organizations, and utilizing targeted advertising.
- Approaches to strengthening IESBA member engagement on communications initiatives.

Ms. Dias thanked Mr. Johnson for the comprehensive and informative update. She highlighted the critical role of communications in promoting the importance of the Board’s work in the public interest and in underpinning the Board’s engagement with stakeholders globally. She encouraged Board members to provide feedback on the IESBA’s communications initiatives and efforts.

10. **PIOB Observer’s Remarks**

Mr. Buchanan thanked the Board for the privilege of observing the meeting in person and expressed his deep appreciation of the Board’s work, having been interested in ethics throughout his professional career. He complimented the newly appointed IESBA members on their robust contributions. He also commended the Board on a productive week, highlighting the excellent focus on the public interest during the discussions. He expressed satisfaction with the consideration given to the PIF during the discussions. He encouraged all IESBA participants to become familiar with it.
Mr. Buchanan wished the Board good luck with its upcoming global sustainability roundtables, adding that he looked forward to attending the Sydney roundtable. He also noted his confidence in the valuable direction and feedback that will be the outcome of the roundtable discussions.

Finally, Mr. Buchanan thanked the Board for its responsiveness to, and focus on, the public interest.

11. Closing Remarks

Ms. Dias thanked ADAA for the excellent support and facilities it provided during the meeting, highlighting the significance of the Board convening outside of its New York home base and the positive energy of the meeting. She conveyed her gratitude to His Excellency Humaid Abushibs and Mr. Wael Abdul Qader, as well as to other ADAA team members Mai Al Ameri, Fatema Lari, Ayesha Al Sheryani, Fatema Al Falahi, Nouf Al Kaabi, and Maitha Alebri. She also thanked everyone at ADAA who contributed to the successful adoption of the Code in Abu Dhabi.

Ms. Dias also conveyed her admiration not only for the Board’s sustained focus throughout the week, but also for the level of contribution and strategic thinking of Board members. Among other matters, she also noted the importance of the upcoming sustainability roundtables, emphasizing their value in developing global standards effectively and in stimulating open communication and robust stakeholder engagement. Additionally, she commended the Board on the unanimous approval of the SWP consultation paper, noting that it reflects the Board’s collective thinking and strategic mindset.

Finally, Ms. Dias thanked the IESBA staff for the excellent organization of the meeting and for their hard work and commitment towards making it successful. She then closed the meeting.

12. Next Meeting

The next Board meeting is scheduled for June 12-16, 2023, to be held in person in New York, USA.