

Part 5 Equivalent of Part 3 for Sustainability Assurance

The paragraph and section numbering in Part 5 will be discussed at the September 2023 meeting during the Sustainability Workstream 1 and 2 sessions.

For the purposes of this document, the paragraph numbering mirrors that of the equivalent:

- Section 320 in the extant Code; and
- Proposed new Section 390 in Agenda Item 7-C.

Note to IESBA:

Mark-Up of Draft Part 5 Ethics Standards Circulated by Sustainability Workstream 2 on August 3, 2023

SECTION 320

PROFESSIONAL APPOINTMENTS

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Requirements and Application Material

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Using the Work of an Expert

~~R320.10~~ — When a sustainability assurance practitioner intends to use the work of an expert in the course of performing an engagement for a sustainability assurance client, the practitioner shall determine whether the use is appropriate for the intended purpose.

320.10 A1 — Factors to consider when a sustainability assurance practitioner intends to use the work of an expert include:

- ~~The reputation and expertise of, and the resources available, to the expert.~~
- ~~Whether the expert is subject to applicable professional and ethics standards.~~

~~Such information might be gained from prior association with, or from consulting others about, the expert.~~

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Other Considerations

320.11~~2~~ A1 When a sustainability assurance practitioner is considering using ~~the work of experts~~ or the output of technology, a consideration is whether the practitioner is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

320.11 A2 When a sustainability assurance practitioner intends to use the work of an expert, the requirements and application material set out in Section 390 apply.

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Note to IESBA:

Mark-Up of Proposed New Section 390 in Agenda Item 7-C

Following the IESBA's September meeting and input, the relevant sustainability examples in the draft text will be shared with the Sustainability Reference Group (SRG) for comment. As appropriate, the draft text will also be shared with the SRG to ensure it is sufficiently professional-neutral.

PROPOSED NEW SECTION 390 USING THE WORK OF AN EXPERT

Introduction

- 390.1 ~~Professional accountant~~ Sustainability assurance practitioners are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 390.2 Using the work of an expert might create threats to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional competence and due care.
- 390.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to using the work of an expert.

Requirements and Application Material

Circumstances Where an Expert Might Be Used

- 390.4 A1 An expert might be used to undertake specific work to support an professional service engagement provided performed by a ~~professional accountant~~ sustainability assurance practitioner. Such work can be in a field that is well-established or that is emerging. Examples of such work include:
- ~~The valuation of complex financial instruments, land and buildings, plant and machinery, jewelry, works of art, antiques, intangible assets, assets acquired and liabilities assumed in business combinations, and assets that may have been impaired.~~
 - ~~The actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.~~
 - ~~The estimation of oil and gas reserves.~~
 - The valuation of environmental liabilities, and site clean-up costs.
 - The interpretation of contracts, laws and regulations, including tax laws and regulations, tax treaties and bilateral agreements.
 - ~~The accounting for specific matters, including applying methods of accounting for deferred income tax or financial instruments.~~
 - The calculation of greenhouse gas emissions.

- The definition and measurement of pollutants emitted to air, water and soil.
- The valuation of products and materials designed along principles for a sustainable circular economy, including durability, reusability, repairability, disassembly, remanufacturing, and recycling.
- Assessment and evaluation of cybersecurity systems.

390.4 A2 Individuals or organizations that provide datasets for general purpose are not experts. Such individuals or organizations include, for example, those that provide industry or other benchmarking data or studies, such as information about [\[employment statistics \(for instance, hours worked and compensation per week by geographical area\)\]](#), ~~real estate prices~~ that is suitable for use by a broad range of users, or [\[carbon emissions by vehicle type\]](#) ~~mortality tables~~ for general use.

R390.5 If a ~~professional accountant sustainability assurance practitioner~~ determines that expertise outside the ~~accountant practitioner~~'s knowledge and skills is needed to assist the ~~accountant practitioner~~ in performing an ~~professional service engagement for a sustainability assurance client~~, the ~~accountant practitioner~~ shall identify an expert for this purpose.

390.5 A1 A self-interest threat to compliance with the fundamental principles of integrity and professional competence and due care is created if a ~~professional accountant sustainability assurance practitioner~~ has insufficient expertise to perform an ~~professional service engagement for a sustainability assurance client~~.

Agreeing the Work to be Performed by an Expert

All ~~Engagements Performed for a Sustainability Assurance Client~~ ~~Professional Services~~

R390.6 If the ~~professional accountant sustainability assurance practitioner~~ has identified an expert to use for an ~~professional service engagement~~, the ~~accountant practitioner~~ shall agree the terms of engagement with the expert, including the nature and scope of the work to be performed by the expert.

390.6 A1 In agreeing the terms of engagement, matters that the ~~professional accountant sustainability assurance practitioner~~ might discuss with the expert include:

- The purpose, intended use and timing of the expert's work.
- The general approach to the expert's work.
- The expected format and content of the expert's completed work, including any assumptions made and limitations to that work.
- Expectations regarding the expert's objectivity, including information needed from the expert to facilitate the ~~accountant practitioner~~'s evaluation of that objectivity.
- Expectations regarding confidentiality of the expert's work and its inputs.

Evaluating Whether to Use the Work of the Expert

All Engagements Performed for a Sustainability Assurance Client ~~Professional Services~~

- R390.7** In determining whether it is appropriate to use the work of the expert, the ~~professional accountant~~ sustainability assurance practitioner shall evaluate the expert's competence, capabilities and objectivity.
- 390.7 A1 An expert whose work is used to assist a ~~professional accountant~~ sustainability assurance practitioner in performing an ~~professional service engagement~~ might be:
- (a) An external expert; or
 - (b) An expert employed by the ~~accountant/practitioner's firm~~.
- 390.7 A2 If in the course of performing an ~~professional service engagement~~, the ~~professional accountant~~ sustainability assurance practitioner uses the work of a management's expert, such work is deemed to be information provided by management for the purposes of this section.
- 390.7 A3 In the context of an ~~audit or other~~ sustainability assurance engagement, depending on their role, an expert is:
- (a) An engagement team member if the expert performs ~~audit or other~~ assurance procedures for the engagement;
 - (b) A sustainability ~~n-audit or~~ assurance team member if the expert provides consultation on the ~~audit or other~~ sustainability assurance engagement which can directly influence the outcome of the engagement;
 - (c) An external expert if the expert is engaged by the ~~professional accountant~~ sustainability assurance practitioner's firm and the expert's work is used to assist the ~~accountant~~ practitioner in obtaining sufficient appropriate evidence; or
 - (d) A management's expert if the expert is employed or engaged by the ~~audit or~~ sustainability assurance client and the expert's work is used to assist the entity in preparing the financial or non-financial information.
- 390.7 A4 A self-interest or advocacy threat to compliance with the principles of integrity, objectivity and professional competence and due care might be created if a ~~professional accountant~~ sustainability assurance practitioner uses an expert that does not have the competence, capabilities or objectivity to deliver the expert work needed for the particular ~~professional service engagement~~.
- 390.7 A5 Factors that are relevant in evaluating the competence of the expert include:
- Whether the expert's credentials, education, training, experience and reputation are relevant to, or consistent with, the nature of the work to be performed.
 - Whether the expert belongs to a professional body and, if so, whether the expert is in good standing.
 - Whether the expert's work is subject to professional standards issued by a recognized body, or follows generally accepted principles or practices, in the expert's field or area of expertise.

- Whether the expert has a track record of performing similar work for the ~~professional accountant sustainability assurance practitioner's firm~~ or other clients.
- Where the expert is employed by the ~~accountant practitioner's firm~~, whether their expertise has been validated by an accreditation or similar process established by the ~~practitioner firm~~.

390.7 A6 Factors that are relevant in evaluating the capabilities of the expert include:

- The resources available to the expert.
- Whether the expert has adequate time to perform the work.

390.7 A7 Factors that are relevant in evaluating the objectivity of the expert include:

- Whether the expert is subject to ethics standards issued by a ~~recognized~~ professional body in the expert's field or area of expertise.
- Whether the expert has a conflict of interest in relation to the work the expert is performing at the entity.
- Whether there is any known potential bias that might affect the exercise of the expert's professional judgment.
- Whether the expert will evaluate or rely on any previous judgments made or activities performed by the expert in undertaking the work.
- Where the expert is employed by the ~~professional accountant sustainability assurance practitioner's firm~~, whether the expert is subject to the ~~firm's practitioner's~~ system of quality management addressing threats to compliance with the principle of objectivity.

Paragraphs R390.10 to R390.13 set out required further actions in evaluating the objectivity of an expert in an ~~audit or other~~ sustainability assurance engagement.

390.7 A8 Examples of previous judgments made or activities performed by an expert that might create a threat to the expert's objectivity include:

- Advising the entity on the matter for which the expert is performing the work.
- Producing data or other information for the entity which is then used by the expert in performing the work or is the subject of that work.

390.7 A9 Information about an expert's competence, capabilities and objectivity might be obtained from various sources, including:

- Personal association or experience with previous work undertaken by the expert.
- Consulting with others within or outside the ~~professional accountant sustainability assurance practitioner's firm~~ who are familiar with the expert's work.
- Discussion with the expert about their background, including their field of expertise and business activities.
- Making inquiries of the expert's professional body or industry association.
- Published papers or books written by the expert.

- External recognition or accolades.
- Published records, such as legal proceedings involving the expert.
- Inquiry with the [sustainability assurance](#) client and, if different, the entity at which the expert is performing the work regarding any interests and relationships between the expert and the client or the entity.

Experts in Emerging Fields or Areas

- 390.8 A1 Expertise in emerging fields or areas might evolve depending on how laws, regulations and generally accepted practices develop. There might therefore be limited availability of experts in emerging fields or areas.
- 390.8 A2 Some of the factors relevant to evaluating the competence of an expert in paragraph 390.7 A5 might not be applicable if expertise in an emerging field or area is nascent. For example, there might not be public recognition of the expert, professional standards might not have been developed, or professional bodies might not have been established in the emerging field. In such circumstances, a factor that might assist the ~~professional accountant~~ [sustainability assurance practitioner](#) in evaluating an expert's competence is the expert's experience in a similar field as the emerging field, or in an established field, that provides a reasonable basis for the expert's work in the emerging field.

Inherent Limitations in Evaluating an Expert's Competence, Capabilities or Objectivity

- 390.9 A1 Paragraph R113.3 sets out communication responsibilities for the ~~professional accountant~~ [sustainability assurance practitioner](#) with respect to limitations inherent in the ~~accountant practitioner's~~ [professional service engagements](#). When using the work of an expert, such communication might be especially relevant when there is a lack of information to evaluate the expert's competence, capabilities or objectivity, and there is no available alternative to that expert.

Further Actions in Evaluating the Objectivity of an External Expert in a [Sustainability n-Audit or Other Assurance Engagement](#)

- R390.10** In evaluating the objectivity of an external expert in a [sustainability n-audit or other](#) assurance engagement pursuant to paragraph R390.7, the ~~professional accountant~~ [sustainability assurance practitioner](#) shall request the external expert to disclose, in relation to the entity at which the expert is performing the work and with respect to the period covered by the ~~audit or~~ assurance report and the engagement period, information about:
- (a) Any direct financial interest or material indirect financial interest held by the external expert or their immediate family in the entity;
 - (b) Any loan, or guarantee of a loan, made to the entity by the external expert or their immediate family, unless the loan or guarantee is immaterial to both the expert and the entity;
 - (c) Any loan, or a guarantee of a loan, accepted by the external expert or their immediate family from the entity if it is a bank or similar institution, unless the loan or guarantee is made under normal lending procedures, terms and conditions;

- (d) Any loan, or a guarantee of a loan, accepted by the external expert or their immediate family from the entity if it is not a bank or similar institution, unless the loan or guarantee is immaterial to both the expert and the entity;
 - (e) Any close business relationship between the external expert or their immediate family and the entity or its management, unless any financial interest is immaterial and the business relationship is insignificant to the expert and the entity or its management;
 - (f) Any long association between the external expert and the entity;
 - (g) Any previous public statements by the external expert which advocate for the entity;
 - (h) Any position as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information, or the records underlying such information:
 - (i) Held by the external expert or their immediate family; or
 - (ii) Previously held by the external expert before the period covered by the ~~audit or~~ assurance report;
 - (i) Any material fee or contingent fee or dependency on fees or other types of remuneration due to or received by the external expert from the entity;
 - (j) Any conflict of interest in relation to the work the external expert is performing at the entity; and
 - (k) If the external expert is an organization, the nature and extent of interests and relationships between the controlling owner of the external expert and the entity.
- 390.10 A1 Where the external expert uses a team to carry out the expert's work, paragraph R390.10 applies equally to all members of the team.
- R390.11** A ~~professional accountant~~ sustainability assurance practitioner shall request the external expert to communicate any changes in facts or circumstances regarding the matters set out in paragraph R390.10 that might arise during the period covered by the ~~audit or~~ assurance report or the engagement period.
- R390.12** A ~~professional accountant~~ sustainability assurance practitioner shall request each of the external expert and the sustainability assurance client to notify the ~~accountant practitioner~~ about any other interest, relationship or circumstance of which they are aware between:
- (a) The expert and the sustainability assurance client; and
 - (b) The expert and the entity at which the expert is performing the work, if different from the client.
- R390.13** When the ~~professional accountant~~ sustainability assurance practitioner is notified of an interest, relationship or circumstance pursuant to paragraph R390.12, the ~~accountant practitioner~~ shall include it when identifying and evaluating threats to the external expert's objectivity.
- 390.13 A1 Examples of interests, relationships or circumstances that might be included in the evaluation of the external expert's objectivity include, in relation to the sustainability assurance client or, if different, the entity at which the expert is performing the work:

- Any direct financial interest or material indirect financial interest in the client held by the expert or their immediate family.
- Close family members or other close relationships of the expert who are in a position to exert significant influence over the preparation of the financial or non-financial information of the entity, or the records underlying such information.
- Any interests or relationships with the client and those entities over which it has direct or indirect control.

Concluding on Using the Work of the Expert

All ~~Engagements Performed for a Sustainability Assurance Client~~ ~~Professional Services~~

- R390.14** The ~~professional accountant~~ sustainability assurance practitioner shall conclude, based on the evaluation of the expert's competence and capabilities, and any identified threats to the expert's objectivity, whether the expert is competent, has the capabilities, and is objective.
- R390.15** If the ~~professional accountant~~ sustainability assurance practitioner concludes that the expert is not competent, capable or objective, the ~~accountant~~ practitioner shall not use the expert's work.
- 390.15 A1 Where an expert is employed by the ~~professional accountant sustainability assurance practitioner's firm and~~, that individual expert is bound by the same ethical and, if applicable, independence requirements that apply to the ~~accountant individual practitioner~~. ~~Accordingly~~, compliance with those requirements will satisfy the objectivity requirement for the expert under paragraphs R390.7 and R390.14.

Potential Threats Arising from Using the Work of an Expert

All ~~Engagements Performed for a Sustainability Assurance Client~~ ~~Professional Services~~

- R390.16** Where a ~~professional accountant~~ sustainability assurance practitioner is using the work of an expert, the ~~professional accountant~~ practitioner shall identify, evaluate, and address any threats to compliance with the fundamental principles.

Identifying Threats

- 390.17 A1 Examples of facts and circumstances that might create threats for a ~~professional accountant~~ sustainability assurance practitioner when using an expert's work include:
- (a) Self-interest threats
- A ~~professional accountant~~ sustainability assurance practitioner has insufficient understanding of the expert's work to explain the expert's conclusions and findings.
 - A ~~professional accountant~~ sustainability assurance practitioner has undue influence from, or undue reliance on, an expert or multiple experts when performing a ~~professional service~~ engagement.
- (b) Familiarity threats
- A ~~professional accountant~~ sustainability assurance practitioner has used the work of the same expert for a long period of time or in multiple ~~professional service~~ engagements.

(c) Intimidation threats

- A ~~professional accountant sustainability assurance practitioner~~ feels pressure to defer to the expert's opinion due to the expert's perceived authority.

Evaluating Threats

390.18 A1 Factors that are relevant in evaluating the level of such threats include:

- The scope and purpose of the work of the expert.
- The materiality of the subject matter of the expert's work to the sustainability information being reported.
- The nature of the engagement in which the expert's work is intended to be used.
- The degree of reliance by the ~~professional accountant sustainability assurance practitioner~~ on the work of the expert.
- The ~~sustainability assurance practitioner's firm's~~ oversight relating to the use of the expert and the expert's work.
- Whether there are multiple experts involved.
- The complexity and subjectivity of the expert work.
- The source and reliability of the underlying data and other inputs used by the expert.
- The expert's ability to explain the inputs, assumptions, methodologies and conclusions of the expert's work.
- The reasonableness of and transparency over the data, assumptions and other inputs and methods used by the expert and whether the expert has mitigated any bias.
- Whether the work of the expert is subject to technical performance standards or other professional or industry generally accepted practices, or law or regulation, such that the work, if performed by two or more parties, is not likely to be materially different.
- The reasonableness of the expert's findings or conclusions and the ~~accountant practitioner's~~ ability to understand and explain the expert's work and its appropriateness for the intended purpose.
- The consistency of the expert's work, including the expert's conclusions or findings, with other information.
- The availability of academic research or other evidence to support the expert's approach.
- Whether there is pressure being exerted by the ~~individual practitioner's~~ firm to accept the expert's conclusions or findings due to the time or cost spent by the expert in performing the work.

Using the Work of Multiple Experts

R390.19 When a ~~professional accountant sustainability assurance practitioner~~ uses the work of more than one expert in the performance of an ~~professional service engagement~~, the ~~accountant practitioner~~ shall consider whether, in addition to the threats that might be created by using

each expert individually, the combined effect of using the work of the experts might create or impact the level of threats.

390.19 A1 Factors that are relevant in evaluating the level of threats created by using the work of multiple experts include:

- How the combined effect of using multiple experts impacts the complexity of exercising professional judgment.
- Whether the combined work of the experts forms a material part of the information assessed or used for purposes of the engagement.

Addressing Threats

390.20 A1 An example of an action that might eliminate such threats is identifying a different expert to use.

390.20 A2 Examples of actions that might be safeguards to address such threats include:

- Consulting with qualified personnel who have the necessary knowledge, skills and experience to evaluate the expert's work, obtain additional input, or challenge the appropriateness of the expert's work for the intended purpose.
- Obtaining a second opinion on the expert's work.

Communicating with Management and Those Charged with Governance When Using the Work of an Expert

390.21 A1 The ~~professional accountant~~ [sustainability assurance practitioner](#) is encouraged to communicate with management, and where appropriate, those charged with governance:

- The purpose of using an expert and the scope of the expert's work.
- The respective roles and responsibilities of the ~~accountant practitioner~~ and the expert in the performance of the ~~professional service engagement~~.
- Any threats to the ~~accountant practitioner~~'s compliance with the fundamental principles created by using the work of the expert and how they have been addressed.

Documentation

390.22 A1 The ~~professional accountant~~ [sustainability assurance practitioner](#) is encouraged to document:

- The steps taken by the ~~accountant practitioner~~ to evaluate the expert's competence, capabilities and objectivity, and the resulting conclusions.
- Any significant threats identified by the ~~accountant practitioner~~ in using the expert's work and the actions taken to address the threats.
- The results of any discussions with the expert.