

## Proposed Revised Glossary (Mark-Up)

### Note to IESBA

This agenda item includes the draft revised Glossary to the Code. The document is a mark-up from the 2024 version of the Glossary. The changes from the [September 2023 version](#) of the draft standards are highlighted in yellow.

WS1 and WS2's explanations regarding the changes that are not editorial are included in grey boxes within the document.

Acceptable level  
(WS2) A level at which a professional accountant [or sustainability assurance practitioner](#) using the reasonable and informed third party test would likely conclude that the accountant [or the practitioner](#) complies with the fundamental principles.

Advertising  
(WS2) The communication to the public of information as to the services or skills provided by professional accountants in public practice [or sustainability assurance practitioners](#) with a view to procuring professional business.

[Another Practitioner](#)  
(WS1) [A sole practitioner, partnership or corporation of practitioners that performs assurance work relevant to a sustainability assurance engagement, and that is not under the direction, supervision and review of the sustainability assurance practitioner.](#)  
[An individual from another practitioner who performs the assurance work is not a member of the engagement team.](#)

### Matters for IESBA's Consideration

The proposed definition of another practitioner is in line with the proposed determination in the ED of ISSA 5000.

The changes from the September 2023 version of that definition clarify that "another practitioner" covers the firm of the practitioner. As a result, Part 5 will set out provisions relevant to the practitioner and the individuals from that practitioner performing the assurance work.

Appropriate reviewer  
(WS2) *An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided. Such an individual might be a professional accountant [or a sustainability assurance practitioner](#).*  
*This term is described in paragraphs 300.8 A4 [and 5300.8 A4](#).*

Assurance client  
(WS1)

The responsible party and also, in an attestation engagement, the party taking responsibility for the subject matter information (who might be the same as the responsible party).

[In the case of a sustainability assurance engagement addressed in Part 5, see the definition of "sustainability assurance client."](#)

Assurance engagement  
(WS1)

An engagement in which a professional accountant in public practice aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.

(ISAE 3000 (Revised) describes the elements and objectives of an assurance engagement conducted under that Standard and the Assurance Framework provides a general description of assurance engagements to which *International Standards on Auditing (ISAs)*, *International Standards on Review Engagements (ISREs)* and *International Standards on Assurance Engagements (ISAEs)* apply.)

*In Part 4B, the term "assurance engagement" addresses assurance engagements other than audit engagements, ~~or~~ review engagements, or sustainability assurance engagements addressed in Part 5.*

Assurance team  
(WS1)

(a) All members of the engagement team for the assurance engagement;

(b) All others within, or engaged by, the firm who can directly influence the outcome of the assurance engagement, including:

(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;

(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and

(iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement.

[In the case of sustainability assurance engagements addressed in Part 5, see the definition of "sustainability assurance team."](#)

Attestation engagement  
(WS1)

An assurance engagement in which a party other than the professional accountant in public practice or the sustainability assurance practitioner, as applicable, measures or evaluates the underlying subject matter against the

criteria.

A party other than the **accountant or the practitioner** also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by **the accountant or the practitioner** in the assurance report. In an attestation engagement, the **accountant's or the practitioner's** conclusion addresses whether the subject matter information is free from material misstatement.

The **accountant's or the practitioner's** conclusion may be phrased in terms of:

- (i) The underlying subject matter and the applicable criteria;
- (ii) The subject matter information and the applicable criteria; or
- (iii) A statement made by the appropriate party.

*In Part 4A, the term "audit" applies equally to "review."*

#### **Matters for IESBA's Consideration**

The proposed changes from the September 2023 version clarifies that the definition of attestation engagements is applicable in the context of both:

- Assurance engagements performed by professional accountant in accordance with Part 4B, and
- Sustainability assurance engagement performed by sustainability assurance practitioners in accordance with Part 5.

**Audit client** An entity in respect of which a firm conducts an audit engagement. When the client is a publicly traded entity, in accordance with paragraphs R400.22 and R400.23, audit client will always include its related entities. When the audit client is not a publicly traded entity, audit client includes those related entities over which the client has direct or indirect control. *(See also paragraph R400.27.)*

*In Part 4A, the term "audit client" applies equally to "review client."*

*In the case of a group audit, see the definition of group audit client.*

**Audit engagement** A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with *International Standards on Auditing*. This includes a Statutory Audit, which is an audit required by legislation or other regulation. *In Part 4A, the term "audit engagement" applies equally to "review engagement."*

Audit report *In Part 4A, the term "audit report" applies equally to "review report."*

- Audit team
- (a) All members of the engagement team for the audit engagement;
  - (b) All others within, or engaged by, the firm who can directly influence the outcome of the audit engagement, including:
    - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
    - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
    - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
  - (c) Any other individuals within a network firm who can directly influence the outcome of the audit engagement.

*In Part 4A, the term "audit team" applies equally to "review team." In the case of a group audit, see the definition of group audit team.*

Component  
**(WS1)** [For a group audit, An](#) entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for purposes of planning and performing audit procedures in [a the](#) group audit.

[For a group sustainability assurance engagement, an entity, business unit, function or business activity, or some combination thereof, determined by the group sustainability assurance firm for purposes of planning and performing assurance procedures in the group sustainability assurance engagement, excluding entities within the value chain.](#)

### Matters for IESBA's Consideration

Responding to the comments from the Board and other stakeholders, WS1 clarified that in the context of group sustainability assurance engagement, the reference to components in Part 5 does not include any entities within the client's value chain.

- Component  
audit client
- A component in respect of which a group auditor firm or component auditor firm performs audit work for purposes of a group audit. When a component is:
- (a) A legal entity, the component audit client is the entity and any related

entities over which the entity has direct or indirect control; or

- (b) A business unit, function or business activity (or some combination thereof), the component audit client is the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.

Component auditor firm      The firm performing audit work related to a component for purposes of a group audit.

Component sustainability assurance client      A component in respect of which a group sustainability assurance firm or component sustainability assurance firm performs assurance work for purposes of a group sustainability assurance engagement. When a component is:

- (WS1)**
- (a) A legal entity, the component sustainability assurance client is the entity and any related entities over which the entity has direct or indirect control; or
- (b) A business unit, function or business activity (or some combination thereof), the component sustainability assurance client is the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.

Component sustainability assurance firm      The firm performing assurance work related to a component for purposes of a group sustainability assurance engagement.

**(WS1)**

Close family      A parent, child or sibling who is not an immediate family member.

Conceptual framework      *This term is described in Sections 120 and 5120.*

Confidential information      Any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

Contingent fee      A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.

Cooling-off period      *This term is described in paragraph R540.75 and R5540.7 for the purposes of paragraphs R540.131 to R540.2149 and R5540.13 to R5540.21.*

**(WS1)**

Criteria  
(WS2) In an assurance engagement, including a sustainability assurance engagement, the benchmarks used to measure or evaluate the underlying subject matter. The "applicable criteria" are the criteria used for the particular engagement.

Direct  
engagement  
(WS1) An assurance engagement in which the **professional accountant in public practice** measures or evaluates the underlying subject matter against the applicable criteria and the **accountant** presents the resulting subject matter information as part of, or accompanying, the assurance report. In a direct engagement, the **accountant's** conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria.

### Matters for IESBA's Consideration

Since the International Independence Standards in Part 5 will only apply to attestation engagements, WS1 proposes reverting to the original wording of the definition.

Direct financial  
interest  
(WS1) A financial interest:  
(a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or  
(b) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.

Director or  
officer Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which might vary from jurisdiction to jurisdiction.

Eligible audit  
engagement *This term is described in paragraph 800.2 for the purposes of Section 800.*

Eligible  
assurance  
engagement *This term is described in paragraph 990.2 for the purposes of Section 990.*

Engagement  
leader  
(WS1) An individual, appointed by the firm, who is responsible for the sustainability assurance engagement and its performance, and for the sustainability assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. "Engagement leader" should be read as referring to its public sector equivalent where relevant.

*In the case of audit and review engagements, see the definition of "engagement partner."*

Engagement partner  
(WS1)

The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

*In the case of a sustainability assurance engagement addressed in Part 5, see the definition of "engagement leader."*

Engagement period  
(Audit and Review Engagements)

The engagement period starts when the audit team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.

Engagement period (Sustainability Assurance Engagements Within the Scope of Part 5)

The engagement period starts when the sustainability assurance team begins to perform the sustainability assurance engagement. The engagement period ends when the sustainability assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final sustainability assurance report.

(WS1)

Engagement period  
(Assurance Engagements Other than Audit

The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.

Engagements, and Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5)

**(WS1)**

Engagement quality review An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report.

Engagement quality reviewer A **leader or partner**, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.

**(WS2)**

**Change to Engagement Quality Reviewer and Engagement Team**

WS2 proposes to change the order and mention "leader" first, which is the profession-agnostic term. (This change mirrors the change proposed in paragraph 5325.5 A2 – see Agenda Item 5-A.)

The same change was made by WS1 in the definition of "Engagement Team" for consistency purposes.

Engagement team All **leaders or** partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding external experts and internal auditors who provide direct assistance on the engagement.

**(WS1)**

*In Part 4A, the term "engagement team" refers to individuals performing audit or review procedures on the audit or review engagement, respectively. This term is further described in paragraph 400.9.*

*ISA 220 (Revised) provides further guidance on the definition of engagement team in the context of an audit of financial statements.*

*ISA 620 defines an auditor's expert as an individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. ISA 620 deals with the auditor's responsibilities relating to the work of such experts.*

*ISA 610 (Revised 2013) deals with the auditor's responsibilities if using the work of internal auditors, including using internal auditors to provide direct assistance on the audit engagement.*

*In Part 4B, the term "engagement team" refers to individuals performing assurance procedures on the assurance engagement.*

*[In Part 5, the term "engagement team" refers to individuals performing assurance procedures on the sustainability assurance engagement. This](#)*



excludes individuals who are not under the direction, supervision and review of the sustainability assurance practitioner (e.g., individuals from “another practitioner”). This term is further described in paragraph 5400.9 in Part 5.

Existing accountant A professional accountant in public practice currently holding an audit appointment or carrying out accounting, tax, consulting or similar professional services for a client.

Existing practitioner (WS2) An individual or an entity currently holding an appointment to perform a sustainability assurance engagement or carrying out other professional services for a sustainability assurance client.

### Change to Existing Practitioner

Proposal to better align this definition with the extant one (of "existing accountant") and thus address comments from a few IESBA members at the September 2023 meeting regarding the fact that the proposed wording did not include an end/stop point for SAEs.

The previous wording (September 2023) was:

"An individual or an entity currently performing a service for a sustainability assurance client."

External expert (Use of Expert TF) An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.

Financial interest An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

Financial statements A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.

*The term does not refer to specific elements, accounts or items of a financial statement.*

Financial statements on which the firm will express an opinion

In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.

Firm (WS1)

(a) A sole practitioner, partnership or corporation of professional accountants or sustainability assurance practitioners;

(b) An entity that controls such parties, through ownership, management or other means; and

(c) An entity controlled by such parties, through ownership, management or other means.

*Paragraphs 400.4 and 900.3 explain how the word "firm" is used to address the responsibility of professional accountants and firms for compliance with Parts 4A and 4B, respectively.*

*Paragraph 5400.4 explains how the word "firm" is used to address the responsibility of individual sustainability assurance practitioners and firms for compliance with Part 5.*

Fundamental principles

*This term is described in paragraphs 110.1 A1 and 5110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:*

*Integrity* R111.1 and R5111.1

*Objectivity* R112.1 and R5112.1

*Professional competence and due care* R113.1 and R5113.1

*Confidentiality* R114.1 to R114.3 and R5114.1 to

*Professional behavior* R5114.3

R115.1 and R5115.1

General purpose framework

A reporting framework designed to meet the common information needs of a wide range of users. The framework may be a fair presentation framework or a compliance framework.

(WS1)

The term "fair presentation framework" is used to refer to a reporting framework that requires compliance with the requirements of the framework and:

(i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the reported information, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or

(ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the reported information. Such departures are expected to be necessary only in extremely rare circumstances

The term “compliance framework” is used to refer to a reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

In Part 5, general purpose framework refers to general purpose sustainability reporting frameworks.

Group  
**(WS1)** A reporting entity for which group financial statements or group sustainability information are-is prepared.

Group audit The audit of group financial statements.

Group audit client The entity on whose group financial statements the group auditor firm conducts an audit engagement. When the entity is a publicly traded entity, the group audit client will always include its related entities and any other components at which audit work is performed. When the entity is not a publicly traded entity, the group audit client includes related entities over which such entity has direct or indirect control and any other components at which audit work is performed.

*See also paragraph R400.27.*

Group auditor firm The firm that expresses the opinion on the group financial statements.

Group audit team

- (a) All members of the engagement team for the group audit, including individuals within, or engaged by, component auditor firms who perform audit procedures related to components for purposes of the group audit;
- (b) All others within, or engaged by, the group auditor firm who can directly influence the outcome of the group audit, including:
  - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the group engagement partner in connection with the performance of the group audit, including those at all successively senior levels above the group engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);

- (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the group audit; and
- (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the group audit;
- (c) Any other individuals within a network firm of the group auditor firm's network who can directly influence the outcome of the group audit; and
- (d) Any other individuals within a component auditor firm outside the group auditor firm's network who can directly influence the outcome of the group audit.

Group engagement leader

**(WS1)**

The engagement leader who is responsible for the group sustainability assurance engagement.

Group engagement partner

The engagement partner who is responsible for the group audit.

Group financial statements

Financial statements that include the financial information of more than one entity or business unit through a consolidation process.

Group sustainability assurance client

**(WS1)**

The entity on whose group sustainability information the group sustainability assurance firm conducts a sustainability assurance engagement. When the entity is a publicly traded entity, the group sustainability assurance client will always include its related entities and any other components at which assurance work is performed. When the entity is not a publicly traded entity, the group sustainability assurance client includes related entities over which such entity has direct or indirect control and any other components at which assurance work is performed.

See also paragraph R5400.27.

Group sustainability assurance engagement

**(WS1)**

The sustainability assurance engagement to report on group sustainability information.

Group sustainability assurance firm

**(WS1)**

The firm that expresses the opinion on the group sustainability information.

Group sustainability assurance team

**(WS1)**

- (a) All members of the engagement team for the group sustainability assurance engagement, including individuals within, or engaged by, component sustainability assurance firms who perform assurance procedures related to components for purposes of the group sustainability assurance engagement;
- (b) All others within, or engaged by, the group sustainability assurance firm who can directly influence the outcome of the group sustainability assurance engagement, including:
- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the group engagement leader in connection with the performance of the group sustainability assurance engagement, including those at all successively senior levels above the group engagement leader through to the individual who is the firm's Chief Executive or equivalent;
  - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the group sustainability assurance engagement; and
  - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the group sustainability assurance engagement;
- (c) Any other individuals within a network firm of the group sustainability assurance firm's network who can directly influence the outcome of the group sustainability assurance engagement; and
- (d) Any other individuals within a component sustainability assurance firm outside the group sustainability assurance firm's network who can directly influence the outcome of the group sustainability assurance engagement.

Group sustainability information

**(WS1)**

Sustainability information that includes the sustainability information of more than one entity or business unit.

Historical financial information Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

Immediate family A spouse (or equivalent) or dependent.

Independence (WS1) Independence comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit, ~~or~~ assurance, or sustainability assurance team member's, integrity, objectivity or professional skepticism has been compromised.

*As set out in paragraphs 400.5, ~~and~~ 900.4, ~~and~~ 5400.5 references to an individual or firm being "independent" mean that the individual or firm has complied with Parts 4A, ~~and~~ 4B ~~and~~ 5, as applicable.*

Indirect financial interest A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.

Inducement (WS2) An object, situation, or action that is used as a means to influence another individual's behavior, but not necessarily with the intent to improperly influence that individual's behavior.

*Inducements can range from minor acts of hospitality between business colleagues (for professional accountants in business), or between professional accountants and existing or prospective clients (for professional accountants in public practice), or between sustainability assurance practitioners and existing or prospective sustainability assurance clients, to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:*

- *Gifts.*
- *Hospitality.*
- *Entertainment.*
- *Political or charitable donations.*

- *Appeals to friendship and loyalty.*
- *Employment or other commercial opportunities.*
- *Preferential treatment, rights or privileges.*

**Key audit partner** The engagement partner, the individual responsible for the engagement quality review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" might include, for example, engagement partners for certain components in a group audit such as significant subsidiaries or divisions.

**Key sustainability assurance leader**  
**(WS1)** The engagement leader, the individual responsible for the engagement quality review, and other leaders, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the sustainability assurance engagement. Depending upon the circumstances and the role of the individuals on the sustainability assurance engagement, "other leaders" might include, for example, engagement leaders for certain components in a group sustainability assurance engagement such as significant subsidiaries or divisions.

**Leader**  
**(WS1)** Any individual with authority to bind a firm with respect to the performance of a professional service.  
This term is used in the context of sustainability assurance engagements in Part 5.

**May** *This term is used in the Code to denote permission to take a particular action in certain circumstances, including as an exception to a requirement. It is not used to denote possibility.*

**Might** *This term is used in the Code to denote the possibility of a matter arising, an event occurring or a course of action being taken. The term does not ascribe any particular level of possibility or likelihood when used in conjunction with a threat, as the evaluation of the level of a threat depends on the facts and circumstances of any particular matter, event or course of action.*

**Network**  
**(WS1)** A larger structure:  
(a) That is aimed at co-operation; and  
(b) That is clearly aimed at profit or cost sharing or shares common

ownership, control or management, common quality management policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network firm A firm or entity that belongs to a network.  
*For further information, see paragraphs 400.50 A1 to 400.54 A1 [in Part 4A](#) and paragraphs 5400.50 A1 to 5400.54 A1 [in Part 5](#).*

Non-compliance with laws and regulations *Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:*

*(Professional Accountants in Business)*

- (a) The professional accountant's' employing organization;*
- (b) Those charged with governance of the employing organization;*
- (c) Management of the employing organization; or*
- (d) Other individuals working for or under the direction of the employing organization.*

*This term is described in paragraph 260.5 A1.*

Non-compliance with laws and regulations *Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:*

*(Professional Accountants in Public Practice)*

- (a) A client;*
- (b) Those charged with governance of a client;*
- (c) Management of a client; or*
- (d) Other individuals working for or under the direction of a client.*

*This term is described in paragraph 360.5 A1.*

Non-compliance with laws and regulations *Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:*

*(Sustainability Assurance Practitioners)*

- (a) A sustainability assurance client;*
- (b) Those charged with governance of a sustainability assurance client;*
- (c) Management of a sustainability assurance client; or*

**(WS2)**



(d) Other individuals working for or under the direction of a sustainability assurance client.

This term is described in paragraph 5360.5 A1.

Office A distinct sub-group, whether organized on geographical or practice lines.

Predecessor accountant A professional accountant in public practice who most recently held an audit appointment or carried out accounting, tax, consulting or similar professional services for a client, where there is no existing accountant.

Predecessor practitioner (WS2) An individual or an entity who most recently held an appointment to perform a sustainability assurance engagement or carried out other professional services for a sustainability assurance client, where there is no existing practitioner.

### Change to Predecessor Practitioner

Proposed changes to align with changes to "existing practitioner" and the extant definition of "predecessor accountant".

The previous wording (September 2023) was:

"An individual or an entity who most recently performed a service for a sustainability assurance client, where there is no existing practitioner."

Professional accountant An individual who is a member of an IFAC member body.  
*In Part 1, the term "professional accountant" refers to individual professional accountants in business and to professional accountants in public practice and their firms.*  
*In Part 2, the term "professional accountant" refers to professional accountants in business.*  
*In Parts 3, 4A and 4B, the term "professional accountant" refers to professional accountants in public practice and their firms.*

Professional accountant in business A professional accountant working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

Professional accountant in public practice A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services.

*The term "professional accountant in public practice" is also used to refer to*

*a firm of professional accountants in public practice.*

Professional activity  
(WS2)

An activity requiring ~~professional accountancy or related~~ skills undertaken by a professional accountant ~~or a sustainability assurance practitioner~~, including accounting, auditing, ~~sustainability reporting~~ ~~or assurance~~, tax, ~~management consulting~~, and financial management.

### Change to Professional Activity

Proposal to remove the second reference to "sustainability" (see bold and strikethrough below) as suggested by IESBA members at the September 2023 meeting.

"An activity requiring professional ~~accountancy or related~~ skills undertaken by a professional accountant or a sustainability assurance practitioner, including accounting, auditing, sustainability reporting, **sustainability** assurance, tax, ~~management consulting~~, and financial management."

Professional judgment  
(WS2)

*Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular professional activities, and the interests and relationships involved.*

*This term is described in paragraphs 120.5 A4 **and 5120.5 A4**.*

Professional services  
(WS2)

Professional activities performed for clients.

Proposed accountant

A professional accountant in public practice who is considering accepting an audit appointment or an engagement to perform accounting, tax, consulting or similar professional services for a prospective client (or in some cases, an existing client).

Proposed practitioner  
(WS2)

A sustainability assurance practitioner who is considering accepting **professional services** for a prospective sustainability assurance client (or in some cases, an existing sustainability assurance client).

### Change to Proposed Practitioner

Replaced "a service" with "professional services".

The previous wording (September 2023) was:

"A sustainability assurance practitioner who is considering accepting a service for a prospective sustainability assurance client (or in some cases, an existing sustainability assurance client)."

Public interest entity

**(WS1)**

For the purposes of Part 4A, an entity is a public interest entity when it falls within any of the following categories:

- (a) A publicly traded entity;
- (b) An entity one of whose main functions is to take deposits from the public;
- (c) An entity one of whose main functions is to provide insurance to the public; or
- (d) An entity specified as such by law, regulation or professional standards to meet the purpose described in paragraph 400.15.

The Code provides for the categories to be more explicitly defined or added to as described in paragraphs 400.23 A1 and 400.23 A2.

Publicly traded entity

An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

*A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.*

Reasonable and informed third party

Reasonable and informed third party test

**(WS2)**

*The reasonable and informed third party test is a consideration by the professional accountant or the sustainability assurance practitioner about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant or the sustainability assurance practitioner knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant or a sustainability assurance practitioner, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant or sustainability assurance practitioner's conclusions in an impartial manner.*

*These terms are described in paragraphs 120.5 A9 and 5120.5 A9.*

Related entity

An entity that has any of the following relationships with the client:

- (a) An entity that has direct or indirect control over the client if the client is material to such entity;
- (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity;
- (c) An entity over which the client has direct or indirect control;

	<p>(d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</p> <p>(e) An entity which is under common control with the client (a "sister entity") if the sister entity and the client are both material to the entity that controls both the client and sister entity</p>
Responsible party	In an assurance engagement, the party responsible for the underlying subject matter.
Review client	An entity in respect of which a firm conducts a review engagement.
Review engagement	An assurance engagement, conducted in accordance with <i>International Standards on Review Engagements</i> or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant's attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.
Review team	<p>(a) All members of the engagement team for the review engagement; and</p> <p>(b) All others within, or engaged by, the firm who can directly influence the outcome of the review engagement, including:</p> <ul style="list-style-type: none"><li>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);</li><li>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</li><li>(iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and</li></ul> <p>(c) Any other individuals within a network firm who can directly influence the outcome of the review engagement.</p>
Safeguards	<i>Safeguards are actions, individually or in combination, that the professional</i>

**(WS2)** *accountant or the sustainability assurance practitioner takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.*

*This term is described in paragraphs 120.10 A2 and 5120.10 A2.*

Senior professional accountant in business *Senior professional accountants in business are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources.*

*This term is described in paragraph 260.11 A1.*

Special purpose financial statements Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.

Subject matter information The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.

Substantial harm *This term is described in paragraphs 260.5 A3, and 360.5 A3 and 5360.5 A3.*

Sustainability assurance client *An entity in respect of which a firm conducts a sustainability assurance engagement. When the client is a publicly traded entity, in accordance with paragraphs [R5400.22] and [R5400.23], sustainability assurance client will always include its related entities. When the sustainability assurance client is not a publicly traded entity, sustainability assurance client includes those related entities over which the client has direct or indirect control. (See also paragraph [R5400.22].)*

**(WS1)**

Sustainability assurance engagement *An engagement in which a sustainability assurance practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information.*

**(WS1)**

A sustainability assurance engagement can be either a:

- Reasonable assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the

practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation, including presentation and disclosure, of the underlying subject matter against applicable criteria; or

- Limited assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the sustainability information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly more than inconsequential.

Sustainability assurance practitioner  
(WS2)

The individual(s) conducting a sustainability assurance engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm).

Sustainability assurance team  
(WS1)

- (a) All members of the engagement team for the sustainability assurance engagement;
- (b) All others within, or engaged by, the firm who can directly influence the outcome of the sustainability assurance engagement, including:
  - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement leader in connection with the performance of the sustainability assurance engagement, including those at all successively senior levels above the engagement leader through to the individual who is the firm's Chief Executive;
  - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
  - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and

(c) Any other individuals within a network firm who can directly influence the outcome of the sustainability assurance engagement.

Sustainability information  
(WS2)

(a) Information about the opportunities, risks or impacts of:

(i) Economic, environmental, social, governance or other sustainability factors on an entity's activities, services or products; or

(ii) An entity's activities, services or products on the economy, the environment or the public; or

(b) Information defined by law, regulation or the relevant reporting or assurance framework as "sustainability information" or equivalent terms or descriptions.

Sustainability information includes information that may be:

- Expressed in financial or non-financial terms.
- Historical or forward-looking.
- Prepared for internal purposes or for mandatory or voluntary disclosure.
- Obtained from an entity or its value chain.
- Related to the quantitative or qualitative evaluation of an entity's past or expected performance over the short, medium or long term.
- Described in an entity's policies, plans, goals, commitments or representations.

### Change to Sustainability Information

4<sup>th</sup> bullet of the description (in italics): Deleted "such as the client's customers and suppliers" at the end since this excerpt is now included in the new definition of "value chain".

In addition, at the September 2023 meeting, a few IESBA members suggested that "cultural matters" could be added to promote convergence with the IAASB definition of "sustainability matters".

WS2 proposes not to make changes at this time solely for convergence purposes because ISSA 5000 ED is out for comments and, depending on the responses, the IAASB may make changes to their definitions, thus potentially rendering convergence efforts made at this time ineffective.

Those charged with governance (WS2) The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process or the sustainability reporting process, as applicable. For some entities in some jurisdictions, those charged with governance might include

management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

**Threats (WS2)** This term is described in paragraphs 120.6 A3 and 5120.6 A3 and includes the following categories:

Self interest	120.6 A3(a) and 5120.6 A3(a)
Self-review	120.6 A3(b) and 5120.6 A3(b)
Advocacy	120.6 A3(c) and 5120.6 A3(c)
Familiarity	120.6 A3(d) and 5120.6 A3(d)
Intimidation	120.6 A3(e) and 5120.6 A3(e)

**Time-on period** This term is described in paragraph R540.75 in Part 4A and R5540.7 in Part 5.

**Underlying subject matter** The phenomenon that is measured or evaluated by applying criteria.

**Value Chain** The value chain is a reporting concept that is defined, described or otherwise specified in the applicable sustainability reporting framework.  
The value chain might include, for example, a sustainability assurance client's customers and suppliers that are material for sustainability reporting purposes.  
The value chain does not include components.

### Matters for IESBA's Consideration

WS1 proposes that the Code define the value chain in accordance with the applicable reporting framework.

If the applicable reporting framework does require the reporting entity to include information regarding the value chain in the sustainability information, value chain entities will not be scoped in the sustainability assurance engagement, and no separate determination is necessary for independence purposes.

The proposed definition also highlights the difference between a component and a value chain entity.

Given the introduction of the value chain definition, WS1 has deleted the proposal for the reporting boundary definition presented in the September 2023 version of the Glossary.