Supplement 1 to Agenda Item 2-A

Sustainability – Analysis of Provisions in the IESBA Code

Applicability of the Code to Sustainability Reporting and Assurance

This document was prepared to document observations from a preliminary review of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code)[1] from a sustainability reporting and assurance perspective.

The objective of the review was to consider whether the provisions in the Code could be applied as is for sustainability information (preparation or assurance) and by persons/firms who are not accountants or whether some adaption may be necessary. The document includes extracts of the Code only. The document is provided for information and is intended to indicate, on a preliminary basis, the areas in the Code that might be subject to revision as part of a sustainability project.

Key Observations/ Matters to Consider

- The fundamental principles and the overarching principles-based provisions in the Code apply to sustainability reporting and assurance; material is sufficiently generic, but in some cases addition context and examples may be needed. In particular, the following are noteworthy:
  - A general issue to be addressed is the current focus of the terminology – e.g., references to professional accountant, financial statements versus subject matter/subject matter information, audit vs assurance. This issue is pervasive and therefore the tables below do NOT pick out every instance where there is a terminology consideration.
  - Certain provisions for the Code are essentially anti-greenwashing (e.g., R111.2, R220.8).
  - Within Part 2, the Code recognizes that PAIB might be responsible for non-financial information. Section 220 of the Code is clear that "information" includes non-financial; however, the list of examples could be expanded to include reference to other assurance providers, and sustainability information (e.g., at 220.5 A1)
  - Consider revising certain provisions in the Code to include sustainability-related examples (e.g., 260.5 A2, 260.20 A2, 270.3 A2, 360.5 A2, 360.25 A2, 360.5 A2, 521.4 A1, R521.5, 521.6 A1, R521.7, R600.14, 600.17 A1)
  - Open question as to how to apply certain provisions if sustainability assurance is voluntary (e.g., R360.7, R360.7 A1, R360.22, 360.22 A1)

[1] The review was undertaken on the current version of the Code ("extant Code"), including all revisions that have been approved by the IESBA. This includes:

- The following revisions that will become effective in December 2022.
  - The revisions to the non-assurance services (NAS) and fee-related provisions of the Code.
  - The revisions to address the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers.
  - The quality management-related conforming amendments to the Code that were issued as a result of the finalization of the IAASB suite of quality management standards.
- The recently issued revised definition of a public interest entity (PIE) which, among other matters, specifies a broader list of PIE categories, including a new category "publicly traded entity" to replace the category of "listed entity." The PIE-related revisions will become effective in December 15, 2024.

Prepared by: Keith Billing (August 2022)

- Many of the topic-specific PAIB-related provisions in Part 2 of the Code are also dealt with in Part 3 (e.g., NOCLAR, inducements, conflict of interest). However, Part 3 does not include a section on preparing and presenting information, pressure, or acting with sufficient expertise (i.e., topics covered in Sections 220, 230 and 270 of the Code thar are pertinent to sustainability reporting and assurance).

- Consider revising certain provisions to expand scope of the Code to professionals who are not PAs involved in sustainability reporting and assurance (e.g., 220.3 A2, 220.8 A2, R260.15, 260.15 A1, R320.8, 360.3, R350.15to R360.18, 360.34 A1, 900.2, 900.3)
- Revisions needed to certain provisions if the scope of Part 4A is expanded to apply to sustainability assurance engagements (e.g., 400.2, 400.10, 400.80 A2, 400.80 A3, 410.3 A3)
- Within the NAS provisions of the Code, consider whether sustainability-related material is expressly needed in relation to providing certain NAS to audit clients (e.g., subsections 601, 603, 605, 606, and 610)

Matters that Might Warrant Coordination with IAASB

- Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants (e.g., 120.14 A1, 120.15 A3, 325.5, A1, 325.8 A3, 325.8 A4, 400.4, 410.1 A4, 540.14 A1, 900.5, 905.5 A4).
- Consider how the concept of network firms applies if provision made to extend scope for firms that are not PAs (R360.32, 400.50 A1, R800.9, R900.14)
- Consider how to apply provisions in Part 4A in firms that are not partnerships (e.g., R411.4, R510.5, 524.3 A1, R524.4, R524.6, R524.7, R524.8). The Working Group notes that the IAASB does have a definition of' 'partner' which states that "Any individual with authority to bind the firm with respect to the performance of a professional services engagement."
- Consider revising certain provisions to address materiality in relation to sustainability engagements (e.g., 260.3, 360.3, R510.4, 600.10 A1, 600.9 A1, 950.8 A1).
- Consider explicit reference to IAASB's forthcoming sustainability-related standards and whether the reference to ISAE 3000 (Revised) remain appropriate (e.g., 900.7, 950.8 A1)

I. Part 1 – Complying with the Code, Fundamental Principles and Conceptual Framework

Paragraph in the Code	Observations/ Matters to Consider
Section 100 – Complying with the Code	
100.3 - The Code sets out high quality standards of ethical behavior expected of professional accountants for adoption by professional accountancy organizations which are members of the International Federation of Accountants (IFAC), or for use by such members as a basis for their codes of ethics. The Code may also be used or adopted by those responsible for setting ethics standards	• Revision needed if IESBA plans to expand the scope of the Code to be capable of application by persons/firms who are not PAs or members of IFAC.

for professional accountants in particular sectors or jurisdictions and by firms in developing their ethics and independence policies.	
Section 110 – The Fundamental Principles	
	• Section 110 is sufficiently generic. • Paragraph R111.2 of the Code would be anti-association with greenwashing.
Section 120 – The Conceptual Framework	
R120.5 When applying the conceptual framework, the professional accountant shall: (a) Have an inquiring mind; (b) Exercise professional judgment; and (c) Use the reasonable and informed third party test described in paragraph 120.5 A6.	• Persons/firms who are not accountants may be complying with other standards
120.14 A1 - ISQM 1 sets out requirements and application material relating to firm culture in the context of a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
120.15 A3 - Conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 that might assist in identifying and evaluating threats to compliance with the fundamental principles might also be factors relevant to identifying and evaluating threats to independence. In the context of audits, reviews and other assurance engagements, a system of quality management designed, implemented and operated by a firm in accordance with the quality management standards issued by the IAASB is an example of such conditions, policies and procedures.	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
Professional skepticism 120.16 A1 - Under auditing, review and other assurance standards, including those issued by the IAASB, professional accountants in public practice are required to exercise professional skepticism when planning and performing	• Persons/firms who are not accountants may be complying with other standards.

audits, reviews and other assurance engagements. Professional skepticism and the fundamental principles that are described in Section 110 are inter-related concepts.	
120.16 A2 - In an audit of financial statements, compliance with the fundamental principles, individually and collectively, supports the exercise of professional skepticism, as shown in the following examples: …	• May be helpful to amend the paragraph to more generally cover assurance engagements. The examples would remain valid – there are a couple of references to "audit evidence" that could modified.

II. Part 2 – Professional Accountants in Business

Paragraph in the Code	Observations/ Matters to Consider
Section 200 – Applying the Conceptual; Framework – Professional Accountants in Business	
200.2 - … Professional accountants in business might be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and third parties might rely. …	• Already recognises that PAIB might be responsible for non-financial information.
Identifying Threats	
200.6 A1 – Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories that might create threats for a professional accountant when undertaking a professional activity: …	• References in the examples tend to be to financial reporting/information. Could be broadened to include other information.
Section 210 – Conflicts of Interest	
	• Section 210 is sufficiently generic.

Section 220 – Preparation and Presentation of Information	
220.3 A2 - … Information can include financial and non-financial information that might be made public or used for internal purposes. Examples include … Information provided to the internal and external auditors. …	• Code is clear that "information" includes non-financial; however, the list of examples could be expanded to include reference to other assurance providers, and sustainability information.
R220.4 - When preparing or presenting information, a professional accountant shall: …	• The references are sufficiently generic to include sustainability information. The requirement is in effect anti-"greenwashing". E.g. (b) Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
220.5 A1 - Examples of ways in which discretion might be misused to achieve inappropriate outcomes include: …	• The examples are financial information focussed. It would be helpful to include one based on sustainability information
R220.8 - When the professional accountant knows or has reason to believe that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.	• This requirement and the rest of the sub-section are sufficiently generic to cover sustainability information. The requirement is in effect anti-"greenwashing".
220.8 A2 - … If the accountant continues to have reason to believe that the information is misleading, the following further actions might be appropriate provided that the accountant remains alert to the principle of confidentiality: .. Consulting with: … The internal or external auditor of the employing organization. …	• List could be expanded to include other assurance provider where appropriate.
Section 230 – Acting with Sufficient Expertise	
	• Sufficiently generic.
Section 240 – Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making.	
	• Despite the heading, this section appears sufficiently generic to include sustainability related matters if "financial" is deleted before "Reporting" in the heading and in para 240.3 A1 (or add "or other" before "Reporting".
240.3 A3 - … Factors that are relevant in evaluating the level of such a threat include: … Internal and external audit procedures that are specific to address issues that give rise to the financial interest.	• List could be expanded to include other assurance procedures.

Section 250 – Inducements, including Gifts and Hospitality	
	• Sufficiently generic.
Section 260 – responding to Non-Compliance with Laws and Regulations	
260.3 - … This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to non-compliance or suspected non- compliance with: (a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the employing organization's financial statements; and b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the employing organization's financial statements, but compliance with which might be fundamental to the operating aspects of the employing organization's business, to its ability to continue its business, or to avoid material penalties.	• This para in effect restricts the scope of this sub-section to the financial statements. Revision is needed to expand scope to other information that may be outside the financial statements.
260.5 A2 - Examples of laws and regulations which this section addresses include those that deal with: …	• The list of examples includes "environmental protection" and "public health and safety" but could be expanded to include more sustainability related examples.
260.5 A3 - Non-compliance might result in fines, litigation or other consequences for the employing organization, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, non-compliance that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety	• In context, I believe this reference to the financial statements is ok.

of employees or the public.	
R260.15 - In addition to responding to the matter in accordance with the provisions of this section, the senior professional accountant shall determine whether disclosure of the matter to the employing organization's external auditor, if any, is needed.	• Would be helpful if scope expanded beyond disclosing to external auditor to include other assurance providers if applicable.
260.15 A1 - Such disclosure would be pursuant to the senior professional accountant's duty or legal obligation to provide all information necessary to enable the auditor to perform the audit.	• Would be helpful if scope expanded beyond PA to include other professionals if applicable.
260.20 A2 - … For example, the senior professional accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if: …	• The list of examples could be expanded to include a sustainability related matter(s).
Section 270 – Pressure to Breach the Fundamental Principles	
270.3 A2 - Examples of pressure that might result in threats to compliance with the fundamental principles include: … Pressure to influence preparation or presentation of information: …	• The list of examples could be expanded to include a sustainability related matter(s).
270.3 A2 - … See also Section 240, *Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making*.	• See comments above re Section 240. If acted on would need a conforming change here (delete 'financial' before 'reporting').
270.3 A4 - … Such discussion and consultation, which requires being alert to the principle of confidentiality, might include: … Escalating the matter within the employing organization, including when appropriate, explaining any consequential risks to the organization, for example with: … Internal or external auditors. …	• Could expand example to include other assurance providers.

III. Part 3 – Professional Accountants in Public Practice

Paragraph in the Code	Observations/ Matters to Consider
Section 300 – Applying the Conceptual; Framework – Professional Accountants in Public Practice	
300.2 - The requirements and application material that apply to professional accountants in public practice are set out in: ● Part 3 – Professional Accountants in Public Practice, Sections 300 to 399, which applies to all professional accountants in public practice, whether they provide assurance	• Part 3 clearly stated to include application to assurance engagements. • References to Parts 4A and 4B may need conforming changes to reflect any changes to those sections.

services or not. ● International Independence Standards as follows: ○ Part 4A – Independence for Audit and Review Engagements, Sections 400 to 899, which applies to professional accountants in public practice when performing audit and review engagements. ○ Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements,	
300.5 A1 - Examples of situations in which the provisions in Part 2 apply to a professional accountant in public practice include: … Preparing or presenting financial information for the accountant's client or firm. The requirements and application material set out in Section 220 apply in these circumstances. …	• Could add an example to include, say, preparing or presenting sustainability information for the accountant's client or firm.
300.7 A3 - The professional accountant's evaluation of the level of a threat might be impacted by whether the client is: (a) An audit client and whether the audit client is a public interest entity; (b) An assurance client that is not an audit client; or (c) A non-assurance client. …	• Could add "An assurance client that is also an audit client" for completeness.
Section 310 – Conflicts of interest	
	• Sufficiently generic.

Section 320 – Professional Appointments	
R320.7 - When an existing or predecessor accountant is asked to respond to a communication from a proposed accountant, the existing or predecessor accountant shall: (a) Comply with relevant laws and regulations governing the request; and (b) Provide any information honestly and unambiguously.	• Issue of how to apply if compliance is voluntary.
320.7 A1 - An existing or predecessor accountant is bound by confidentiality. …	• May not be the case with voluntary application.
Changes in Audit or Review Appointments R320.8 - In the case of an audit or review of financial statements, a professional accountant shall request the existing or predecessor accountant to provide known information regarding any facts or other information of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. …	• Expand scope to other assurance engagements that have a similar legal/regulatory status?
Section 321 – Second Opinions	
	• Sufficiently generic.
Section 325 – Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers	
325.5 A1 - Quality engagements are achieved through planning and performing engagements and reporting on them in accordance with professional standards and applicable legal and regulatory requirements. ISQM 1 establishes the firm's responsibilities for its system of quality management and requires the firm to design and implement responses to address quality risks related to engagement performance. Such responses include establishing policies or procedures addressing engagement quality reviews in accordance with ISQM 2.	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
325.8 A3 - ISQM 2 requires the firm to establish policies or procedures that specify, as a	• Consider applicability of ISQM standards if extending Code to persons/firms who are

condition for eligibility, a cooling-off period of two years before the engagement partner can assume the role of engagement quality reviewer. This serves to enable compliance with the principle of objectivity and the consistent performance of quality engagements.	not accountants.
325.8 A4 - The cooling-off period required by ISQM 2 is distinct from, and does not modify, the partner rotation requirements in Section 540, which are designed to address threats to independence created by long association with an audit client.	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
Section 330 – Fees and Other Types of Remuneration	
	• Sufficiently generic.
Section 340 – Inducements, Including Gifts and Hospitality	
340.15 A3 - If a firm or an assurance team member is being offered gifts or hospitality from an assurance client, the requirement and application material set out in Section 906 apply.	• If some or all sustainability assurers are to be held to the same standards as auditors, the appropriate cross reference would be to Section 420 (as given for auditors in the previous para 340.15 A2).
Section 350 - Custody of Client Assets	
	• Sufficiently generic.
Section 360 – Responding to Non-Compliance with laws and Regulations	
360.3 - A professional accountant might encounter or be made aware of non-compliance or suspected non-compliance in the course of providing a professional service to a client. This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to non-compliance or suspected non- compliance with: (a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the client's financial statements; and	• This para in effect restricts the scope of this sub-section to the financial statements. Revision might be necessary to expand scope to other information that may be outside the financial statements.

(b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the client's financial statements, but compliance with which might be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties.	
360.5 A2 - Examples of laws and regulations which this section addresses include those that deal with: …	• The list of examples includes "environmental protection" and "public health and safety" but could be expanded to include more sustainability related examples.
360.5 A3 - Non-compliance might result in fines, litigation or other consequences for the client, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.	• In context, reference to the financial statements here is ok.
Audits of Financial Statements	• Heading to be revised if some or all sustainability assurers are to be held to the same standards as auditors, consideration could be given widening the scope of this sub-section.
R360.15 - The professional accountant shall comply with applicable: … (b) Requirements under auditing standards, including those relating to: …	• Would be helpful if scope were extended to other assurance standards.
R360.16 - Where a professional accountant becomes aware of non-compliance or suspected non-compliance in relation to a component of a group in either of the following two situations, …	• Would be helpful if scope were extended beyond considerations for 'audits'.

R360.16 - The purpose of the communication is to enable the group engagement partner to be informed about the matter and to determine, in the context of the group audit, …	• Would be helpful if scope were extended beyond considerations for 'audits'.
R360.17 – Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, the group engagement partner shall consider whether the matter might be relevant to one or more components: …	• Would be helpful if scope were extended beyond considerations for 'audits'.
R360.18 - If the non-compliance or suspected non-compliance might be relevant to one or more of the components specified in paragraph R360.17(a) and (b), the group engagement partner shall take steps to have the matter communicated to those performing work at the components, unless prohibited from doing so by law or regulation. If necessary, the group engagement partner shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant component(s) specified in paragraph R360.17(b) is subject to audit and, if so, to ascertain to the extent practicable the identity of the auditor.	• Would be helpful if scope were extended beyond considerations for 'audits'.
R360.22 - Where the professional accountant has withdrawn from the professional relationship pursuant to paragraphs R360.20 and 360.21 A1, the accountant shall, on request by the proposed accountant pursuant to paragraph R320.8, provide all relevant facts and other information concerning the identified or suspected non-compliance to the proposed accountant. The predecessor accountant shall do so, even in the circumstances addressed in paragraph R320.8(b) where the client fails or refuses to grant the predecessor accountant permission to discuss the client's affairs with the proposed accountant, unless prohibited by law or regulation.	• Issue of how to apply if compliance is voluntary.
360.22 A1 - The facts and other information to be provided are those that, in the predecessor accountant's opinion, the proposed accountant	• Issue of how to apply if compliance is voluntary.

needs to be aware of before deciding whether to accept the audit appointment. Section 320 addresses communications from proposed accountants.	
360.25 A2 - The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or might be caused by the matter to investors, creditors, employees or the general public. For example, the professional accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if: …	• The list of examples could be expanded to include a sustainability related matter(s).
Professional Services other than Audits of Financial Statements	
R360.31 - If the professional accountant is performing a non-audit service for: (a) An audit client of the firm; or (b) A component of an audit client of the firm, the accountant shall communicate the non-compliance or suspected non-compliance within the firm, unless prohibited from doing so by law or regulation.…	• Consider broadening to cover considerations for other mandatory assurance services.
R360.32 - If the professional accountant is performing a non-audit service for: (a) An audit client of a network firm; or (b) A component of an audit client of a network firm, the accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the network firm. …	• Consider broadening to cover considerations for other mandatory assurance services. • Consider how the concept of network firms applies if provision made to extend scope for firms that are not professional accountants?
R360.33 - If the professional accountant is performing a non-audit service for a client that is not: (a) A component of an audit client of the firm or a network firm; or (b) A component of an audit client of the firm or a network firm, the accountant shall consider whether to communicate the non-compliance or suspected	• Consider broadening to cover considerations for other mandatory assurance services.

non-compliance to the firm that is the client's external auditor, if any.	
360.34 A1 - Factors relevant to considering the communication in accordance with paragraphs R360.31 to R360.33 include: … Whether management or those charged with governance have already informed the entity's external auditor about the matter. …	• Consider extending to include communication to other assurance provider.
360.35 A1 - In the circumstances addressed in paragraphs R360.31 to R360.33, the purpose of the communication is to enable the audit engagement partner to be informed about the non-compliance or suspected non- compliance and to determine whether and, if so, how to address it in accordance with the provisions of this section.	• Cover consideration for other assurance engagement partner.

IV. **Part 4A – Independence for Audit and Review Engagements**

Paragraph in the Code	Observations/ Matters to Consider
General	• Consideration needs to be given to whether Part 4A should also apply for an assurance engagement undertaken by a person/firm who is not also the auditor of the entity but for whom stakeholders expect the same level of independence as an auditor. This could be a requirement established in law or regulations in some jurisdictions or, if not, otherwise appropriate to meet the expectations of stakeholders. • The main issue if the scope of 4A is expanded would be to address the current narrower focus of the terminology – e.g. audit vs assurance, financial statements vs subject matter/subject matter information, partner equivalent status for firms that are not partnerships. • As has been done for "review engagement", if an equivalent level of independence was considered necessary the term "audit" could be deemed to also include "assurance engagement for sustainability information". However, that

	still leaves the issue of how to include reference to subject matter/subject matter information and partner equivalents. [*The UK FRC's Ethical Standard applies for all "public interest assurance engagements" (engagements undertaken in compliance with performance standards* issued *by the FRC). It uses the term "engagement" rather than "audit", and where applicable refers to "financial statements, or other subject matter information or subject matter of the engagement".*] • Other specific considerations (e.g. that could not be addressed by changing the scope of the terminology) are identified below.
Section 400 – Applying the Conceptual Framework to Independence and Review Engagements	
400.2 - This Part applies to both audit and review engagements unless otherwise stated. The terms "audit," "audit team," "audit engagement," "audit client," and "audit report" apply equally to review, review team, review engagement, review client, and review engagement report.	• Revision needed if this Part is extended to also cover certain sustainability assurance engagements
400.4 - ISQM 1 requires a firm to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. …	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
400.10 - Independence standards for assurance engagements that are not audit or review engagements are set out in Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements.	• Revision needed if this Part is extended to also cover certain sustainability assurance engagements [*Note this will be 400.12 once the PIE revisions become effective at the end of 2024.*]
400.50 A1 - Firms frequently form larger structures with other firms and entities to enhance their ability to provide professional services. Whether these larger structures create a network depends on the particular facts and circumstances. It does not depend on whether	• Consider how the concept of network firms applies if provision made to extend scope for firms that are not professional accountants?

the firms and entities are legally separate and distinct.	
400.80 A2 - The significance and impact of a breach on the firm's objectivity and ability to issue an audit report will depend on factors such as: … ● If the breach was created by providing a professional service, the impact of that service, if any, on the accounting records or the amounts recorded in the financial statements on which the firm will express an opinion. …	• Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
400.80 A3 - Depending upon the significance of the breach, examples of actions that the firm might consider to address the breach satisfactorily include: … ● If the breach relates to a non-assurance service that affects the accounting records or an amount recorded in the financial statements, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.	Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
Section 410 - Fees	
410.3 A3 - For the purposes of this section, audit fees comprise fees or other types of remuneration for an audit or review of financial statements. Where reference is made to the fee for the audit of the financial statements, this does not include any fee for an audit of special purpose financial statements or a review of financial statements. (Ref: Para. R410.23(a), 410.25 A1 and R410.31(a))	• Consider revision to address fees for sustainability assurance engagements. (And in other paragraphs that refer to "fee for the audit of the financial statements".)
410.4 A4 - The conditions, policies and procedures described in paragraph 120.15 A3 (particularly a system of quality management designed and implemented by the firm in accordance with quality management standards issued by the IAASB) might also impact the	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.

evaluation of whether the threats to independence are at an acceptable level.	
410.21 A1 - A factor which might give rise to a compelling reason [for firm to continue after five consecutive years of exceeding the limits] is the lack of viable alternative firms to carry out the audit engagement, having regard to the nature and location of the client's business.	• Might be helpful to have some research into how many non-accountancy firms there are that could provide sustainability assurance in different jurisdictions, their size, how many clients they have etc.
Section 411 - Compensation and Evaluation Policies	
R411.4 – A firm shall not evaluate or compensate a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client. This requirement does not preclude normal profit-sharing arrangements between partners of a firm.	• Consider how to address in firms that are not partnerships.
Section 420 – Gifts and Hospitality	
	• Sufficiently generic.
Section 430 – Actual or Threatened Litigation	
	• Sufficiently generic
Section 510 – Financial Interests	
R510.4 - Subject to paragraph R510.5, a direct financial interest or a material indirect financial interest in the audit client shall not be held by: … (c) Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that other partner's immediate family; or …	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
510.10 A9 - A self-interest threat might be created if an audit team member knows that a financial interest in the audit client is held by individuals such as: ● Partners and professional employees of the firm or network firm, apart from those who are specifically not permitted to hold such financial interests by paragraph	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.

R510.4, or their immediate family members. …	
Section 511 – Loans and Guarantees	
	• Sufficiently generic.
Section 520 – Business Relationships	
	• Sufficiently generic.
Section 521 - Family and Personal Relationships	
521.4 A1 - A self-interest, familiarity or intimidation threat is created when an immediate family member of an audit team member is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows.	• Consider how to address sustainability related information.
R521.5 - An individual shall not participate as an audit team member when any of that individual's immediate family: … (b) Is an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion; or…	• Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
521.6 A1 - A self-interest, familiarity or intimidation threat is created when a close family member of an audit team member is: … (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.	• Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
R521.7 - An audit team member shall consult in accordance with firm policies and procedures if the audit team member has a close relationship with an individual who is not an immediate or close family member, but who is: … (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.	• Consider extending or adding a new bullet to cover sustainability information and underlying data/records.

Section 522 – Recent Service with an Audit Client	
	• Sufficiently generic.
Section 523 – Serving as a Director of Officer of an Audit Client	
	• Sufficiently generic.
Section 524 - Employment with an Audit Client	
524.3 A1 - A familiarity or intimidation threat might be created if any of the following individuals have been an audit team member or partner of the firm or a network firm: ● A director or officer of the audit client. ● An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership. • Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
R524.4 - The firm shall ensure that no significant connection remains between the firm or a network firm and: (a) A former partner who has joined an audit client of the firm; or …	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
524.4 A2 - A familiarity or intimidation threat might also be created if a former partner of the firm or network firm has joined an entity in one of the positions described in paragraph 524.3 A1 and the entity subsequently becomes an audit client of the firm.	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
R524.6 - Subject to paragraph R524.8, if an individual who was a key audit partner with respect to an audit client that is a public interest entity joins the client as: …	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
R524.7 - Subject to paragraph R524.8, if an individual who was the Senior or Managing Partner (Chief Executive or equivalent) of the firm joins an audit client that is a public interest entity as: …	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.

R524.8 - As an exception to paragraphs R524.6 and R524.7, independence is not compromised if the circumstances set out in those paragraphs arise as a result of a business combination and: (a) The position was not taken in contemplation of the business combination; (b) Any benefits or payments due to the former partner from the firm or a network firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm or network firm as applicable; (c) The former partner does not continue to participate or appear to participate in the firm's or network firm's business or professional activities; and (d) The firm discusses the former partner's position held with the audit client with those charged with governance.	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
Section 525 – Temporary Personnel Assignments	
	• Sufficiently generic.
Section 540 – Long Association of Personnel (Including Partner Rotation) with an Audit Client	
General – many paragraphs address "key audit partners".	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
540.14 A1 - The partner rotation requirements in this section are distinct from, and do not modify, the cooling-off period required by ISQM 2 as a condition for eligibility before the engagement partner can assume the role of engagement quality reviewer (see paragraph 325.8 A4).	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
Section 600 - Provision of Non-Assurance Services to an Audit Client	

General	• Consider how the concept of network firms applies if provision made to extend scope for firms that are not professional accountants
600.9 A1 - Factors that are relevant in identifying the different threats that might be created by providing a non-assurance service to an audit client, and evaluating the level of such threats include: … ● Whether the outcome of the service will affect the accounting records or matters reflected in the financial statements on which the firm will express an opinion, and, if so: ○ The extent to which the outcome of the service will have a material effect on the financial statements. ○ The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements. ● The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's: ○ Accounting records or financial statements on which the firm will express an opinion. ○ Internal controls over financial reporting. …	• Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
600.10 A1 - Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an audit client. Subsections 601 to 610 refer to materiality in relation to an audit client's financial statements. The concept of materiality in relation to an audit is addressed in ISA 320, Materiality in Planning and Performing an Audit, and in relation to a review in ISRE 2400 (Revised), Engagements to Review Historical Financial Statements. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative	• Revise to also address materiality in relation to sustainability engagements.

factors. It is also affected by perceptions of the financial information needs of users.	
R600.14 - Before providing a non-assurance service to an audit client, a firm or a network firm shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that: (a) The results of the service will form part of or affect the accounting records, the internal controls over financial reporting, or the financial statements on which the firm will express an opinion; and (b) In the course of the audit of those financial statements on which the firm will express an opinion, the audit team will evaluate or rely on any judgments made or activities performed by the firm or network firm when providing the service.	• Consider extending or adding a new bullet to cover sustainability information and underlying data/records.
600.17 A1 - Examples of advice and recommendations that might be provided in relation to information or matters arising in the course of an audit include: …	• Consider adding sustainability related examples.
601 – Accounting and Bookkeeping Services	• Consider sustainability equivalents.
602 – Administrative Services	• Sufficiently generic.
603 - Valuation services	• Consider sustainability examples.
604 – Tax Services	• Relevant where tax forms part of sustainability information. (main issues relate to terminology such as “audit client”)
605 – Internal Audit Services	• Consider sustainability examples.
605.4 A2 - When a firm uses the work of an internal audit function in an audit engagement, ISAs require the performance of procedures to evaluate the adequacy of that work. …	• Consider possible need to reflect requirements of standards other than ISAs.
606 – Information Technology Services[2]	• Consider sustainability examples.
607 – Litigation Support Services	• Relevant where litigation services could affect sustainability information or where

[2] Subsection 606 of the Code is subject to substantive revisions as part of the IESBA’s Technology project.

	firm acts as an advocate. (main issues relate to terminology such as "audit client")
608 – Legal Services	• Relevant where legal services could affect sustainability information or where firm acts as an advocate. (main issues relate to terminology such as "audit client")
609 – Recruiting Services	• Sufficiently generic.
610 – Corporate Finance Services	• Consider sustainability examples.
Section 800 – Reports on Special Purpose Financial Statements that Include a Restriction on Use and Distribution (Audit and Review Engagements)	
	As for other sections of Part 4A, the main issue if the scope of 4A was expanded would be to address the current narrower focus of the terminology – e.g. audit vs assurance, financial statements vs subject matter/subject matter information, partner equivalent status for firms that are not partnerships. Other specific considerations (e.g. that could not be addressed by changing the scope of the terminology) are identified below.
R800.9 - When the firm performs an eligible audit engagement, the specific requirements regarding network firms set out in Part 4A do not need to be applied. However, when the firm knows or has reason to believe that threats to independence are created by any interests and relationships of a network firm, the firm shall evaluate and address any such threat.	• Consider how the concept of network firms applies if provision made to extend scope for firms that are not professional accountants
R800.10 - When the firm performs an eligible audit engagement: … (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the audit client and others within the firm who can directly influence the outcome of the audit engagement.	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.

800.10 A1 - Others within a firm who can directly influence the outcome of the audit engagement include those who recommend the compensation, or who provide direct supervisory, management or other oversight, of the audit 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).	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.

V. Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements

Paragraph in the Code	Observations/ Matters to Consider
	• This Part is written on the basis that firms are partnerships and consequently with references to 'partners'. Some assurance firms may not have 'partners'. Consideration needs to be given to how existing requirements for partners who are not assurance team members apply in the context of a firm without partners - are there persons who might be considered partner equivalent in terms of responsibility, e.g. senior management able to influence and assurance engagement. (The definition of 'engagement partner' includes other persons who are not partners, but there is no definition of 'partner in a firm' to include persons who are not engagement partners). Note, the IAASB does have a definition of' 'partner': "Any individual with authority to bind the firm with respect to the performance of a professional services engagement."
Section 900 – Applying the Conceptual Framework to Independence for Assurance Engagements other than Audit and Review Engagements	

900.1 - This Part applies to assurance engagements other than audit engagements and review engagements. Examples of such engagements include: …	• Could add another sustainability related example (the list currently includes a greenhouse gas statement).
900.2 - In this Part, the term "professional accountant" refers to individual professional accountants in public practice and their firms.	• Consider revision to provide for persons/firms who are not professional accountants.
900.3 - ISQM 1 requires a firm to design, implement and operate a system of quality management for assurance engagements performed by the firm. As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence. Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements to which the firm and the firm's engagements are subject. In addition, ISAEs and ISAs establish responsibilities for engagement partners and engagement teams at the level of the engagement. The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference. A firm assigns operational responsibility for compliance with independence requirements to an individual(s) in accordance with ISQM 1. Additionally, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.	• Consider revision to provide for persons/firms who are not professional accountants and may be using other quality and assurance standards.
900.7 - In an assurance engagement, the firm 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	• Need to monitor what IAASB is doing on sustainability. Note that ISAE 3410 is specific to assurance on greenhouse gas statements, but isn't mentioned here although it is an example type of assurance engagement included in para 900.1.

Assurance Framework provides a general description of assurance engagements. An assurance engagement might either be an attestation engagement or a direct engagement.	
900.10 - Independence standards for audit and review engagements are set out in Part 4A – Independence for Audit and Review Engagements. If a firm performs both an assurance engagement and an audit or review engagement for the same client, the requirements in Part 4A continue to apply to the firm, a network firm and the audit or review team members.	• Consideration needs to be given to whether Part 4A should also apply for an assurance engagement undertaken by a person/firm who is not also the auditor of the entity but for whom stakeholders expect the same level of independence as the auditor. This could be a requirement established in law or regulations in some jurisdictions or, if not, otherwise appropriate to meet the expectations of stakeholders.
R900.14 - When a firm knows or has reason to believe that interests and relationships of a network firm create a threat to the firm's independence, the firm shall evaluate and address any such threat.	• Consider how the concept of network firms applies if provision made to extend scope for firms that are not professional accountants
Section 905 - Fees	
905.3 A4 - The conditions, policies and procedures described in paragraphs 120.15 A3 (particularly the existence of a quality management system designed and implemented by a firm in accordance with quality management standards issued by the IAASB) might also impact the evaluation of whether the threats to independence are at an acceptable level.	• Consider applicability of ISQM standards if extending Code to persons/firms who are not accountants.
905.10 A6 - A self-interest or intimidation threat is created when the fees generated by a firm from an assurance client represent a large proportion of the revenue from an individual partner's clients.	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
905.10 A8 - Examples of actions that might be safeguards to address such a self- interest or intimidation threat include: … ● Increasing the client base of the partner to reduce dependence on the client.	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
Section 906 – Gifts and Hospitality	
	• Sufficiently generic.

Section 907 – Actual or Threatened Litigation	
	• Sufficiently generic.
Section 910 – Financial Interests	
910.8 A5 - A self-interest threat might be created if an assurance team member knows that a financial interest is held in the assurance client by individuals such as: ● Partners and professional employees of the firm, apart from those who are specifically not permitted to hold such financial interests by paragraph R910.4, or their immediate family members. …	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
Section 911 – Loans and Guarantees	
	• Sufficiently generic.
Section 920 – Business relationships	
	• Sufficiently generic.
Section 921 - Family and Personal Relationships	
	• Sufficiently generic.
Section 922 – Recent Service with an Assurance Client	
	• Sufficiently generic.
Section 923 – Serving as a Director or Officer of an Assurance Client	
	• Sufficiently generic.
Section 924 – Employment with an Assurance Client	
924.3 A1 - A familiarity or intimidation threat might be created if any of the following individuals have been an assurance team member or partner of the firm: …	• Consider how to address persons who might be considered to have an equivalent partner status in a firm that is not a partnership.
R924.4 - If a former partner has joined an assurance client of the firm or a former	• Consider how to address persons who might be considered to have an equivalent

assurance team member has joined the assurance client as: …	former partner status in a firm that is not a partnership.
924.4 A2 - A familiarity or intimidation threat might also be created if a former partner of the firm has joined an entity in one of the positions described in paragraph 924.3 A1 and the entity subsequently becomes an assurance client of the firm.	• Consider how to address persons who might be considered to have an equivalent former partner status in a firm that is not a partnership.
924.4 A3 - Factors that are relevant in evaluating the level of such threats include: … (c) The length of time since the individual was an assurance team member or partner of the firm. …	• Consider how to address persons who might be considered to have an equivalent former partner status in a firm that is not a partnership.
Section 940 – Long Association of Personnel with an Assurance Client	
	• Sufficiently generic.
Section 950 – Provision of Non-Assurance Services to Assurance Clients	
950.8 A1 - Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an assurance client. The concept of materiality in relation to an assurance client's subject matter information is addressed in International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.	• Consider revisions to address materiality in relation to sustainability engagements.
Section 990 – Reports that Include a Restriction on Use and Distribution (Assurance Engagements Other than Audit and Review Engagements)	
	• Sufficiently generic.