IESBA International Ethics Standards Board for Accountants

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Meeting:	IESBA
Meeting Location:	Nashville, Tennessee
Meeting Date:	September 12-17, 2022

Agenda Item

2

Sustainability

Objectives

1. To:

   (a) Receive a presentation from an external presenter, Prof. Colin Mayer of University of Oxford.

   (b) Explore potential options and agree to an approach and timeline to develop proposed sustainability-related revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).

   (c) Discuss preliminary considerations and issues that might be relevant in undertaking ethics-related standard setting activities related to sustainability reporting and assurance.

   (d) Provide input on a draft Staff Publication to highlight the applicable provisions in the Code that addresses concerns about misleading sustainability information (i.e., greenwashing).

   The IESBA's September 2022 deliberations will inform the Working Group's Q4 2022 work which will include finalizing a project plan for IESBA's sustainability-related workstreams.

Working Group

2. The Working Group comprise:

   - Mark Babington, Chair
   - Vania Borgerth, IESBA member
   - Laurie Endsley, IESBA member
   - Christelle Martin, IESBA member
   - Jens Poll, IESBA member

   In addition to IESBA Staff, the Working Group receives technical support from IESBA Technical Advisor, Keith Billing.

Activities Since Last IESBA Discussion

3. The Working Group met in person and twice via video conference to prepare the agenda materials for this meeting.

4. In late June 2022, the IESBA submitted a comment letter response to the International Sustainability

Standards Board (ISSB) on its exposure drafts on sustainability and climate-related disclosures.

5. In July 2022, the Financial Stability Board (FSB) acknowledged the work of the IESBA (and the IAASB) in its 2022 progress report to the FSB's *Roadmap for Addressing Financial Risks from Climate Change*. The roadmap addresses the need for coordinated action internationally to address climate-related financial risks and highlights the importance of developing global standards for assurance on sustainability reporting. The original roadmap was issued in 2021 and was endorsed by G20 Finance Ministers and Central Bank Governors and subsequently by G20 Leaders at the Rome Summit.

Targeted Stakeholder Engagement

6. Since the June 2022 meeting, the Working Group and IESBA Staff have continued engaging with key stakeholders, including, among others, the International Auditing and Assurance Standards Board (IAASB), International Organization of Securities Commissions (IOSCO), the United States Securities Exchange Commission (SEC), the Global Reporting Initiative (GRI), and the Forum of Firms.

7. The Working Group will present to the IESBA Consultative Advisory Group (CAG) shortly after the September 2022 IESBA meeting and will brief the IESBA on the key outcomes of that meeting in December 2022.

IAASB-IESBA Coordination

8. The Working Group continues to coordinate closely with the IAASB's Sustainability Assurance Working Group (SAWG). In that regard, the Chair of the Working Group and IESBA Staff will meet with the Chair of the IAASB's SAWG and the IAASB staff on September 6, 2022. Any significant matters raised during that meeting will be presented to the IESBA in September 2022.

9. The Working Group notes that, in June 2022, the IAASB on balance supported a "stand-alone standard" approach, which involves developing a new suite of standards for providing assurance on sustainability reporting. The new suite will be drafted in a manner that is consistent with ISAE 3000 (Revised),[1] recognizing the need to be more innovative where needed. The IAASB leadership is recommending that the sustainability-related suite of standards be titled, International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements.* At its September 2022 meeting, the IAASB will, among other matters, provide input on the proposed title and consider a draft project proposal (see IAASB September 2022 meeting materials at Agenda Item 4).

Matters for IESBA Consideration

External Presentation

10. On Day 1 of the Board meeting, IESBA members will receive a presentation from an external presenter, Prof. Colin Mayer of University of Oxford. IESBA members will be asked to consider and react to the presentation.

[1] International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

Working Group Presentation

11. On Day 3 of the meeting, IESBA members will be asked to consider a presentation from the Working Group's Chair, including a recommended approach and timeline to develop proposed sustainability-related revisions to the Code,[2] including the International Independence Standards. Following the presentation, IESBA members will also be asked to:

    - Discuss preliminary considerations and issues that might be relevant in undertaking ethics-related standard setting activities related to sustainability reporting and assurance. In this regard, the Working Group has considered a preliminary review and analysis of the Code's provisions, including a comparison of the provisions in Parts 4A and 4B of the Code (see **Supplements 1 and 2 to Agenda Item 2-A**).
    - Raise any other matters that is deemed relevant to consider as part of IESBA's sustainability initiatives and provide input that is relevant to the development of IESBA's project plan.
    - Provide input on a draft Staff Publication to highlight the applicable provisions in the Code that addresses concerns about misleading sustainability information (i.e., greenwashing).

Materials Presented

Agenda Item 2-A	Slide Presentation: Sustainability – Readying Ethics and Independence Standards
Agenda Item 2-B	Draft – IESBA Staff Publication on Ethics Considerations in Sustainability-related Reporting *(Guidance to Address Concerns about Greenwashing)*
Supplement 1 to Agenda Item 2-A	Analysis of Provisions in the IESBA Code
Supplement 2 to Agenda Item 2-A	Comparison of the Requirements in Parts 4A and 4B of the Code

[2] The proposed sustainability-related revisions will be to the most 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.