

Meeting: IESBA CAG

Meeting Location: Virtual

Meeting Date: March 7 & 31, 2022

Agenda Item E

Sustainability / ESG Developments

Objectives

1. To:
 - To *RECEIVE* presentations from external presenters on the topic of Sustainability/ environmental, social and governance (ESG) reporting and assurance.
 - To *RECEIVE* an update on the IESBA's workstream relating to sustainability/ ESG reporting and assurance, and to *DISCUSS* matters arising.

Background

Recent IESBA Discussions

2. At its March 14-16, 2022 meeting, the IESBA considered recommendations from its [Emerging Issues and Outreach Committee](#) (EIOC), and agreed to establish a Sustainability Working Group¹ with a broad mandate that will involve among other activities:
 - Fact finding to better understand the ESG landscape and to inform future standard setting.
 - Providing input to inform the development of staff guidance to highlight the principles and topics in the [International Code for Professional Accountants \(including International Independence Standards\)](#) (the Code) that are relevant to address specific ESG-related issues.
 - Reviewing the Code from an ESG-perspective to identify potential areas for enhancement. In this regard, the IESBA's 2024-2027 Strategy and Work Plan (SWP) survey will solicit stakeholder input on the topic of sustainability/ ESG.²
3. Also, in March 2022, IESBA members were briefed by an International Organization of Securities Commissions (IOSCO) representative, Ms. Kris Nathanail-Brighton on:
 - The work of IOSCO's Task Force on Sustainable Finance, specifically insights and

¹ The newly formed Sustainability Working Group members comprise:

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

² ESG was included as one of the four broad strategic focus areas that might help guide the IESBA in setting the direction and priorities for its new SWP 2024-2027 (see [Agenda Item C-1](#)).

observations from IOSCO's fact finding, and the recommendations in IOSCO's recently issued reports, namely:

- The June 2021 report titled, [Sustainability-related Issuer Disclosures](#).
 - The June 2021 report titled, [Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management](#).
 - The November 2021 report titled, [ESG Ratings and Data Products Providers](#).
 - The key takeaways from IOSCO's February 2022 roundtable³ on the topic of audit and assurance of sustainable-related disclosures, and
 - IOSCO's planned next steps with respect to sustainability/ ESG reporting and assurance.
4. The EIOC has been focused on identifying ethics and independence-related issues arising from reporting and providing assurance on ESG information since June 2021. The EIOC's recommendations were informed by the IESBA's September 2021 meeting deliberations. In September 2021 the IESBA received:
- An overview of a joint report issued by the International Federation of Accountants and the Association of International Certified Professional Accountants (AICPA-CIMA) titled the [State of Play on Sustainability Assurance](#).
 - An update from the EIOC on the topic of ESG developments and ethics. Among other matters, the IESBA held preliminary discussions about:
 - The role of professional accountants in ESG.
 - The applicability of the Code to ESG reporting and assurance thereon.
 - Ethics and independence issues identified in relation to reporting and assuring ESG information.

IESBA National Standard Setters (NSS) Liaising Group Meeting

5. In October 2021, the IESBA-NSS Liaison Group discussed national developments of international relevance regarding the reporting of non-financial information and the provision of assurance thereon, via a "tour de table."⁴ Among others, the following key matters were raised by NSS meeting participants:
- Sustainability/ ESG is a key focus area for NSS as they develop their future strategies and work plans.
 - There was strong support for the launch of the International Sustainability Standards Board

³ The IESBA Chair, Ms. Gabriela Figueiredo Dias presented jointly with IAASB Chair, Tom Seidenstein, and IFAC CEO, Kevin Dancsey at an IOSCO-hosted roundtable on the topic of audit and assurance of sustainability-related disclosures on February 16, 2022. The purpose of the roundtable was to discuss the state of play in sustainability assurance and a way forward that takes into account both actual and perceived challenges, as well as opportunities in relation to audit and assurance of sustainability disclosures. Over 140 senior representatives encompassing a wide range of stakeholders, including investors, issuers and preparers, asset managers and asset owners, audit firms, ESG data providers, credit rating agencies, standard setters; and securities regulators participated in the event.

⁴ The NSS received updates from representatives of: Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Japan, the Netherlands, New Zealand, South Africa, United Kingdom, and the United States.

(ISSB). Some NSS expressed support for IFAC's [building blocks approach](#), and suggested that there is also a need for local sustainability standard boards.

- Many jurisdictions reported that they have already adopted mandatory climate disclosure requirements for certain entities (i.e., the largest companies).
- Some jurisdictions are considering whether they should develop local guidance to assist firms and assurance practitioners in applying the IAASB's ISAE 3000 (Revised)⁵ that is currently applicable when providing assurance on ESG information.

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External Presentations

6. The CAG will receive a presentation on "Sustainability and Sustainable Finance" from a representative of the CFA Institute, Ms. [Josina Kamerling](#), *Head of Regulatory Outreach for Europe, the Middle East and Africa* (EMEA). As part of her presentation, Ms. Kamerling will brief the CAG on CFA's ESG-related initiatives, including CFA's [Global ESG Disclosure Standards for Investment Products](#), and its new certification program in ESG investing.
7. In addition, a representative of the staff of the US Securities Exchange Commission (SEC), Ms. [Anita Chan](#) will present a high-level overview of the SEC's [proposed rules](#) to enhance and standardize climate-related disclosures for investors which was issued on March 21, 2022. The SEC's proposal would require SEC registrants to include certain climate-related disclosures in their registration statements and periodic reports. The SEC released a [fact sheet](#) that provides a high-level overview of its proposals.

Update on IESBA's Workstream Relating to Sustainability/ ESG

8. A member of the recently established Sustainability Working Group, Ms. Borgerth will brief the CAG on the IESBA's recent activities and deliberations relating to sustainability/ ESG. Among other matters, Ms. Borgerth will:
 - Indicate the IESBA's current thinking about the relevance of ethics (and independence) to sustainability/ ESG reporting and assurance.
 - Provide an overview of the new Working Group's mandate and planned activities.

Action Requested

9. CAG Representatives will be asked to note and react to the presentations.

Material Presented

Agenda Item E-1 Slide Presentation: Sustainability/ESG Developments

⁵ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Materials Presented for CAG Reference Only

Agenda Items 2 and 2-A to March 2022
IESBA meeting materials www.ethicsboard.org/meetings/march-14-16-2022-hybrid

Agenda Items 5, 5A and 5B to September
2021 IESBA meeting materials www.ethicsboard.org/meetings/september-13-17-27-2021-virtual-meeting