



Sustainability

Mark Babington, IESBA Member and Working Group Chair

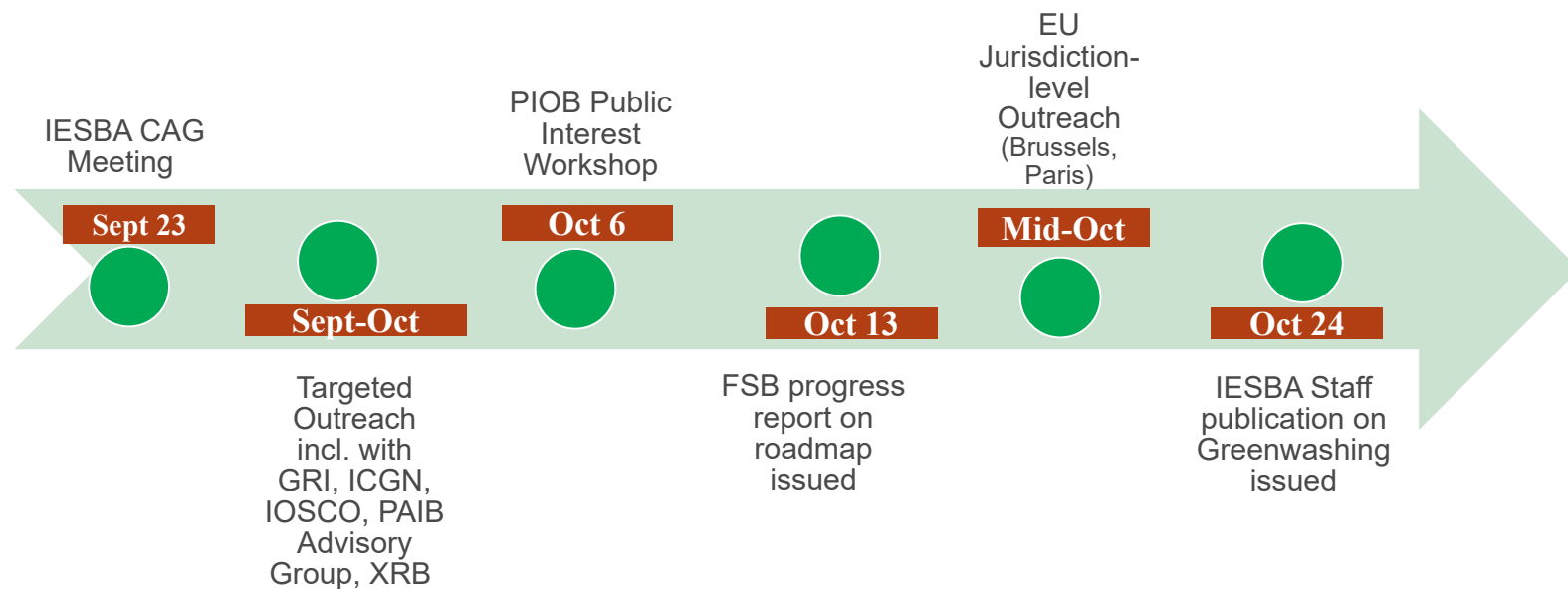
IESBA Virtual Meeting

November 1, 2022

Objectives

- To agree to an overall approach for developing profession agnostic ethics and independence standards for sustainability assurance engagements
- To consider other matters that are relevant in developing sustainability-related revisions to the Code, including:
 - Matters relating to revising Parts 1-3 of the Code to address sustainability reporting
 - Resources and timeline

Key Developments since September Meeting

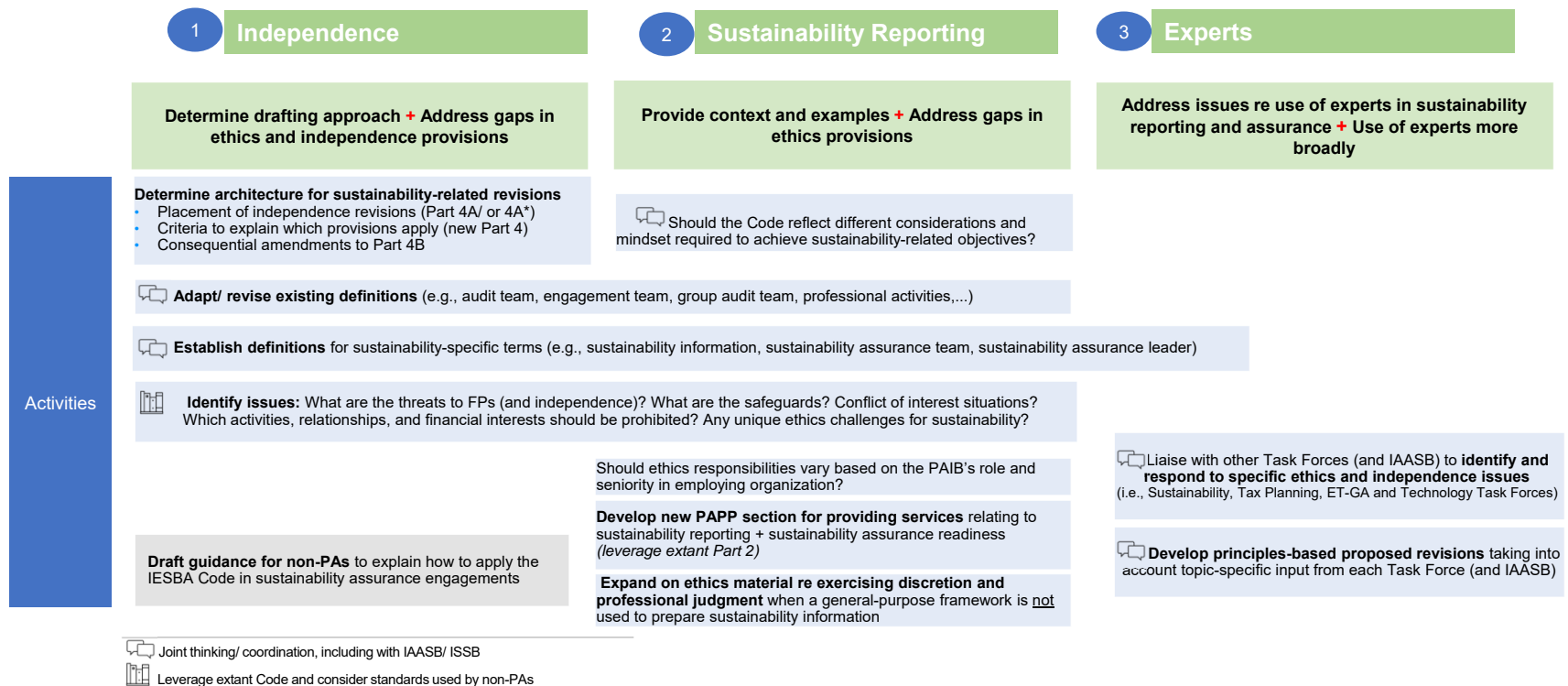


Recap: Current Thinking

- Sustainability information is of heightened public interest → Used for capital allocation decisions
 - Sustainability assurance practitioners should be subject to the same ethics + independence standards as auditors of f/s when a general-purpose reporting framework is used
 - Same ethics + independence standards should apply regardless of who does the work
- Calls for profession agnostic standards for sustainability assurance
 - Map out and engage non-PAs to understand ethics and independence standards being used
 - Leverage extant IESBA Code, but also identify and address gaps
 - Determine how best to package (and draft) sustainability-related revisions to be profession agnostic
- Timely stakeholder engagement critical (esp. with IOSCO, IAASB, ISSB)
 - Revised ethics + independence standards to preserve link to IAASB's standards
- Measured approach and accelerated response necessary

Overview of Workstream Activities

As of Oct 2022



Four Potential Options to Consider in Developing Revisions to the Extant Code

Revisions to Part 4A

Option 1

Involves the use of “sustainability assurance engagements” without amending the definition of “audit” as used in Part 4A

- Retain provisions that apply to audit and review engagements
- Adapt definitions and key concepts, especially those arising from ET-GA project; Establish/ tweak definitions for sustainability
- Add sustainability-specific examples and guidance
- Align to IAASB’s proposed ISSA 5000

Option 2

Based on extant current model – the term “audit” is extended to include “sustainability assurance engagements” in addition to as well as “review” engagements.

Option 3

Approach uses more general terms (e.g., “practitioner” and “engagement”).

Proposed ET-GA revisions not yet considered; Will need to adapt/ revise new definitions arising from ET-GA work.

Establish separate Part 4A*

Option 4

Involves revisions to extant Part 4A to address independence only for “sustainability assurance engagements.”

Will be positioned before Part 4B

Similar to Option 1, but without any references to “audit.”

- Delete provisions that apply to audit and review engagements
- Establish/ adapt definitions for sustainability assurance
- Add sustainability-specific examples and guidance
- Align to IAASB’s ISSA 5000

Options set out profession-agnostic independence provisions to be included in Code for PAs → *Should title of Code also change?*

Input from Planning Committee

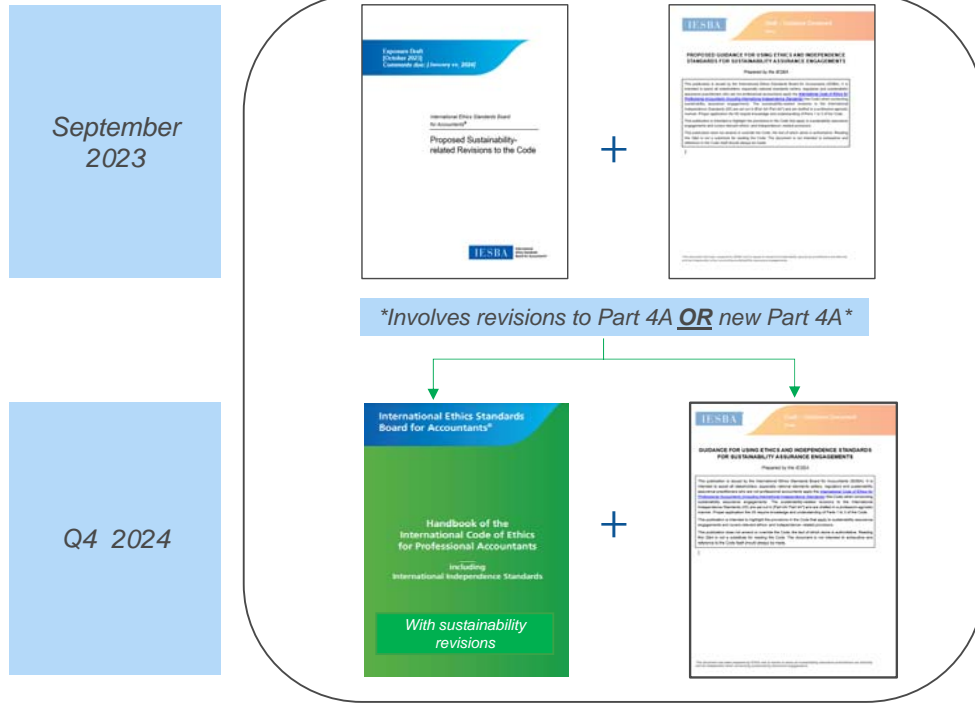
- Recognize the need to be able to *pivot* and respond to a fast-developing situation, for example:
 - Option 4 serves as starting point for drafting separate profession agnostic independence provisions; but is there is a need to also revise ethics standards
 - Consider the relevance of the entire Code, including Parts 1 to 3 to decide on what can be leveraged for sustainability assurance; outline for Guidance document might be a useful starting point in deciding on key topics to be covered
- Why change the extant Code, especially since doing so might involve changes to near-final ET-GA definitions?
- Pathway to adoption by non-PAs not yet identified; jurisdiction-level action by regulators and NSS is required
 - Risk that existing users of the Code (i.e., PAs) might not find it attractive to refer to two handbooks for ethics and independence standards
 - Risk that existing jurisdictional mechanisms to adopt the Code do not apply to a second Code without legislative change

Are there unintentional consequences that might arise if IESBA moves away from having ONE Code of Ethics for PAs that can be applied in all circumstances, and for all types of engagements?

Input from Planning Committee

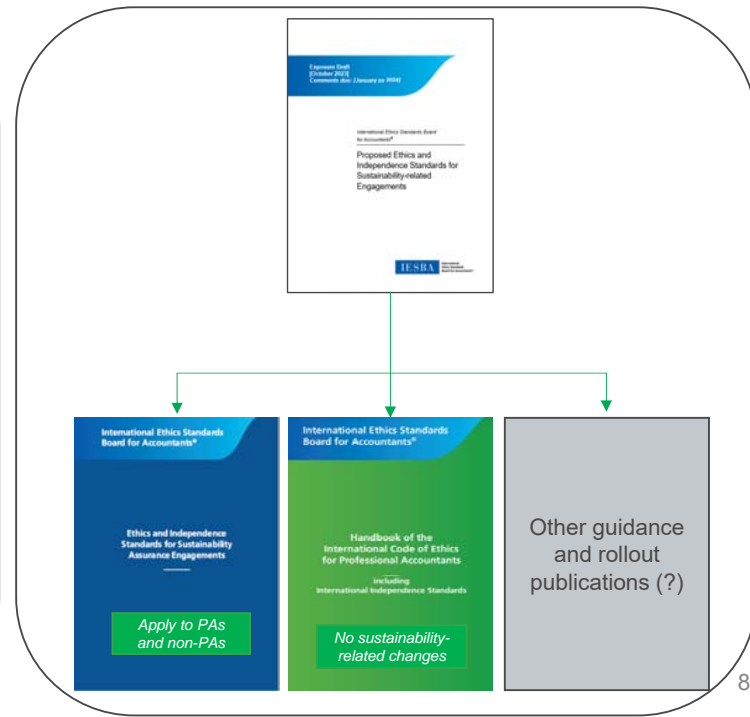
A Revisions to extant IESBA Code*

WG recommendation based on indicative direction from IESBA



B Entirely Separate Handbook

Some PC members alternative proposal



Matters for IESBA Consideration

1. IESBA members are asked to:

- a) Consider the options put forward, in particular those set out in **Agenda Items 1-A.1 to 1-A.4** and indicate preferred approach
- b) Note initial thinking re Project Plan and Project Timeline and provide input to WG as it develops the Sustainability Project Proposal(s)

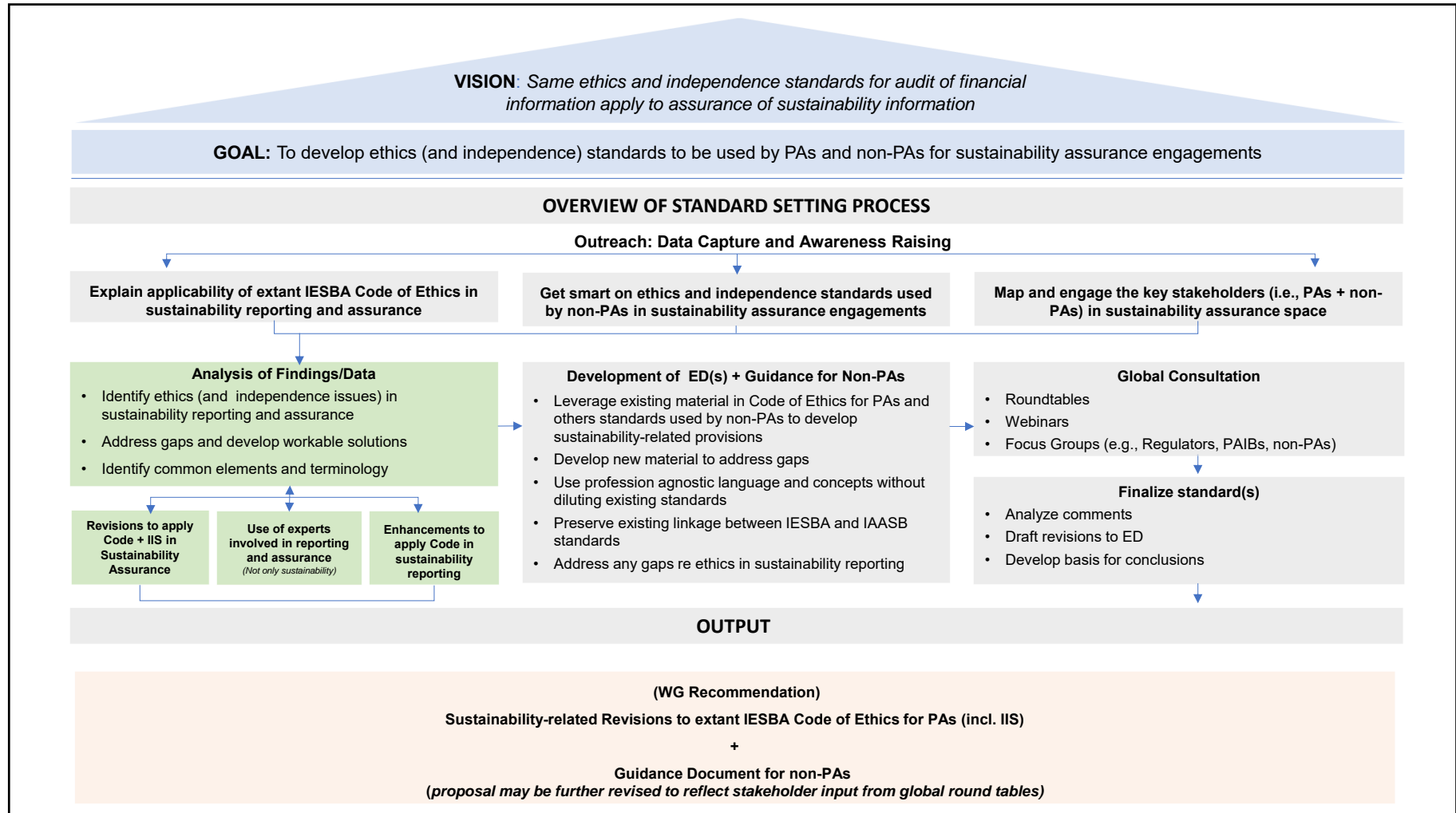




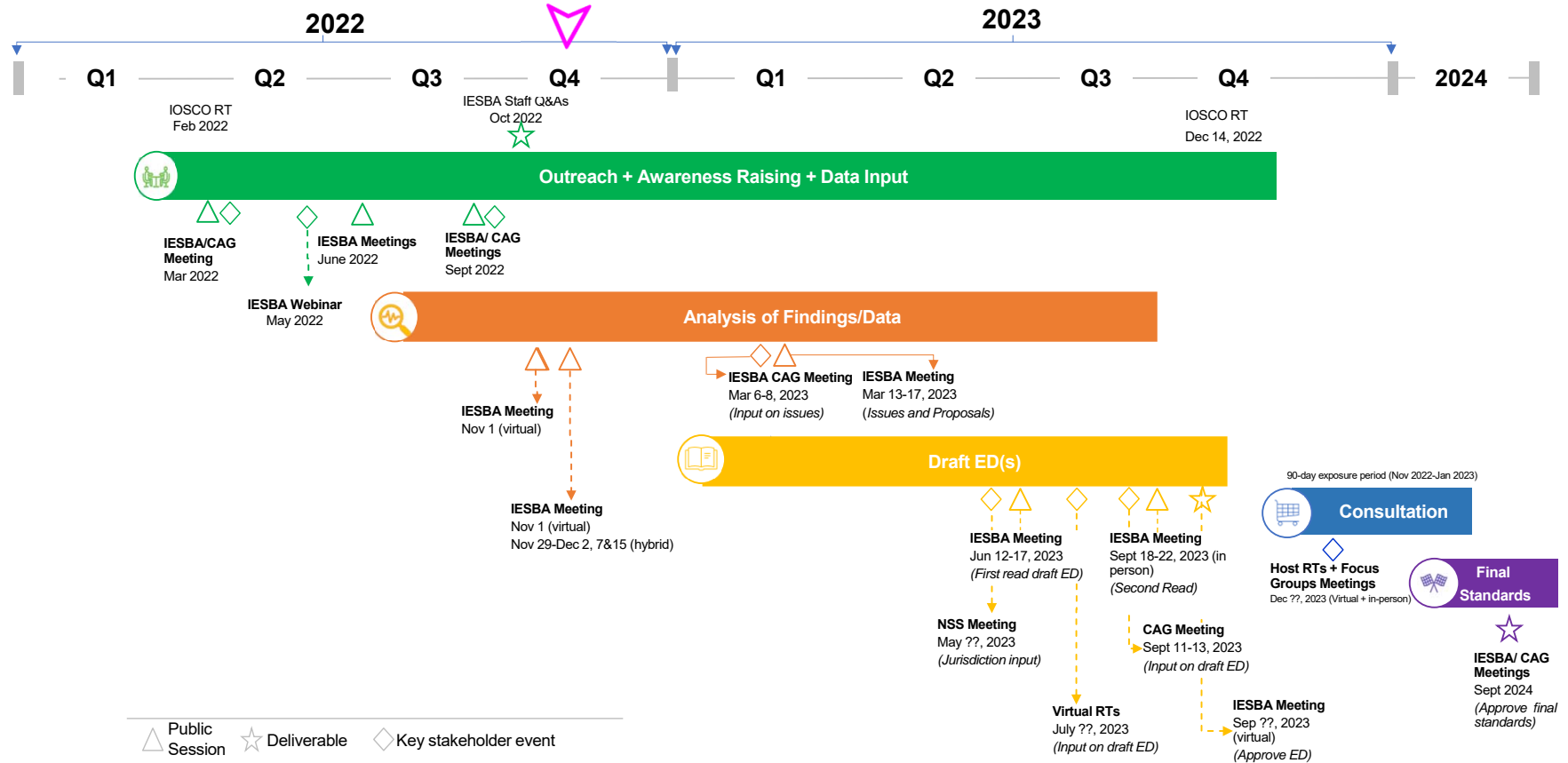
Sustainability Project Plan and Timeline*

(For information only)

****To be discussed at Nov/Dec IESBA Meeting***



Project Timeline



Ref: Overview of Parts and Sections in Code

Part 1

Complying with the Code, Fundamental Principles and Conceptual Framework

Section 100 Complying with the Code

Section 110 The Fundamental Principles

§ Section 120 The Conceptual Framework

Part 2

Professional Accountants in Business

Section 200 Applying the Conceptual Framework
 Section 210 Conflicts of Interest
 Section 220 Preparation and Presentation of Information
 Section 230 Acting with Sufficient Expertise
 Section 240 Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making
 Section 250 Inducements, including Gifts and Hospitality
 Section 260 Responding to Non-compliance with Laws and Regulations
 § Section 270 Pressure to Breach the Fundamental Principles

Part 3

Professional Accountants in Public Practice

△ Section 300 Applying the Conceptual Framework
 Section 310 Conflicts of Interest
 § Section 320 Professional Appointments
 Section 321 Second Opinions
 △ Section 325 Objectivity of an Engagement Reviewer and Other Appropriate Reviewers

§ Section 330 Fees and Other Types of Remuneration
 Section 340 Inducements, Including Gifts and Hospitality
 Section 350 Custody of Client Assets
 Section 360 Responding to Non-compliance with Laws and Regulations

International Independence Standards (Parts 4A and 4B)

Part 4A

Independence for Audit and Review Engagements

§ △ Section 400 Applying the Conceptual Framework to Independence for Audit and Review Engagements
 § Section 410 Fees
 Section 411 Compensation and Evaluation Policies
 Section 420 Gifts and Hospitality
 Section 430 Actual or Threatened Litigation
 Section 510 Financial Interests
 Section 511 Loans and Guarantees
 Section 520 Business Relationships
 Section 521 Family and Personal Relationships
 Section 522 Recent Service with an Audit Client
 Section 523 Serving as a Director or Officer of an Audit Client
 Section 524 Employment with an Audit Client
 * Section 525 Temporary Personnel Assignments
 △ Section 540 Long Association of Personnel (Including Partner Rotation) with an Audit Client
 * Section 600 Provision of Non-Assurance Services to an Audit Client
 Section 800 Reports on Special Purpose Financial Statements that Include a Restriction on Use and Distribution (Audit and Review Engagements)

Part 4B

Independence for Assurance Engagements other than Audit and Review Engagements

△ Section 900 Applying the Conceptual Framework to Independence for Assurance Engagements Other than Audit and Review Engagements
 Fees
 § Section 905 Gifts and Hospitality
 Section 906 Actual or Threatened Litigation
 Section 907 Financial Interests
 Section 910 Loans and Guarantees
 Section 911 Business Relationships
 Section 920 Family and Personal Relationships
 Section 921 Recent Service with an Assurance Client
 Section 922 Serving as a Director or Officer of an Assurance Client
 Section 923 Employment with an Assurance Client
 Section 924 Long Association of Personnel with an Assurance Client
 * Section 950 Provision of Non-Assurance Services to Assurance Clients Other than Audit and Review Engagement Clients
 Section 990 Reports that Include a Restriction on Use and Distribution (Assurance Engagements Other than Audit and Review Engagements)

The 2022 Edition of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) was issued in September 2022 and incorporates 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 International Auditing and Assurance Standards Board's (IAASB) suite of quality management standards.

In addition, the 2022 edition of the Code contains the IESBA approved revised definition of a public interest entity that will become effective in December 2024.

[Click here](#) to access the Code, including the eCode and e-International Standards.

