

**Comparison of Ethics and Independence Frameworks Applicable to Sustainability Assurance
– IESBA Code of Ethics and EU Laws –
*Preliminary Analysis***

This document includes a high-level comparison of the key characteristics of the ethics and independence framework applicable to assurance of sustainability reporting in the EU laws and the proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA). The comparison is a preliminary analysis prepared by IESBA Staff without input from, or consultation with, the European Commission or any Member States.

The comparison is based on the provisions relevant to assurance of sustainability reporting in the following EU laws and regulations (referred to as EU laws):

- [2022/2464/EU Directive](#) on corporate sustainability reporting (CSRD)
- [2006/43/EC Directive](#), amended by CSRD (Directive)
- [537/2014/EU Regulation](#), amended by CSRD (Regulation).

Given the different backgrounds and objectives of the two frameworks, this document does not provide a detailed benchmarking. This comparison focuses only on the key matters and areas covered in the EU laws and provides a comparison against the relevant provisions in the proposed IESSA.

This document is intended to highlight the similarities and differences between the EU laws applicable to sustainability assurance and the proposed IESSA to inform the IESBA’s considerations and discussions with EU and other stakeholders. This initiative does not extend to making judgments as to the relative merits of the different frameworks.

Despite the equivalence between the ethics and independence standards for sustainability assurance and those for an audit of the financial statements under both frameworks, this document does not aim to provide a comparison between the two frameworks regarding ethics and independence requirements applicable to the audit of the financial statements.

Overall Characteristics

Characteristic	EU Laws	Comparison with IESSA
Applicability	The 2006/43/EC Directive regulates statutory auditors. A ‘statutory auditor’ means a natural person who is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits and, where	<p><i>Jurisdictional Vs. Global Framework</i></p> <ul style="list-style-type: none"> • Given that the EU framework was developed for a specific legal framework and its application relies on the transposition to the national laws and regulations, the EU laws focus more on the objectives the national laws need

Characteristic	EU Laws	Comparison with IESSA
	<p>applicable, the assurance of sustainability reporting. (Articles 1 and 2 of Directive)</p> <p>The articles in the Directive 2006/43/EC set out requirements for the Member States to develop national laws and regulations that are capable of achieving the objectives of the Directive. They will be applicable through transposition to national laws.</p> <p>The CSRD provides Member States the option to allow a statutory auditor other than the auditor of the financial statements or an accredited independent assurance service provider to provide the assurance of sustainability reporting (Recital 60 in CSRD).</p> <p>If the Member State chooses that option, all independent assurance service providers should be subject to requirements that are equivalent to the requirements set out in Directive 2006/43/EC. (Recital 60 in CSRD)</p> <p>If the statutory auditor also audits the financial statements of the PIE client, the statutory auditor also needs to comply with the directly applicable requirements in 537/2014/EU Regulation. However, the 537/2014/EU Regulation is not applicable to another firm or individuals who carry out the assurance of the sustainability reporting (Article 1 of the Regulation)</p>	<p>to achieve. The Directive sets out requirements for the Member States in this regard.</p> <ul style="list-style-type: none"> • While IESSA's applicability also depends on implementation by national regulators and standard setters, IESBA's objective was to develop a detailed, robust set of standards for adoption. Therefore, the framework in IESSA is more detailed with specific guidance and examples to facilitate consistent application. <p><i>Profession Agnostic Approach</i></p> <ul style="list-style-type: none"> • The EU laws regulate statutory auditors who carry out statutory audits and, where applicable, the assurance of sustainability reporting. Member States might determine whether a statutory auditor who is not the auditor of the f/s can carry out the assurance of the sustainability reporting. • If Member States allow independent accredited service providers to carry out the assurance work, they need to ensure that the independent accredited service providers are subject to requirements equivalent to the requirements in the Directive. • The EU laws do not provide a standalone framework or neutral terms for sustainability assurance engagements. Instead, the CSRD requires the application of the Audit Directive applicable to the statutory auditor of the financial statements mutatis mutandis (see also comments regarding "mutatis mutandis" approach.) • IESSA sets out ethics and independence standards for all sustainability assurance practitioners irrespective of whether they are professional accountants or auditors of financial statements. <p><i>Equivalence to Audit Standards</i></p> <ul style="list-style-type: none"> • While IESSA is equivalent to standards for audit engagements, the EU Regulation includes directly

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		applicable requirements only for the statutory auditor of the financial statements, such as : <ul style="list-style-type: none"> ➤ Firm and partner rotation ➤ Threshold regarding total fees from one client ➤ Threshold regarding the proportion of non-audit fees to the audit fee ➤ Publication of transparency report ➤ Requirements regarding fee disclosure
Overarching Principles and Approach	The Directive requires mutatis mutandis application of requirements regarding: <ul style="list-style-type: none"> • Irregularities • Professional ethics and scepticism • Independence and objectivity • Employment by audited entities of former statutory auditors or of employees of statutory auditors or audit firms • Preparation for the statutory audit and assessment of threats to independence • Confidentiality and professional secrecy • Internal organisation of statutory auditors and audit firms (Article 25b of the Directive) (Highlighted in green below.)	<i>Addressing Sustainability-Specific Matters and Neutral Language</i> <ul style="list-style-type: none"> • Both frameworks aim for equivalence, but IESBA's further objective is that IESSA also: <ul style="list-style-type: none"> ○ Addresses issues and areas that are related to the specific characteristic of the sustainability engagement, such as the different subject matter and the different reporting boundaries, and ○ Provides terms and examples that could be easily understood by non-PAs and that are not audit-related. • The mutatis mutandis application of audit provisions to assurance of sustainability reporting does not necessarily support achieving the same objectives. However, given that the requirements in the Directive require transposition to national laws, these goals might be achieved through the transposition. This could, however, jeopardize the consistent application of the requirements, for example: <ul style="list-style-type: none"> ○ Independence considerations for practitioners who are involved in the engagement to carry out work with respect to <i>value chain entities</i> ○ The determination of the period during which independence is required
Scope	The comparison focuses on the ethics and independence provisions set out by the CSRD applicable to 'assurance of sustainability reporting', i.e. performance of procedures resulting in the opinion expressed by the statutory auditor or audit firm in accordance with point (aa) of the second	<i>Scope</i> <ul style="list-style-type: none"> • Although the CSRD only mandates limited assurance at the moment, it allows undertakings to seek reasonable assurance and the same framework applies to both types

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	<p>subparagraph of Article 34(1) and Article 34(2) of Directive 2013/34/EU.</p> <p>The 2013/34 EU Directive currently only requires limited assurance of the sustainability reporting, but undertakings subject to sustainability reporting requirements should be able to decide to have an assurance opinion on their sustainability reporting based on a reasonable assurance engagement if they so wish, and in such cases they should be deemed to have complied with the obligation to have an opinion based on a limited assurance engagement.</p> <p>Reasonable assurance based on the assurance standards for reasonable assurance of sustainability reporting will be mandatory after 2028.</p> <p>It also addresses the assurance of consolidated sustainability reporting.</p>	<p>of assurance at the moment, similar to the framework in IESSA.</p> <ul style="list-style-type: none"> Although the CSRD does not provide specific criteria regarding the scope of their application, the laws were developed for assurance of sustainability reporting in accordance with the CSRD. Accordingly, the ethics and independence requirements apply for mandatory reporting developed in accordance with a general-purpose framework. The IIS in IESSA focus on the same engagements as a first step. <p><i>Groups</i></p> <ul style="list-style-type: none"> As the CSRD requires reporting on sustainability information on a consolidated basis, the EU framework also specifically addresses assurance of consolidated sustainability reporting. It provides definitions of group statutory auditor and key sustainability partner at a group level, but it does not provide specific independence considerations for group or component firms or auditors, from the same or different networks. (This approach is in line with the framework applicable to group audit engagements.)

Specific Ethics and Independence Issues

Specific Topic	EU Laws	Comparison with IESSA
Fundamental Principles of Professional Ethics, and Professional Skepticism		
Good repute	The competent authorities of a Member State may grant approval only to natural persons or firms of good repute. (Article 4 of the Directive)	<p>Fundamental Principles</p> <ul style="list-style-type: none"> The Directive requires the specific Members States to develop laws or standards on professional ethics that achieve the objectives set out in the Directive (such as IESBA's Code and IESSA), but the Directive itself does not provide a detailed ethics framework. It focuses more on the independence issues.
Professional Ethics	Member States shall ensure that all statutory auditors and audit firms are subject to principles of professional ethics, covering at least their public-interest function, their integrity and objectivity and	

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Confidentiality	<p>their professional competence and due care. (Article 21 of the Directive)</p> <p>1. Member States shall ensure that all information and documents to which a statutory auditor or audit firm has access when carrying out a statutory audit are protected by adequate rules on confidentiality and professional secrecy.</p> <p>2. Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Directive or of Regulation (EU) No 537/2014.</p> <p>3. Where a statutory auditor or an audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit of that entity.</p> <p>4. A statutory auditor or audit firm who has ceased to be engaged in a particular audit assignment and a former statutory auditor or audit firm shall remain subject to the provisions of paragraphs 1 and 2 with respect to that audit assignment. (Article 23 of the Directive)</p>	<ul style="list-style-type: none"> • The EU requires that the statutory auditors who carry out the assurance work be subject to professional ethics standards. These standards are in line with the fundamental principles of IESSA, such as integrity, objectivity and, professional competence and due care, which support the public interest function of auditors. • Regarding professional behavior, the Directive only allows Member States to register individuals and firms as statutory auditors who have good repute. • The Directive also requires that statutory auditors be subject to confidentiality and professional secrecy, consistent with IESSA’s fundamental principles. <p>Conceptual Framework</p> <ul style="list-style-type: none"> • The EU framework does not specifically provide a conceptual framework that would address threats to compliance with the fundamental principles. It only addresses threats to independence. • The EU framework does not require a specific mindset or exercising professional judgment. It only focuses on professional skepticism and follow an approach that is in line with the auditing standards regarding professional skepticism.
Professional skepticism	<p>Member States shall ensure that, when the statutory auditor or the audit firm carries out the statutory audit, he, she or it maintains professional scepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the statutory auditor's or the audit firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance. The statutory auditor or the audit firm</p>	

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	<p>shall maintain professional scepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the entity's ability to continue as a going concern.</p> <p>For the purposes of this Article, 'professional scepticism' means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. (Article 23 of the Directive)</p>	
NOCLAR		
NOCLAR/Irregularities	<p>The Directive requires the application of Article 7 of Regulation (EU) No 537/2014 mutatis mutandis to assurance of sustainability reporting. (Article 25d of the Directive):</p> <p>Without prejudice to Article 12 of this Regulation and Directive 2005/60/EC, when a statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity, may occur or have occurred, he, she or it shall inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.</p> <p>Where the audited entity does not investigate the matter, the statutory auditor or the audit firm shall inform the authorities as designated by the Member States responsible for investigating such irregularities.</p>	<ul style="list-style-type: none"> • The articles in the Directive on addressing potential irregularities aim to achieve the same objective as IESSA. However, they are not as comprehensive as the IESSA regarding with whom the statutory auditor should communicate at the entity and what could be the potential further steps before disclosing the finding to the authorities. (See also comments above on the different approaches of the frameworks.) • The EU laws do not require communication with the auditor of the financial statements about irregularities.

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	<p>The disclosure in good faith to those authorities, by the statutory auditor or the audit firm, of any irregularities referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information.</p>	
Independence and Objectivity		
Quality Management System	<p>Article 24 of the Directive – Internal organisation of statutory auditors and audit firms</p> <p>Article 24b of the Directive – Organisation of the work</p>	<ul style="list-style-type: none"> • The Directive provides the principles for a quality management system at the firm and the engagement levels. • The IESSA acknowledges that the applicable laws or sustainability assurance standards require firms to be subject to requirements regarding quality management, which is the case in the context of the EU laws.
Independence	<p>Member States shall ensure that, when carrying out a statutory audit, a statutory auditor or an audit firm, and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, is independent of the audited entity and is not involved in the decision-taking of the audited entity.</p> <p>Member States shall ensure that a statutory auditor or an audit firm takes all reasonable steps to ensure that, when carrying out a statutory audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the statutory auditor or the audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or the audit firm, or any person directly or indirectly linked to the statutory auditor or the audit firm by control.</p> <p>(Article 22 of the Directive)</p>	<ul style="list-style-type: none"> • Both frameworks require firms and the individuals participating in the engagement to be independent and not to assume management responsibility. • Both the EU laws and the IESSA's sustainability assurance team definition cover not only the engagement partner/leader but also other individuals who are in a position to directly or indirectly influence the outcome of the engagement. However, the IESSA provides detailed independence considerations for such individuals in the context of the group engagement or for others outside of the firm who participate in the engagement (e.g., other practitioners or external experts). • The IESSA and the Directive also require the independence of network firms, and they define the network similarly. • In general, the Directive requires independence from the audited entity, but in specific prohibitions, such as non-audit services and financial relationships, it also includes related entities, but it is not a defined term. The parent and the controlled entities only are specifically addressed in the context of the prohibition from providing non-audit services. • The Directive also determines the specific threats to independence that are in line with the conceptual framework

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Threats and Safeguards	<p>The statutory auditor or the audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between:</p> <ul style="list-style-type: none"> — the statutory auditor, the audit firm, its network, and any natural person in a position to influence the outcome of the statutory audit, and — the audited entity, <p>as a result of which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or the audit firm's independence is compromised.</p> <p>(Article 22 of the Directive)</p>	<p>in IESSA. However, the EU framework refers to a threats and safeguards approach and does not require the application of a conceptual framework similar to the IESSA's.</p>
Period During which independence is Required	<p>Independence shall be required at least during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.</p> <p>(Article 22 of the Directive)</p>	<ul style="list-style-type: none"> • The period during which independence is required is intended to cover the same period in both frameworks. However, it is not clear in the Directive how the period covered by the financial statements should apply <i>mutatis mutandis</i> in the context of a sustainability assurance engagement.
Financial, business, employment or other relationship with audited entity	<p>Member States shall ensure that a statutory auditor, an audit firm, their key audit partners, their employees, and any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC (1), do not hold or have a material and direct <i>beneficial interest</i> in, or engage in any <i>transaction in any financial instrument issued, guaranteed, or otherwise supported by, any audited entity within their area of statutory audit</i></p>	<p>Financial interests</p> <ul style="list-style-type: none"> • The Directive sets out prohibitions from <ul style="list-style-type: none"> ○ holding or having a material and direct <i>beneficial interest in</i>, or engaging in any <i>transaction in any financial instrument issued, guaranteed, by the audited entity</i> ○ owning financial instruments of <ul style="list-style-type: none"> ▪ the audited entity or ▪ any entity related to an audited entity, that may cause, or may be generally perceived as causing, a conflict of interest.

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	<p>activities, other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance. (Article 22, point 2 of the Directive)</p> <p>Member States shall ensure that persons or firms referred to in paragraph 2 do not participate in or otherwise influence the outcome of a statutory audit of any particular audited entity if they:</p> <p>(a) own <u>financial instruments</u> of the <i>audited entity</i>, other than interests owned indirectly through diversified collective investment schemes;</p> <p>(b) own <u>financial instruments</u> of <i>any entity related to an audited entity</i>, the ownership of which may cause, or may be generally perceived as causing, a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;</p> <p>(c) have had an <u>employment, or a business or other relationship</u> with that audited entity within the period referred in paragraph 1 that may cause, or may be generally perceived as causing, a conflict of interest. (Article 22, point 4 of the Directive)</p>	<ul style="list-style-type: none"> • The above prohibitions do not apply if the instrument is owned indirectly through diversified collective investment schemes. • The prohibitions in the Directive apply to the <ul style="list-style-type: none"> ➢ statutory auditor, ➢ an audit firm, ➢ their key audit partners, ➢ their employees, ➢ and any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm and who is directly involved in statutory audit activities. ➢ and persons closely associated with them <p>Business and other relationships</p> <ul style="list-style-type: none"> • The Directive also prohibits an <u>employment, or a business or other relationship</u> with that audited entity that may cause, or may be generally perceived as causing, a conflict of interest in the context of the same individual. • The Directive and the IESSA both intend to prohibit the same type of relationships; however, the EU laws do not address financial interests, loans and regulations and business relationships as comprehensively as the IESSA. In addition, there are nuances in the IESSA not covered in the Directive. For example, the prohibition in the Directive appears to focus only on material direct financial interests whereas there is no regard to materiality when it comes to direct financial interests in the IESSA. In addition, the IESSA also prohibits material indirect financial interests but not the Directive. • The approaches regarding the covered individual are different in the Directive and in IESSA. However they intend to cover the same individuals, e.g. individuals within or outside the firm who are under direction, supervision and

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		review of the statutory auditor and who are directly involved in the engagement.
Gifts and Hospitality	Persons or firms referred to in paragraph 2 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential. (Article 22, point 5 of the Directive.)	<ul style="list-style-type: none"> • The provisions on gifts and hospitality intend to achieve the same outcome in both frameworks.
Mergers and Acquisitions	<p>If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires another entity, the statutory auditor or the audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available safeguards, could compromise the auditor's independence and ability to continue with the statutory audit after the effective date of the merger or acquisition.</p> <p>As soon as possible, and in any event within three months, the statutory auditor or the audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships. (Article 22, point 6 of the Directive.)</p>	<ul style="list-style-type: none"> • Both frameworks require the consideration of threats to independence arising from previous interests, relationships and circumstances in the case of a merger and acquisition, • Both frameworks require the firm to end the relationship or circumstance in question, but the IESSA provides guidance to navigate exceptional circumstances, such as communication with TCWG.
Documentation	Member States shall ensure that a statutory auditor or audit firm documents in the audit working papers all significant threats to his, her or its independence as well as the safeguards	<ul style="list-style-type: none"> • Both frameworks require documentation regarding the statutory auditor's and the firm's independence.

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	<p>applied to mitigate those threats. (Article 22, point 3 of the Directive.)</p>	
<p>Employment with a Client</p>	<p>1. Member States shall ensure that a statutory auditor or a key audit partner who carries out a statutory audit on behalf of an audit firm does not, before a period of at least one year, or in the case of statutory audit of public-interest entities a period of at least two years, has elapsed since he or she ceased to act as a statutory auditor or key audit partner in connection with the audit engagement:</p> <p>(a) take up a key management position in the audited entity;</p> <p>(b) where applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;</p> <p>(c) become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.</p> <p>2. Member States shall ensure that employees and partners other than key audit partners of a statutory auditor or of an audit firm carrying out a statutory audit, as well as any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm, do not, when such employees, partners or other natural persons are personally approved as statutory auditors, take up any of the duties referred to in points (a), (b) and (c) of paragraph 1 before a period of at least one year has elapsed since he or she was directly involved in the statutory audit engagement. (Article 22a of the Directive)</p>	<ul style="list-style-type: none"> • Both frameworks intend to achieve the same independence objectives regarding employment with an audit client in specific positions, but the IESSA provides a more detailed approach and description of the positions and policies. • There are slight differences in the cooling-off periods specified in the Directive and the IESSA.

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Fees	<p>Member States shall ensure that adequate rules are in place which provide that fees for statutory audits and the assurance of sustainability reporting:</p> <p>(a) are not influenced or determined by the provision of additional services to the entity that is the subject of the statutory audit or the assurance of sustainability reporting; and</p> <p>(b) cannot be based on any form of contingency. (Article 25 of the Directive)</p>	<ul style="list-style-type: none"> • Both frameworks address and prohibit: <ul style="list-style-type: none"> ○ Contingent fees and ○ Influence of fees for other services on the assurance fee. • If it is not the auditor of the f/s who carries out the assurance work, the requirements in the 537/2014 Regulation on total fees, proportion of fees and fee-disclosure are not directly applicable.
Non-audit Service	<p>A statutory auditor or an audit firm carrying out the assurance of sustainability reporting of a public-interest entity, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the public-interest entity that is the subject of the assurance of sustainability reporting, to its parent undertaking or to its controlled undertakings within the Union the prohibited non-audit services referred to in points (b) and (c) and points (e) to (k)* of the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014 in:</p> <p>(a) the period between the beginning of the period subject to the assurance of sustainability reporting and the issuing of the assurance report on sustainability reporting; and</p> <p>(b) the financial year immediately preceding the period referred to in point (a) of this paragraph in relation to the services referred to in point (e) of the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014.</p>	<ul style="list-style-type: none"> • Both frameworks set out specific provisions for PIEs in the context of the assurance of sustainability reporting, and the determination of PIEs is the same for audit and sustainability assurance engagements. The EU laws do not determine PIE clients for sustainability engagements either. • The Directive prohibits the provision of non-audit services to PIE clients only (same as in the case of audit engagements). They set out a list of prohibited services, while IESSA includes prohibitions of non-assurance services that might create a self-review threat and other prohibitions in specific sections. (This is the same for audit engagements.) • The prohibitions in the Directive extend to the network firms, too. Firms and network firms cannot provide services to the parent and controlled undertakings, but no prohibitions regarding other entities, e.g., sister entities (same approach as in the case of audit engagements). • Unlike IESSA, the Directive does not include specific prohibitions related to <ul style="list-style-type: none"> ○ Payroll services, or ○ Tax services. • Before the provision of non-prohibited non-audit services to the entity, the Directive also requires approval from the audit committee. The IESSA contains detailed provisions

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	<p>(*b) services that involve playing any part in the management or decision-making of the audited entity;</p> <p>(c) bookkeeping and preparing accounting records and financial statements as well as preparing sustainability reporting;</p> <p>(e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;</p> <p>(f) valuation services, including valuations performed in connection with actuarial services or litigation support services;</p> <p>(g) legal services, with respect to:</p> <ul style="list-style-type: none"> (i) the provision of general counsel; (ii) negotiating on behalf of the audited entity; and (iii) acting in an advocacy role in the resolution of litigation; <p>(h) services related to the audited entity's internal audit function;</p> <p>(i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;</p> <p>(j) promoting, dealing in, or underwriting shares in the audited entity;</p> <p>(k) human resources services, with respect to:</p>	<p>addressing obtaining concurrence from those charged with governance regarding the provision of non-prohibited NAS.</p>

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	<p>(i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:</p> <ul style="list-style-type: none"> — searching for or seeking out candidates for such position; or — undertaking reference checks of candidates for such positions; <p>(ii) structuring the organisation design; and</p> <p>(iii) cost control.)</p> <p>2. A statutory auditor or an audit firm carrying out the assurance of sustainability reporting of public-interest entities and, where the statutory auditor or the audit firm belongs to a network, any member of such network, may provide to the public-interest entity that is the subject of the assurance of sustainability reporting, to its parent undertaking or to its controlled undertakings non-audit services other than the prohibited non-audit services referred to in paragraph 1 of this Article, or if applicable, the prohibited non-audit services referred to in the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014 or services considered by Member States to represent a threat to independence as referred to in Article 5(2) of that Regulation, subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with Article 22b of this Directive.</p> <p>(Article 25d of the Directive)</p>	

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Pressure from audit firm	Member States shall ensure that the owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a firm, or of an affiliated firm, do not intervene in the execution of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm. (Article 24 of the Directive)	<ul style="list-style-type: none"> • The Directive includes specific provisions that implicitly cover the issue of pressure from the owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a firm, or of an affiliated firm to breach the fundamental principles to objectivity. • The IESSA addresses pressure in a comprehensive and explicit way, and specifically deals broadly with pressure from “others”. (It is the same for audit engagements.)
Independence Issues when a Firm Performs Both Audit and SAE		
Fees	<p>When the statutory auditor or the audit firm provides to the audited entity, its parent undertaking or its controlled undertakings, for a period of three or more consecutive financial years, non-audit services other than those referred to in Article 5(1) of this Regulation, the total fees for such services shall be limited to no more than 70 % of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of that group of undertakings.</p> <p>For the purposes of the limits specified in the first subparagraph of this paragraph, the assurance of sustainability reporting, and non-audit services other than those referred to in Article 5(1), required by Union or national legislation, shall be excluded.</p> <p>(Article 4, point 2 of the Regulation)</p>	<ul style="list-style-type: none"> • The Regulation that is directly applicable to the auditor of the f/s sets out a fee cap for non-audit fees. The Regulation sets out that fees for assurance of sustainability reporting should be excluded from that fee cap. • While the IESSA does not provide a specific threshold or fee cap regarding the proportion of fees, it sets out a principles-based approach. IESSA does not state that the fees for sustainability assurance engagements are excluded from the determination of the proportion of the fees, but it acknowledges that that the level of the threats to independence created by a high-level of fees for assurance engagements is lower. (See paragraph 410.11 A2.)

Specific Topic	EU Laws	Comparison with IESSA
Conforming Matters (Amendments to Audit Standards)		
NAS	For the purposes of this Article, prohibited non-audit services shall mean: (c) bookkeeping and preparing accounting records and financial statements as well as preparing sustainability reporting; (Article 5 of the Regulation)	<ul style="list-style-type: none"> The EU laws and the IESSA also prohibit the auditor of the financial statements from providing sustainability reporting services to the audit client.
Other Matters		
		<ul style="list-style-type: none"> The IESSA addresses the following matters that are only addressed by the Regulation for the statutory auditor of the financial statements : <ul style="list-style-type: none"> Partner rotation Threshold regarding total fees from one client Threshold regarding the proportion of non-audit fees to the audit fee Requirements regarding fee disclosure The Regulation addresses the following matters that are not addressed by the IESSA: <ul style="list-style-type: none"> Firm rotation Publication of transparency report In addition to the above mentioned, the IESSA addresses the following ethics and independence issues that are not addressed in the Directive or the Regulation: <ul style="list-style-type: none"> Breaches Communication with TCWG Level of Fees Overdue Fees Compensation and Evaluation Policies Actual or Threatened Litigation Using the work of external experts These differences are the same in the context of the audit of the f/s