

## IESBA Adoption and Implementation Working Group

### Approved Working Group Terms of Reference

#### (December 2024)

#### A. Background

1. The IESBA Strategy and Work Plan 2024–2027 (SWP) recognizes adoption and effective implementation of the IESBA’s standards as a matter of strategic importance to support the IESBA’s vision.<sup>1</sup> Continued focus on adoption and implementation (A&I) is in the public interest as the IESBA’s robust set of standards govern and guide ethical behavior (and independence as applicable). They also play an essential complementary role to, and underpin, reporting and assurance standards for financial and non-financial information.
2. Responding to calls from international regulators and market expectations, the IESBA has focused over the past two years on developing the following to support trustworthy sustainability reporting:
  - *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA);
  - Other Revisions to the Code Relating to Sustainability Assurance<sup>2</sup> and Reporting; and
  - Revisions to the Code on *Using the Work of an External Expert*.<sup>3</sup>(Hereinafter collectively referred to as “IESBA Sustainability and Experts Standards”).
3. At its June 2024 meeting, the IESBA agreed to establish a working group to develop a strategic approach to support adoption, implementation and capacity building with respect to the IESBA’s standards. The IESBA Adoption and Implementation Working Group (A&I WG) was established in July 2024.
4. The International Federation of Accountants (IFAC) undertakes A&I work, including monitoring the status of global adoption or usage of the IESBA Code<sup>4</sup> amongst IFAC member jurisdictions through its membership obligations. Utilizing this information, it collaborates with the IESBA each year on the adoption rates of the IESBA Code for inclusion in the IESBA Annual Report and regularly publishes new and updated information on the [IFAC International Standards Adoption Map](#).

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<sup>1</sup> A strategic theme in the SWP, “*widening the influence of the IESBA’s standards through a continued focus on adoption and implementation*,” connects to the strategic driver of “*further increasing global adoption of the Code and supporting its effective implementation*,” which influences IESBA’s strategic vision:

*To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.*

<sup>2</sup> Pertaining to consequential and conforming amendments to the IESBA Code resulting from the IESSA.

<sup>3</sup> The scope of the revisions to the Code addressing using the work of an external expert also encompasses professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs) providing services other than sustainability assurance.

<sup>4</sup> *International Code of Ethics for Professional Accountants (including International Independence Standards)*

## **B. Objectives**

5. The objectives of the A&I WG are to:
  - (a) Promote adoption and implementation of the IESBA's standards;
  - (b) Monitor A&I with respect to the IESBA's standards; and
  - (c) Develop recommendations to the IESBA relating to A&I as necessary.

## **C. Focus**

6. Driven largely by investors, regulators and other stakeholders, global movement towards sustainability disclosures has gained significant momentum in recent years. There is an interconnectedness between sustainability reporting, assurance, and ethics (including independence) standards, as the trinity of standards work interdependently to promote public trust in sustainability information. In this regard, the anticipated finalization of the IESBA Sustainability and Experts Standards by the end of 2024 provides a strategic opportunity for an initial focus on promoting A&I for those standards.
7. In the medium to longer term, the A&I WG's focus will be to promote A&I of all IESBA standards.

## **D. Approach and Timing**

8. The A&I WG will take a phased approach to achieve the objectives set out in Section B.

### *Phase 1 – Sustainability & Experts Standards*

9. In Phase 1, the A&I WG will focus on promoting A&I of the IESBA's Sustainability and Experts Standards.
10. Consistent with the objectives set out in Section B, the WG's approach will focus on increasing market awareness, understanding, acceptance and competency relating to the IESBA Sustainability and Experts Standards, including A&I in relation to professional accountants (PAs) and non-PAs across developed and emerging markets. The WG recognizes that a differential approach will need to be taken with regard to non-PAs in order to facilitate robust and consistent implementation.
11. The WG's approach will focus on the following three key pillars, outlined further below: *Advocacy and Engagement*, *Capacity Building Through Collaboration*, and *Progress Tracking*.
12. Sustained work under this phase will take place over the course of 2025, with outcomes reviewed in December 2025 as a basis for determining the nature and extent of further work required under Phase 1 beyond 2025.

### Advocacy and Engagement

13. Advocacy and engagement will involve identifying stakeholders, building partner support for creating awareness and driving adoption, and coordinating with the International Auditing and Assurance Standards Board (IAASB) and International Sustainability Standards Board (ISSB).
14. Recognizing resource limitations, these efforts will be prioritized. A targeted approach will be adopted, guided by the size and significance of jurisdictions, and the status of adoption of ISSB standards or other sustainability reporting standards, and the introduction of assurance requirements for sustainability reporting.

15. The following will be the key elements under this pillar:
- Stakeholder engagement – A stakeholder engagement map will be developed. This will assist in tracking engagement with decision-making authorities and other stakeholders in targeted jurisdictions, engagement objectives (such as building partner support, encouraging adoption, and raising awareness), intended outcomes, responsibility, and timelines. The map will help the A&I WG navigate its efforts in a targeted time-bound manner.
  - Analyzing potential demand for adoption of the IESBA Sustainability and Experts Standards, including jurisdictional interest, intentions and readiness. This could be done through, for example, short surveys, and will be helpful in facilitating prioritization of target jurisdictions.
  - Conduct outreach activities with potential stakeholders to raise awareness about the IESBA Sustainability and Experts Standards and to build partner support. This could involve, for example, participation in workshops organized by the IESBA and/or its partners, and leveraging global / regional forums for promotion.
  - Coordination with the IAASB and ISSB, including joint initiatives with both boards where possible, to assist the IESBA in establishing potential collaborations and promote awareness of the IESBA Sustainability and Experts Standards.

#### Capacity Building Through Collaboration

16. Capacity building will be essential to build market readiness for A&I of the IESBA Sustainability and Experts Standards. The provision of high-quality resources and educational materials, and training programmes will be key to support effective implementation of the standards. Recognizing the strategic opportunity to leverage broader knowledge and skill sets and wider networks, as well as the IESBA's resource constraints, the A&I WG will take a partnership approach aimed at building a global community of collaborators. This would include ISSB, IFAC, national standard setters (NSS), UNCTAD, and regional accountancy bodies. The WG recognizes that a differential approach to capacity building will likely need to be taken with regard to non-PAs.
17. The approach to capacity building will include:
- The development of a tool-kit for capacity building, including initiatives to support A&I with materials such as fact sheets, "at a glance" documents, an implementation guide, and frequently asked questions (FAQs).
  - Consideration of ways to disseminate implementation support materials.
  - The development of case studies as practical training tools and references to deepen understanding of the matters covered by, and to assist with the implementation of, the IESBA Sustainability and Experts Standards.
18. Tailored capacity building support could also be considered, depending on the approach to adoption taken in a particular jurisdiction or by a particular stakeholder group, and subject to resource availability and, if necessary, direct financial or other support from the jurisdiction or stakeholder group.

### Progress Tracking

19. Periodic progress reports/jurisdictional profiles to monitor the progress made on A&I of IESBA Sustainability and Experts Standards. This will be coordinated with, and complement IFAC's work on A&I (refer paragraph 4), and can draw from various other sources of information, including updates from NSS, or self-reporting by jurisdictions or specific stakeholders. More detailed post-implementation reviews (PIRs) can be undertaken, connecting to the IESBA's future strategy and work plan for purposes of prioritization, once sufficient time has elapsed.
20. Progress tracking can assist the IESBA in measuring the progress on global adoption and assess, through the PIRs, how effectively the implementation of the revisions to the Code are meeting the original objectives of the project. Such progress tracking will help in identifying the roadblocks to jurisdictions or firms adopting and implementing the IESBA Sustainability and Experts Standards.

### *Phase 2 – Wider A&I of IESBA standards*

21. Based on the experience gained during Phase 1, a more general A&I plan for all IESBA standards will be considered for Phase 2. This will be coordinated with, and complement, IFAC's A&I work to monitor the status of adoption or usage of the IESBA Code.

### **E. Deliverables**

22. Subject to the IESBA's approval of the terms of reference, the A&I WG activities will commence in January 2025. Specific milestones and outputs will be dependent on matters that the A&I WG and the IESBA ultimately determine are appropriate to address, and the priorities assigned to those matters.
23. Under Phase 1, the A&I WG will:
  - Update the IESBA quarterly on A&I activities undertaken on matters such as:
    - Number of partnerships built for capacity building and adoption.
    - Whether there is increased stakeholder awareness of IESBA Sustainability and Experts Standards, including through requests for capacity building.
    - Extent of resources / guidance / material provided by the IESBA and stakeholder engagement with such materials.
    - Whether there is increased A&I of the Sustainability and Experts standards.
24. Deliverables and terms of reference for Phase 2 will be determined by the Phase 1 work and the IESBA's agreement to the A&I WG's recommended way forward.

### **F. Composition**

25. The A&I WG consists of 4-5 IESBA members, supported by IESBA staff.