

**Meeting:** IESBA CAG  
**Meeting Location:** Virtual  
**Meeting Date:** September 23, 2022

# Agenda Item F

## Sustainability

### Objective

1. To receive an update on the Sustainability Working Group's recent activities and next steps.

### Background

2. Having duly considered global and jurisdictional developments on sustainability reporting and assurance, the IESBA unanimously resolved<sup>1</sup> to take timely action to develop fit-for purpose, globally applicable ethics, and independence standards as a critical part of the infrastructure needed to support transparent, relevant, and trustworthy sustainability information. In this regard, the IESBA has established a Sustainability Working Group that is committed to:
  - Developing a strategic vision to guide the IESBA's standard-setting actions in relation to sustainability reporting and assurance. This will include a standard-setting project plan for the IESBA's consideration with a view to approval by the Board by December 2022.
  - Undertaking awareness-raising activities to highlight the role of the IESBA and the applicability of the provisions in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) to sustainability reporting and assurance.
  - Conducting fact finding, including extensive stakeholder outreach, to inform the IESBA's standard-setting activities and other workstreams.

### Activities Since March 2022 CAG Meetings

#### *Awareness Raising and Fact Finding*

3. A dedicated [sustainability webpage](#) has been launched to highlight how the extant Code applies to sustainability reporting and assurance. That webpage also includes a [sustainability questionnaire](#) with six sets of questions – there is a separate set of questions for each stakeholder group. Representatives are encouraged to reach out to the Working Group to discuss the questions that are most relevant to them. Feedback on the questionnaire is also welcome in writing by November 21, 2022.
4. The questions in the questionnaire are intended to assist the Working Group as they seek to:
  - Better understand how the Code is being used by those who are involved in reporting and providing assurance on sustainability-related information.

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<sup>1</sup> See IESBA's [June 2022 press release](#) expressing its commitment to readying ethics and independence standards for sustainability.

- Identify the specific activities that professional accountants in business and in public practice (including auditors) are undertaking in relation to sustainability reporting and assurance, with a view to identifying and responding to the most pressing ethics (and independence) issues that arise.
  - Inventory stakeholder suggestions about potential areas where the Code could provide more specific requirements and guidance to assist in enhancing public trust in sustainability reporting and assurance.
  - Determine whether, and if so how, professionals who are not professional accountants are using the Code in sustainability reporting and assurance.
5. Since March 2022, extensive stakeholder engagement has been undertaken in relation to sustainability. Meetings have been held with representatives of the Forum of Firms (FoF), Global Public Policy Committee (GPPC), Global Reporting Initiative (GRI)\*, IESBA's National Standards Setters Liaison Group, Institute and Faculty of Actuaries on Ethics and Sustainability, International Organization of Securities Commissions (IOSCO)\*, International Sustainability Standards Board (ISSB) and the United States Securities Exchange Commission (SEC).
  6. On May 18, 2022, the IESBA Chair moderated a conversation between the Working Group Chair and Financial Conduct Authority Director of ESG, [Sacha Sadan](#) about the role of the Code in instilling public trust and confidence in sustainability reporting and assurance. The [recorded webinar](#) is accessible on the IESBA's website.
  7. In late June 2022, the IESBA submitted a [comment letter response](#) to the ISSB on its exposure drafts on sustainability and climate-related disclosures.

*Other Matters, Including Coordination with IAASB*

8. On September 15, 2022, IOSCO issued a [public statement](#) to encourage the IESBA's and the IAASB's work on assurance of sustainability-related corporate reporting, and the two Boards issued a joint [press release](#) in response restating their commitment to respond to market demands with robust standards applicable to all sustainability assurance providers.
9. 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.
10. The IESBA's work is being closely coordinated with that of the IAASB's Sustainability Assurance Working Group (SAWG). In that regard, the Working Group notes that, in June 2022, the IAASB on balance supported a "stand-alone standard" approach for the procedural standards, which involves developing a new suite of standards for providing assurance on sustainability reporting. The new suite of assurance standards will be drafted in a manner that is consistent with ISAE 3000 (Revised),<sup>2</sup>

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\* Meeting was held jointly with representatives of the IAASB.

<sup>2</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

recognizing the need to be more innovative where needed.

### Report Back on March 2022 CAG Discussion

11. Below are extracts from the draft minutes of the March 2022 CAG meeting<sup>3</sup> and an indication of how the WG or IESBA has responded to the CAG Representatives' comments.

Matters Raised	WG/ IESBA Response
<p>Mr. Orth pointed out that standard setters need to collaborate with each other and coordinate their work on sustainability assurance as applicable to both PAs and other service providers who are not PAs. He then summarized the EU developments that he believed that the IESBA and IAASB should take into consideration.</p>	<p>Point taken.</p> <p>Ms. Borgerth agreed on the importance of having collaboration between standard setters and indicated that the Working Group is already taking into account global and national developments, including the EU's corporate sustainability reporting proposals.</p>
<p>Mr. Ishiwata appreciated that the IESBA would focus not only on sustainability assurance but also on sustainability reporting. He suggested that the IESBA consider all relevant sustainability standard-setting developments, including the recently published proposals of the International Sustainability Standards Board, and initiate timely dialogue with a broad range of stakeholder groups. Given the diverse views on sustainability matters, he suggested that the Working Group consist of members from different stakeholder groups and jurisdictions. He emphasized the importance of close coordination with the IAASB's sustainability workstream to ensure consistency between the IAASB's standards and the Code.</p>	<p>Points accepted.</p> <p>The IESBA's sustainability work is being coordinated closely with the IAASB. For more information, see paragraph 10 of this paper.</p>
<p>Ms. Gamboa highlighted that the recent sustainability-related proposals by the EC and the US SEC both require assurance on sustainability disclosures. Pointing to the recently developed SEC proposals, she noted that there will be some overlap between the sustainability-related information reported (and which might be subject to assurance engagements conducted by professionals who are not PAs) and the financial statements</p>	<p>Point accepted.</p> <p>Ms. Borgerth noted that the Working Group will consider the US SEC's proposal.</p>

<sup>3</sup> The draft minutes will be approved at the September 2022 IESBA CAG meeting.

<p>(which are subject to audit engagements conducted by audit firms). Therefore, she was of the view that the ethical requirements that apply to sustainability assurance providers and auditors of financial statements should be the same. In the US context, she pointed out that both sets of reported information (financial and sustainability-related information) will be part of the same regulatory filing submitted by public companies.</p>	
<p>Prof. Cela encouraged the IESBA to provide a timely response to ethics and independence-related challenges arising from sustainability reporting and assurance in this rapidly changing environment. By way of example, he pointed out that the EU is exploring whether auditors of financial statements should be prohibited from providing assurance on the sustainability-related information of their audit clients.</p>	<p>Point accepted.</p> <p>The IESBA's committed to provide a timely response is well noted in its June 2022 press release. See paragraph 2 of this paper.</p>
<p>Dr. Manabat expressed concerns about enlarging the scope of the Code to non-PAs and wondered about the practical implications of doing so.</p>	<p>Point taken into account.</p> <p>During the meeting, Ms. Borgerth explained that the IESBA is at the exploratory stage and has not yet committed to a project addressing a potential enlargement of the scope of the Code to service providers who are non-PAs.</p> <p>Ms. Figueiredo Dias reiterated that the IESBA is intentionally keeping an open mind to a potential expansion of the scope of the Code, but is mindful of the uncertainties and practical concerns that have been raised, including by some IESBA members. She emphasized that the Board is committed to first understanding whether it is in the public interest that PAs and other service providers who are not PAs be subject to the same ethical requirements in this area. She noted that the focus would be more on the service provided than on the service provider. She explained that the IESBA is planning to undertake extensive consultation with stakeholders on this matter in developing its future SWP.</p> <p>At its September 2022 meeting, the IESBA further discussed how to make the same</p>

	ethics and independence standards that apply to auditors of financial statements available (in an accessible and user-friendly manner) to sustainability assurance providers who are not accountants. The Working Group was asked to consider developing a standalone document to assist in this regard.
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## Matters for CAG Consideration

12. The CAG will be asked to react on a presentation on the key outcomes of the IESBA's September 2022 meeting. In particular, CAG members will be asked for views on the IESBA's current thinking, including:
- The planned approach and timeline to develop proposed sustainability-related revisions to the Code<sup>4</sup> including the International Independence Standards.
  - The specific areas where the provisions in the Code, including those relating to independence might be enhanced to provide sustainability-related requirements and guidance.
  - The planned approach to adapt the Code's provisions for reporting and assuring sustainability information so that they are profession agnostic, thereby making them easily accessible and user friendly for professionals who are not accountants.
13. In addition, the CAG will be asked to note and provide reaction on a draft Staff Publication which highlights the applicable provisions in the extant Code that addresses concerns about greenwashing (or misleading information) in the reporting of sustainability information.

## Next Steps

14. Following the September 2022 CAG meeting, the Working Group will incorporate the Board and CAG's input to develop a project plan for approval at its December 2022 meeting.

## Action Requested

15. During the September 2022 meeting, CAG Representatives will be asked for input to inform the progress of the IESBA's sustainability workstreams.

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<sup>4</sup> 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.

## Materials Presented

Agenda Item F-1 Slide Presentation: Sustainability

Agenda Item F-2 Draft – IESBA Staff Publication on Ethics Considerations in Sustainability-related Reporting (*Guidance to Address Concerns about Greenwashing*)

## Materials Presented for CAG Reference Only

Supplements 1 and 2 to Agenda Item 2A to September 2022 IESBA meeting materials [www.ethicsboard.org/meetings/september-12-16-2022-hybrid](http://www.ethicsboard.org/meetings/september-12-16-2022-hybrid)

Agenda Items 2, 2A and 2B to June 2022 IESBA meeting materials [www.ethicsboard.org/meetings/june-6-8-2022-hybrid](http://www.ethicsboard.org/meetings/june-6-8-2022-hybrid)