

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: September 11, 2023

Agenda Item **B**

Sustainability – Ethics (Work Stream 2)

Objectives

1. To receive a report-back on the discussions relating to the development of ethics standards for sustainability reporting and assurance at the March 2023 CAG meeting (see **Agenda Item B-2**).
2. To receive a report-back on the March-April 2023 global sustainability roundtables.
3. To provide views on key matters relating to the first complete draft of the proposed ethics standards for sustainability reporting and assurance.

Task Force

4. The Task Force comprises of two work streams:

| Work Stream 1 (Independence) | Work Stream 2 (Ethics) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Mark Babington, Chair, IESBA Member • Jens Poll, IESBA Member • Channa Wijesinghe, IESBA Member | <ul style="list-style-type: none"> • Christelle Martin, Chair, IESBA Member • Vania Borgerth, IESBA Member • Richard Huesken, IESBA Member • Sung-Nam Kim, IESBA Member |
| <p>Supported by:</p> <ul style="list-style-type: none"> • David Clark, IESBA Technical Advisor • Masahiro Yamada, IESBA Technical Advisor | <p>Supported by:</p> <ul style="list-style-type: none"> • Chris Twagirimana, IESBA Technical Advisor • Kristen Wydell, IESBA Technical Advisor |

Project Status and Timeline

5. In Q1 2022, the IESBA established a Sustainability Working Group to, amongst other matters, conduct fact finding, undertake stakeholder outreach and awareness-raising activities as well as to develop recommendations on how the IESBA should strategically approach its standard-setting actions in relation to sustainability reporting and assurance.
6. In its September 15, 2022 [statement](#), the International Organization of Securities Commissions (IOSCO) encouraged standard-setters’ work on assurance of sustainability-related corporate reporting and welcomed the work of the IESBA and the International Auditing and Assurance Standards Board (IAASB) in this regard. In its statement, IOSCO particularly welcomed the two

standard-setting Boards' plans to work towards high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability-related information.

7. In October 2022, the IESBA released a staff-prepared Questions and Answers, [Ethics Considerations in Sustainability Reporting – Including Guidance to Address Concerns about Greenwashing](#).
8. At its November-December 2022 meeting, the IESBA unanimously approved the [Sustainability project](#) with the objectives of developing:
 - (a) Revisions to the Code to address the ethics issues that might arise in sustainability reporting; and
 - (b) Profession-agnostic ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)
9. In approving the Sustainability project, the IESBA also agreed that the Task Force would comprise two work streams as follows:
 - Work Stream 1 (WS1) on the development of profession-agnostic independence standards for sustainability assurance; and
 - Work Stream 2 (WS2) on the development of ethics standards for sustainability reporting and profession-agnostic ethics standards for sustainability assurance.
10. At this meeting, the IESBA also approved the [Use of Experts project](#) to address ethics and independence considerations for the use of external experts in an audit and other assurance engagement including sustainability assurance, as well as the use of experts in the provision of other services such sustainability reporting and tax planning.
11. At its March 2023 meeting, the IESBA, taking into account the feedback received from the CAG in the same month:
 - Supported the establishment of a reference group of stakeholders outside the accounting profession to act as a sounding board to inform the development of profession-agnostic ethics and independence standards for sustainability assurance engagements (Sustainability Reference Group – SRG). The final composition of the SRG, established in June 2023, as well as its terms of reference are published on the [sustainability webpage](#) on the IESBA website.
 - Provided feedback to the Task Force's preliminary views on a number of key terms and definitions as well as scoping and independence matters relating to sustainability reporting and assurance.
 - Considered the potential approaches to the presentation of the profession-agnostic standards for sustainability assurance, as well as whether it should actively address the need to develop ethics standards for sustainability reporting in ways that would make them potentially accessible and applicable also to preparers outside the accounting profession.
12. In March-April 2023, IESBA held four in-person global roundtables, in Paris, Sydney, Singapore and New York City.
13. In June 2023, the Task Force discussed its preliminary proposals with representatives of the IESBA-National Standard Setters Liaison Group Meeting.

14. At its June 2023 meeting, the IESBA:
- Considered and supported the Task Force's proposed approach for the presentation of the profession-agnostic ethics and independence standards for sustainability assurance to be included in a new Part 5 of the Code.
 - Deliberated on a number of other key issues including the proposed scope of the ethics and independence standards for sustainability assurance, partner rotation requirements and fee-related provisions in the context of independence, the scope of the provisions in the new Part 5 addressing responding to non-compliance with laws and regulations (NOCLAR) as well as a number of key terms and definitions such as sustainability information.
 - Supported the Task Force's proposal to limit the scope of the ethics provisions for sustainability reporting to professional accountants only at this time, and to explore developing profession-agnostic ethics standards for sustainability reporting as part of a broader strategic focus in the future.

Report Back on Global Sustainability Roundtables

15. Due to the nature and potentially wide scope of the Sustainability project, the IESBA agreed that obtaining further stakeholder views is critical to the IESBA's objectives in relation to its two sustainability work streams. Therefore, the IESBA committed to organizing global roundtables to engage with a wide range of stakeholders, including sustainability assurance practitioners who are not professional accountants, to inform both its Sustainability project and its related project on the Use of Experts.
16. The IESBA conducted four global roundtables in Paris, Sydney Singapore and New York in March and April 2023, with over 140 senior-level participants from a wide range of stakeholder groups,¹ including non-professional accountants.
17. Feedback from the roundtable participants on key matters was fairly consistent across regions. Amongst other matters, participants agreed with the importance of setting ethics and independence standards for certain sustainability assurance engagements that are equivalent to those applicable to audit engagements. They also overwhelmingly supported the option of developing profession-agnostic standards in a new Part 5 within the IESBA Code. Refer to [Agenda 2-A of the IESBA June 2023 meeting](#) for the summary of the feedback received from roundtable participants.

Matters for CAG Consideration (WS2)

18. At the September 2023 CAG meeting, Ms. Martin, Chair of WS2, and Ms. Leal, IESBA Principal, will, amongst other matters, provide an overview of key matters relating to WS2's first complete draft of the proposed ethics standards for sustainability reporting and assurance and the WS2's proposals (**Agenda Item B-1**). These matters include:
- Scope of ethics standards – sustainability reporting
 - Scope of ethics standards – sustainability assurance

¹ The participants came from the following stakeholder groups: Academics, Accounting Firms, Independent National Standard Setters (INSS), Non-PAs, Professional Accountancy Organizations (PAO), Preparers/TCWG, Regulators, Users/Investors, Global and Regional Standards Setters, and Others, such as global and national organizations for the accountancy profession.

- Communicating non-compliance (or suspected non-compliance) with laws and regulations (NOCLAR) to the auditor or the sustainability assurance practitioner (SAP)
- Definition of “sustainability information”

Action Requested

19. CAG Representatives are asked to:
- (a) Note the report-backs;
 - (b) Provide input to the matters raised in **Agenda Item B-1**.

Next Steps

20. The first complete draft of the proposed ethics standards for sustainability reporting and assurance will be discussed with the IESBA in September 2023.

Material Presented

For Discussion

Agenda Item B-1 Presentation WS2

Agenda Item B-2 Report Back on March 2023 IESBA CAG Discussion (WS2)

For Reference

[IESBA September 2023 Agenda Item 4](#)