

**Sustainability – Ethics (Work Stream 2)
Report Back on March 2023 IESBA CAG Discussion (WS2)**

Matters Raised	WS2 / IESBA Responses
GLOBAL ROUNDTABLES	
<p>Dr. Lawal Danbatta noted that there is ongoing global coordination on sustainability topics and that he has been involved in stakeholder meetings with global regulators and standard setters, including the Financial Stability Board (FSB), the Basel Committee on Banking Supervision, IOSCO, and the IAASB. In his view, such global coordination is crucial to clarify what PAs are expected to report on and to minimize the issue of regulatory and standards fragmentation.</p>	<p>Point noted.</p>
<p>Mr. Ishiwata agreed with the importance of outreach and noted that the global roundtables presented excellent opportunities to gather input from different stakeholders from different jurisdictions. He also suggested that consideration be given to holding future roundtables jointly with the IAASB and the International Sustainability Standards Board (ISSB).</p>	<p>Point noted.</p> <p>Representatives of the three standard-setting boards have participated in the same outreach events. For instance, the recent IESBA sustainability roundtables included presentations by the IAASB.</p>
COORDINATION WITH IAASB – DEFINITION OF “SUSTAINABILITY INFORMATION”	
<p>Mr. Norberg supported WS2’s proposed approach to developing a broad definition of “sustainability information” since sustainability reports cater to various groups of stakeholders. In this regard, he observed that the draft definition used by the ISSB focuses on enterprise value and is, therefore, geared towards users from capital markets. He took the view that the second paragraph of the working draft seemed to suggest that the first paragraph is not sufficiently broad. He suggested either removing the paragraph or placing it as application material. He also queried if the use of word “relevant” in the working draft would adequately cover voluntary sustainability reporting.</p>	<p>During the meeting, Ms. Martin noted that the definition is intended to cover reporting required by law and on a voluntary basis.</p>

<p>Mr. Sobel considered that the working draft seemed to focus on the impact on the organization (i.e., it seemed to favor single materiality), except for the reference to “impacts.” In that regard, he questioned if it was clear enough that “impacts” covers the organization’s impacts on society.</p>	<p>Point noted.</p> <p>The proposed definition has been revised to account for double materiality.</p>
<p>Ms. Blomme stressed the importance of coordination with the IAASB and queried why the two Boards are taking different approaches to developing the draft definitions. She further noted that jurisdictions are likely to develop local definitions that will be included in laws and regulations and used in the local reporting framework. She thus questioned if there was a need for another definition. In this regard, Ms. Blomme pointed out that the proposed IAASB definition may leave room for a national definition. She further observed that it was unclear how the reference to “policies, performance, plans and goals” relates to the environmental, social and governance (ESG) factors in the working definition. Further to Ms. Blomme’s feedback, Mr. Orth cautioned about the risk of developing different definitions for the same terms. He suggested that there should be a common understanding of terms such as “sustainability matters” which is used by the EFRAG.</p>	<p>During the meeting, Ms. Martin acknowledged the challenges of reaching a common global definition and clarified that the IESBA’s objective is to develop standards that are applicable regardless of what information is reported or is subject to assurance. She further recognized that, whilst the draft proposed definition is intended to be broad, jurisdictions will likely issue their own definitions, depending on the specific sustainability challenges they are intending to address.</p>
<p>Mr. Thompson agreed that the second paragraph of the working draft may not be necessary because the first paragraph is sufficiently broad. He considered that the reference to “impacts” needs to be more explicit and mention how the organization and its activities are impacting the environment and society, up and down the value chain. He also agreed with WS2’s approach of having a broad definition, recognizing that the IAASB and the IESBA standards are written for different purposes.</p>	<p>Point noted.</p> <p>The proposed definition has been revised to account for double materiality.</p>
<p>Mr. Yurdakul agreed with having a broad definition but suggested that it should be more consistent with the one used by the ISSB as those standards will be adopted by many jurisdictions.</p>	<p>During the meeting, Ms. Martin noted that the ISSB is working on the basis of the financial impact of sustainability considerations, which is not the approach adopted by the European Union, and,</p>

	hence, the WS2 reached the view not to base the working draft on the ISSB's definition.
Dr. Lawal Danbatta expressed the view that the second paragraph of the working draft is important as it provides flexibility which is important to adoption and implementation. He also agreed with the importance of coordination with IAASB.	Point noted.
ETHICS STANDARDS FOR SUSTAINABILITY REPORTING	
Dr. Lawal Danbatta observed that sustainability reporting requirements are addressed differently by jurisdictions, noting that some require the involvement of management, whilst others require that of the board of directors. Therefore, he considered that developing standards for PAs only (i.e., option A) is more aligned with the IESBA's mandate and consistent with stakeholder expectations, as a broader approach would risk overlapping or being inconsistent with other standards or regulations. He also suggested that the IESBA could instead consider developing general guidelines applicable to those who are not PAs.	Point noted.
Mr. Dalkin noted that in the United States, there are no legal requirements for non-PAs to follow ethics standards and, therefore, he recognized that it would be difficult to expect those who are not PAs to apply these ethics standards voluntarily in the United States.	Point noted.
Ms. Blomme and Mr. Dalkin questioned how the standards would be different if they were to cover all preparers.	During the meeting, Ms. Martin noted that a complete profession-agnostic Code is likely to be a big task, adding she was not convinced there would be regulatory support at this point for the IESBA to develop standards applicable to all preparers of sustainability information.
Mr. Fritz queried how someone other than a PA can provide assurance in the United States on information that is in the financial statements.	During the meeting, Ms. Martin noted that not all sustainability information is part of the financial statements and that research on the sustainability assurance landscape shows that those who are not PAs are already providing assurance on

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	sustainability information in a number of jurisdictions. She also pointed out that who can provide sustainability assurance services is a matter for jurisdictions to determine.
Mr. Ishiwata reiterated the IOSCO regulatory call for profession-agnostic standards for sustainability assurance.	Point noted.