

Sustainability – IESBA Coordination Update

IAASB June 2024 Board Meeting

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Sustainability – IESBA Global Outreach Campaign Q1-Q2 2024

> 7000 stakeholders reached

- 2 IESBA global webinars
- Webinars with UNCTAD Africa and UNCTAD ISAR
- 5 in-person seminars
 - Toronto | Brussels | Tokyo | Sydney | Melbourne

Brussels Seminar

- 46 participants from 30+ organizations representing regulators, investors, preparers/TCWG, global standard setters, non-PAs, and accountancy profession; [IAASB Vice-Chair as Observer](#)
- Selected stakeholders represented (outside the profession):
 - CEAOB | Collins Aerospace | DNV | European Commission | EFFAS | EFAMA | ESMA | European Issuers | IFRS Foundation | International Accreditation Forum | ISO | IOSCO | Johnson Matthey | MSCI | Norges Bank Investment Management | OECD | TIC Council | World Federation of Exchanges



Australia

- ASIC, APRA
- AUASB & AASB
- Big-6 firms
- Media interviews and podcast
- CA ANZ, CPA Australia & IPA events attended by over 2000

Canada

- OSFI
- CPA Canada Public Trust Committee
- CPAB
- OSC
- CPA Canada Seminar

Japan

- Big 4 firms
- JFSA seminar
- JICPA seminar
- Large public companies
- Institutional investors
- Media interviews

Singapore

- ISCA Seminar & podcast
- Forum of Firms
- IFAC AP Sustainability Exchange
- CAPA

Largest Number of Comment Letters Received on an IESBA ED Package (Sustainability and Experts)

Stakeholder Category	#
Regulators and Oversight Authorities	12
Investors and Other Users	7
Preparers and TCWG	3
Public Sector Organizations	3
Independent National Standard Setters	2
Professional Accountancy Orgs	39
Other Assurance Providers and Accreditation Bodies	3
Accounting Firms and Sole Practitioners	16
Academia and Research Institutes	6
Others	2
TOTAL	93

Region	#
Global	22
Asia Pacific	25
Europe	20
Middle East and Africa	13
North America	7
Latin America	6
Total	93

- Responses from wide range of stakeholders, including:
 - International Accreditation Forum | AccountAbility | Japan Accreditation Board
 - International CFO Alliance
 - ESMA | Singapore Exchange | MSCI | Securities Analysts Association of Japan | Norges Bank Investment Management | Daiwa
 - International Bar Association | UNCTAD

Sustainability ED – Robust Stakeholder Support But a Number of Topics Flagged for Further IESBA Attention

Ethics recognized as critical plank in sustainability ecosystem

- Robust support for **global ethics and independence baseline** and main **design elements** of IESSA:
 - Profession-agnostic | Equivalence to standards for audits | Standalone but in new Part 5 of IESBA Code

Key matters raised in comment letters are broadly in line with feedback from outreach

Key Topics for Further IESBA Attention

- Definitions of certain key terms
- Scope of IESSA
- Independence considerations:
 - Group sustainability assurance engagements | Value chain entities | Non-assurance services | Fees
- Communication of NOCLAR between SAP and auditor

Calls for further coordination with IAASB

Key Coordination Topics with IAASB

- Definition of sustainability information
- Group sustainability assurance engagements (SAEs)
- Determination of components
- Using the work of another practitioner
- Other matters



Definition of Sustainability Information

June 2024 IESBA TF Proposal

(~~b~~ a) Information defined by law, regulation or the relevant reporting or assurance framework as “sustainability information” or equivalent terms or descriptions; ~~or~~

(a ~~b~~) Information about the opportunities, risks or impacts of:

- (i) Economic, environmental, social, governance or other sustainability factors on an entity’s activities, services or products; or
- (ii) An entity’s activities, services or products on the economy, the environment or the public; ~~or~~

[Wording of new (b) to be revised after full read of comment letters & coordination with IAASB]

An example of sustainability information for the purposes of the Code is “sustainability information” as defined in ISSA 5000.

Sustainability information includes information that may be:

- *Expressed in financial or non-financial terms.*
- *Historical or forward-looking.*
- *Prepared for internal purposes or for mandatory or voluntary disclosure.*
- *Obtained from an entity or its value chain.*
- *Related to the quantitative or qualitative evaluation of an entity’s past or expected performance over the short, medium or long term.*
- *Described in an entity’s policies, plans, goals, commitments or representations.*

June 2024 Key IESBA Comments

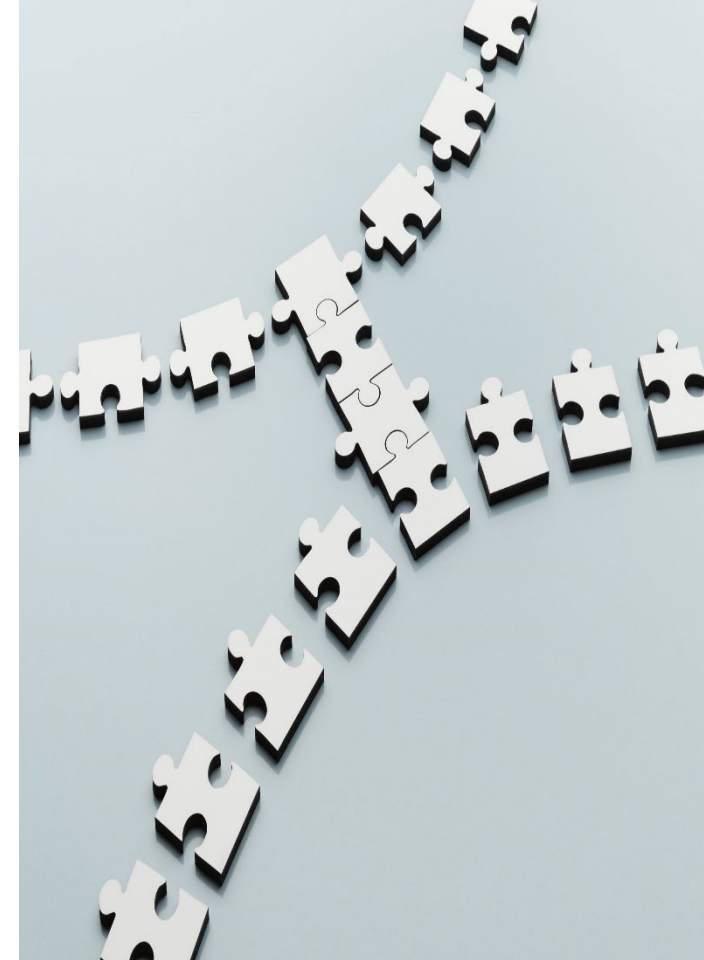
- Clear support to seek IESBA-IAASB alignment to the greatest extent possible
 - Common core: simple, non-technical, profession-agnostic
 - Specificities of each Board as add-ons: e.g., consider the reference to L&R and relevant frameworks for IESBA
- A suggestion for IAASB to consider using terms closer to ISAE 3000

Group Sustainability Assurance Engagements

- Respondents, including regulators, largely supported IESSA explicitly addressing group SAEs
 - However, some concerns regarding different approaches to group SAEs in proposed ISSA 5000 and IESSA
 - Calls for greater coordination between IESBA and IAASB
 - Some questions or concerns regarding potential implementation challenges for non-PAs
- **June 2024 IESBA discussion**
 - Support to retain specific section on group SAEs in IESSA
 - Changes to ED-ISSA 5000 enhance interoperability with proposed IESSA re group SAEs
 - Pursue close coordination with IAASB re alignment of proposed terms and definitions (*group sustainability information, group sustainability assurance engagement, group/component sustainability assurance firm, component*)

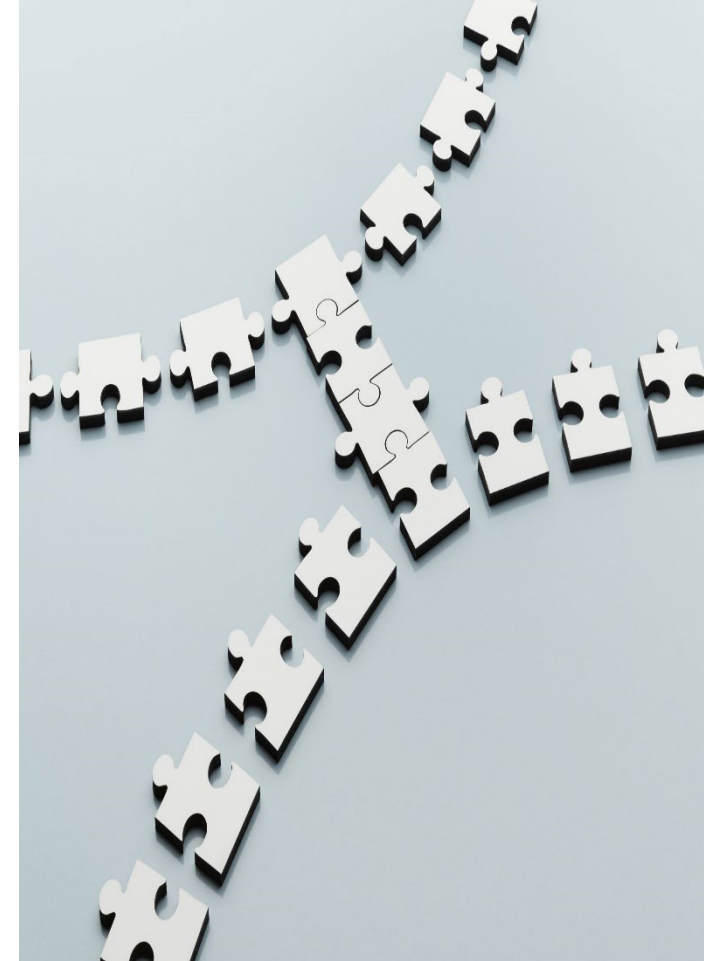
Determination of Components

- Post-exposure ISSA 5000 and ED-IESSA both now include a definition of component
 - ED-IESSA explicitly excluded value chain entities (VCEs) from components
- **June 2024 IESBA discussion**
 - IESBA directionally supportive of aligning definition of “component” in proposed IESSA with that proposed in post-exposure ISSA 5000
 - IESBA directionally supportive of components including both “group components” and “value chain components” in line with post-exposure ISSA 5000
 - However, questions re circumstances in which a VC component would be within a reporting entity’s operational control?



Components – Approach to Independence

- Different independence considerations apply to group components and value chain components
 - Proposed IESSA recognizes challenges re obtaining information from VCEs
- Proposed IESSA sets out the independence considerations for group engagement team carrying out the assurance work or using the assurance work of another practitioner
- Subject to full review of ED comments, no proposed changes to independence considerations in ED-IESSA
 - IESBA TF proposing changes to structure only



Proposals in IESBA Sustainability ED

Independence Considerations for
Group and Component Firms and
Engagement Team Members
(who are under direction,
supervision and review)

Section 5405

Assurance Work at
**Group Sustainability
Assurance Client**

Independence Considerations
When the Firm Uses the Work
of Another Practitioner (who is
not under direction, supervision
and review)

Section 5406

Assurance Work at
**Sustainability
Assurance Client
(Group or Standalone)**

Independence Considerations for
Engagement Team Members and
Another Practitioner (irrespective of
direction, supervision and review)

Section 5407 and
5700

Assurance Work at, or
with respect to, a
Value Chain Entity

Potential New Structure

Independence Considerations for
Group and Component Firms
and Engagement Team Members
(who are under direction,
supervision and review)

Restructured Section
5405

Assurance Work at
Group Sustainability
Assurance Client and
Value Chain Components

Independence Considerations
When the Firm Uses the Work
of Another Practitioner (who is
not under direction, supervision
and review)

Restructured
Section 5406

Assurance Work at
Group Components and
Value Chain
Components

- Subject to full analysis of ED comments, no changes to proposed independence principles in ED-IESSA
- Alignment between ISSA 5000 and IESSA regarding definitions and approach
- Responding to comments from the public consultation regarding perceived complexity

Using “Assurance Work” of Another Practitioner

- ED-IESSA includes independence considerations for firms when they use the assurance work of another practitioner
 - ED-IESSA requires the firm to request confirmation/be satisfied that the other practitioner is **independent** in accordance with the IESSA
 - In the case of VCEs, the firm might rely on a statement of independence in the other practitioner’s report
- The International Independence Standards in the IESBA Code (Parts 5 and 4B) only apply to sustainability assurance engagements and assurance work

Another Practitioner in ED-IESSA

A sole practitioner, partnership or corporation of practitioners that performs **assurance work relevant to a sustainability assurance engagement**, and the sustainability assurance practitioner is unable to direct, supervise and review their work.

Using the “Work” of Another Practitioner

- If the firm uses the work (other than assurance work) of another practitioner, e.g., a certification report, IESBA Code does not require independence of that other practitioner
 - Ethics provisions in IESBA Code, however, will apply to the other practitioner if they are a PA
- IESBA Sustainability TF seeking clarification re
 - Difference between “assurance work” vs “work” of another practitioner
 - Whether the relevant ethical requirements applicable to another practitioner whose “work” the practitioner intends to use should be “at least as demanding” as IESBA Code



Other Matters for Coordination

- Approach to concept of “at least as demanding as IESBA Code” in post-exposure ISSA 5000
- IOSCO C1’s further comments re engagement team member vs another practitioner / organization boundary vs value chain
- Matters arising from comments on IESBA’s ED addressing using the work of an external expert, e.g.
 - Definition of expertise
 - Building tighter linkages between ISA 620/ISSA 5000 and proposed provisions addressing external experts in IESBA Code
 - Further alignment of guidance re evaluation of competence and capability





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