

## Summary of Feedback from Global Sustainability Roundtable Participants and Task Force Proposals

### Executive Summary

#### ***Ethics and Independence Standards for Sustainability Assurance Engagements***

1. The general view from participants across the four global sustainability roundtables (Roundtables) was that for sustainability assurance engagements of heightened public interest,<sup>1</sup> sustainability assurance providers need to be subject to high ethics and independence standards that are equivalent to those applicable to audits of financial statements.
2. A substantial body of participants, including those who are not professional accountants (non-PAs), agreed that the same level of public trust is expected of all sustainability assurance providers regardless of whether the assurance provider is a PA or non-PA. Therefore, there was broad agreement that the same standards should be applicable to all sustainability assurance providers/practitioners.<sup>2</sup> This also includes implementing a system of quality management to support compliance with a high bar of ethics and independence standards.
3. While supportive of the principle that the same high ethics and independence requirements should apply to all sustainability assurance providers, many participants noted potential challenges in applying those standards for non-PA sustainability assurance providers who are unfamiliar with the Code's structure and requirements. They asked the IESBA to take this concern into account in developing the standards.
4. Regarding the matter of the presentation of the profession-agnostic ethics and independence standards for sustainability assurance engagements, there was overwhelming support across all stakeholder groups at the Roundtables for those standards to be included in a new Part 5 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) (Option B). A substantial body of participants believed it was a balanced approach between a fully integrated approach (Option A) and having two separate Codes (Option C). They were of the view that Option B would provide the most practical and pragmatic approach, recognizing the objective of developing the standards to be accessible and usable by all sustainability assurance providers, including non-PAs, and the time constraints for this project.
5. Participants noted that there are many commonalities between the threats to the fundamental principles and independence with respect to both the audit of financial statements and assurance of sustainability information. However, participants have also pointed out some specificities related to sustainability assurance for the IESBA's consideration.
6. During the discussions, many participants from various stakeholder groups referred to the connectivity between sustainability information and financial statements, and noted that many auditors are already providing sustainability assurance services to their audit clients. Some

<sup>1</sup> Subsequent references to "sustainability assurance engagements" in this paper are to sustainability assurance engagements of heightened public interest, unless otherwise noted.

<sup>2</sup> The terms "sustainability assurance provider" and "sustainability assurance practitioner" are used interchangeably in this paper.

highlighted the need to not lose sight of the ultimate goal of having fully integrated reporting, and therefore standards that would support such reporting.

7. Participants did not raise any specific threats to independence that might arise if the financial statement auditor also performs the sustainability assurance engagement for the same entity.

*Task Force's Responses and Proposals*

8. Participants broadly supported the IESBA's objective to develop ethics and independence standards for sustainability assurance engagements that are:
  - (a) Equivalent to those for audit engagements; and
  - (b) Applicable irrespective of whether the engagements are carried out by a PA or other sustainability assurance provider (profession-agnostic).
9. The Sustainability Task Force proposes that the new standards highlight that it is a prerequisite for firms performing sustainability assurance engagements, including non-PAs, to have a system of quality management in place to support compliance with a high bar of ethics and independence standards. This system of quality management may be in accordance with ISQM 1<sup>3</sup>, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1. This proposal is in line with the IAASB's draft International Standard on Sustainability Assurance (ISSA) 5000.<sup>4</sup>
10. The Task Force acknowledges the issues and challenges non-PA assurance providers might face when applying the standards for the first time. Therefore, the Task Force recommends that the IESBA consider commissioning in due course non-authoritative guidance to support the adoption and implementation of the profession-agnostic standards by non-PA sustainability assurance providers. The guidance should be available as soon as possible after the final standards are published.
11. Considering all the input received from Roundtable participants, the IESBA and the IESBA CAG, the Task Force is of the view that developing a separate part (Part 5) within the Code (Option B) dedicated to sustainability assurance engagements of heightened public interest is the best approach for the presentation of the new standards. The Task Force further proposes that the ethics and independence provisions in Part 5 be applicable to all sustainability assurance providers, irrespective of whether they are PAs or non-PAs, and for PAs, irrespective of whether they are also the auditor for the same entity (sub-option (iii) of Option B).
12. The Task Force believes that this option would minimize the risk that jurisdictions and standard setters would just adopt new, integrated standards for PAs, undermining the IESBA's objective of delivering global baseline ethics and independence standards for all sustainability assurance providers.
13. The Task Force agrees with the participants' general view that the Code's categories of threats can also be applied to sustainability assurance engagements performed by sustainability assurance providers who are non-PAs. As part of the project, the Task Force will consider:

<sup>3</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>4</sup> ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

- Whether the threats to the fundamental principles and independence in Parts 1 to 4 of the Code can also be applied to equivalent scenarios in the context of sustainability assurance.
- Whether there are any other scenarios the new ethics and independence standards for sustainability assurance engagements need to address (for example, the provision of sustainability data and information services).

14. The Task Force recognizes that jurisdictions might mandate, or clients might choose to engage, the auditor of the financial statements to carry out the sustainability assurance engagement, especially if the objective is integrated reporting. The Task Force will consider any threats to independence, or other matters, that might arise when the auditor of the financial statements also provides assurance over the entity's sustainability information.

***Ethics Considerations Applicable to Reporting on Sustainability Information***

15. Roundtable participants overall agreed that all preparers of sustainability information should abide by ethics standards given that preparers and those charged with governance (TCWG) are the first lines of defense against corporate malfeasance. Participants, however, shared doubts about the enforceability of such standards on non-PAs should the IESBA develop them.

16. Views differed on which path (e.g., corporate governance codes and the 'comply or explain' mechanism) should be followed or the responsible entity (e.g., professional bodies or the companies themselves) for the development of those standards. The overall opinion was that the first step in this area must be taken by regulators. As such, there was no strong support for the IESBA to develop profession-agnostic ethics standards for sustainability reporting at this moment.

***Task Force's Responses and Proposals***

17. Feedback from the Roundtables supports the proposal by Work Stream 2 (WS2) of the Task Force to the IESBA in March 2023, i.e., to develop ethics standards for sustainability reporting by PAs only under the current project.

18. Based on the feedback from the Roundtable participants, WS2 also recommends the IESBA to consider, as a separate work stream, the development of guidance material based on Part 2 of the Code for preparers of sustainability information who are not PAs, for voluntary adoption by entities (for instance, as internal policies or procedures).

## I. Introduction

1. In December 2023, the IESBA approved a project proposal aimed at developing:
  - (a) Ethics and independence standards for use by all assurance practitioners in sustainability assurance engagements (i.e., professional accountants and other professionals performing sustainability assurance engagements); and
  - (b) Revisions to the Code to address the ethics issues that might arise in sustainability reporting.
2. Due to the nature and potentially wide scope of the Sustainability project, the IESBA agreed that obtaining further stakeholder views would be critical to its 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 PAs, to inform both its Sustainability Project as well as its related project on the Use of Experts.
3. The IESBA conducted four global roundtables in Paris, Sydney, Singapore and New York in March and April 2023, with 142 participants from the following stakeholder groups (Appendix 1 includes the list of organizations of the Roundtable participants).<sup>5</sup>

Stakeholder Category	# Participants	%
Academic	7	5%
Accounting Firm	36	25%
Independent National Standard Setter (INSS)	8	6%
Non-Professional Accountant (Non-PA)	12	8%
Other	6	4%
Professional Accountancy Organization (PAO)	23	16%
Preparer/TCWG	8	6%
Regulator	20	14%
User/Investor	13	9%
Global/Regional Standards Setter	9	6%
<i>Total</i>	<i>142</i>	<i>100%</i>

Location	# Participants	%
New York	41	29%
Paris	38	27%
Singapore	29	20%
Sydney	34	24%
<i>Total</i>	<i>142</i>	<i>100%</i>

4. Prior to the Roundtables, participants were provided with a [Briefing Note](#) presenting information about the Code and background information on the Sustainability and Use of Experts projects.<sup>6</sup> During the breakout discussions at the Roundtables, participants discussed nine questions related to sustainability reporting and assurance. The sections below provide:
  - An overview of the feedback from the Roundtables' participants to each question; and

<sup>5</sup> The views expressed by participants at the Roundtables do not necessarily represent the views of their respective organizations. The feedback from the participants is presented in this document in an anonymized manner.

<sup>6</sup> For the summary of the feedback received in relation to the Use of Experts project, refer to **Agenda Item 5-A**.

- The Task Force's responses and proposals for the IESBA's consideration.

## II. Ethics and Independence Standards for Sustainability Assurance Engagements

**Q1: Is it in the public interest for the IESBA to set ethics (including independence) standards for sustainability assurance engagements that are equivalent to those for audit engagements? If not, why not?**

### *Role of Ethics (including Independence) Standards in Sustainability Assurance*

5. During the discussion at the breakout groups, several representatives of accounting firms and other assurance providers highlighted the importance of ethics and independence standards, and the IESBA's role, as one of the important pillars of the sustainability reporting ecosystem. Some participants<sup>7</sup> noted that sustainability information covers a broad range of sustainability matters, including information that is qualitative in nature, and that the reporting frameworks are still not fully clear about all the reporting criteria. Despite the rapidly evolving sustainability reporting landscape and the growing demand from stakeholders for sustainability information, they felt that there is still much judgment involved in sustainability reporting and assurance. In this context, they emphasized that ethics serves as a critical guidepost for assurance providers to ensure that the sustainability information available to the public is relevant, credible and underpins public trust in sustainability reporting.
6. In addition, it was noted<sup>8</sup> that assurance providers outside of the accountancy profession are also operating in that market, and some are not necessarily familiar with the concepts of independence and conflict of interest. There were views from all stakeholder groups that there is a great need for a clear and robust global ethics (including independence) framework for assurance providers. Participants' general view was that it would be in the public interest to have converged ethics and independence standards for sustainability assurance engagements. A few regulators and global standard setters added that the global recognition and rigor of the IESBA's standards position the IESBA well to develop high-quality global standards for sustainability assurance engagements.
7. Participants also pointed out that there are other standards and frameworks available for assurance and independent certification services that include guidance addressing the providers' objectivity and the need to avoid conflicts of interest, but none of those is as comprehensive and robust as the IESBA Code. There were suggestions that the IESBA work together with other organizations that develop such standards and understand their approach and the applicability of their standards/guidance.<sup>9</sup>

### *Equivalence to Standards Applicable to Audit Engagements*

8. Participants generally agreed with, and confirmed, the IESBA's observation that sustainability information has become as important a basis for capital allocation and other decisions by investors and other stakeholders as financial statements and other financial information. Moreover, it was also pointed out that entities' sustainability information is often connected with, or has an impact on, the

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<sup>7</sup> Including participants from the following stakeholder categories: accounting firms, PAOs and non-PAs, INSS

<sup>8</sup> Including participants from the following stakeholder categories: PAOs and non-PAs

<sup>9</sup> For example, there were a few questions around the difference between the concept of independence in the Code and "impartiality" used in the standards of ISO.

financial information, and that, in the future, sustainability reporting and financial reporting will be more closely integrated.

9. Given the above considerations, a substantial body of participants agreed that sustainability assurance providers need to be subject to high ethics and independence standards that are equivalent to those applicable to the audit of financial statements.
10. However, a few participants<sup>10</sup> questioned whether achieving the same level of reliability on sustainability information is a realistic expectation in the current environment. They noted that there are no globally recognized sustainability reporting frameworks available yet. Therefore, the quality of sustainability data could impact the level of assurance provided. A few standard setters suggested that the IESBA consider providing flexibility until sustainability reporting frameworks and a supporting environment allowing for clearer judgments on sustainability information are available.
11. Some participants from the regulatory and investor communities as well as other stakeholder groups also pointed out that the types of engagements and levels of assurance provided on sustainability information differ, ranging from certifications to limited and reasonable assurance. There were concerns that users of assurance reports do not necessarily understand the difference between the different engagement types and would expect the same level of assurance in all cases.
12. A few participants<sup>11</sup> also questioned what the notion of "equivalence" to the ethics and independence standards applicable to audit engagements would mean in practice. They agreed that the standards for audit engagements provide a robust framework; however, they cautioned the Board not to simply replicate those standards without considering the specificities of the sustainability assurance engagements.
13. Some representatives of accounting firms and a PAO had concerns regarding the range of sustainability-related matters and the types of sustainability information sustainability assurance engagements can cover. They questioned whether it is necessary that the same level of standards apply to all engagements. A few representatives of accounting firms suggested that the new standards only focus on sustainability information that is available to the public. They suggested that the IESBA not take a "one size fits all" approach.
14. In addition, a participant representing small and medium practices (SMPs) suggested that the standards should provide proportionality for smaller assurance providers. A few participants from accounting firms, however, noted that larger entities would work with many smaller data suppliers across the sustainability information supply chain to meet disclosure requirements under sustainability reporting standards. They questioned whether setting less stringent independence standards for smaller firms would be appropriate as this could impact the whole value chain.

#### *Profession-Agnostic Standards for Sustainability Assurance Engagements*

15. A substantial body of participants, including non-PAs, agreed that the same level of public trust is expected in all sustainability assurance engagements regardless of whether the assurance provider is a PA or non-PA. A few participants mentioned that in some jurisdictions, such as in the European Union (EU), laws and regulations already set out that all sustainability assurance providers,

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<sup>10</sup> Including participants from the following stakeholder categories: INSS, non-PAS

<sup>11</sup> Including participants from the following stakeholder categories: PAOs and accounting firms

irrespective of whether they are PAs or non-PAs, are subject to the same ethics and independence requirements.

16. While supportive of the principle that the same high ethics and independence requirements should apply to all sustainability assurance providers, many participants noted potential challenges for sustainability assurance providers who are non-PAs. They suggested that the IESBA consider these challenges in developing its standards for sustainability assurance. They were of the view that not all sustainability assurance providers have the necessary competencies in applying IESBA standards, and that the rollout of the standards should factor in the time needed for their training.
17. A few participants<sup>12</sup> also noted that different professionals who provide assurance services are trained for different jobs (e.g., engineers and auditors), are subject to different standards, and have different cultures. They wondered whether bringing together different professions and cultures to the same ethics standards was possible. They suggested that the IESBA consider other ethics codes and leverage the best practices of other professions.
18. Several participants raised potential challenges regarding the applicability, understandability and implementation of profession-agnostic ethics and independence standards with respect to non-PA assurance providers. Given that the Code was developed for PAs only and uses terms applicable in the general context of financial statements, they believed that understandability would be a key challenge. Participants from all stakeholder groups agreed that the ethics and independence standards for sustainability assurance engagements need to be drafted in a neutral way so that even those assurance providers who are not familiar with the Code's structure and provisions may readily understand and apply them.
19. Given the challenges mentioned above, a few participants, including representatives of accounting firms, PAOs and a regulator, were of the view that the IESBA should consider a baseline standard as a first step. While they understood the notion of the same guiding principles for all, they questioned whether the same requirements should also apply to PA and non-PA assurance providers.
20. Across the Roundtables, a common question was how compliance by non-PA sustainability assurance providers would be monitored and enforced. There were a few participants<sup>13</sup> who argued that given the lack of a regulatory regime for non-PAs in many jurisdictions, the IESBA should only focus on developing standards for PAs when they provide sustainability-related services, including sustainability assurance, and let the regulators and other sustainability assurance providers develop standards for non-PA providers.

#### Task Force's Response and Proposal

21. Participants generally supported the IESBA's objective to develop ethics and independence standards for sustainability assurance engagements that are:
  - (a) Equivalent to those for audit engagements; and
  - (b) Applicable irrespective of whether the engagements are carried out by a PA or other sustainability assurance provider (profession-agnostic).

<sup>12</sup> Including participants from the following stakeholder categories: investors, non-PAs, regulators

<sup>13</sup> One participant represented preparers, one the investor community, and another an accounting firm.

22. The Task Force notes that the independence standards will be applicable only to sustainability assurance engagements, determined in line with the Code's pre-existing definition of an assurance engagement. This definition clarifies that the Code applies only to assurance engagements that provide a certain level of assurance about the reliability of the information but not to certification engagements that only aim to confirm compliance with the specifications of particular frameworks or standards. As the assurance provided on sustainability information can be either limited or reasonable assurance, the Task Force proposes that the new standards in Part 5 explicitly state that the same provisions will apply irrespective of the level of the assurance, provided that the engagement meets the criteria of a sustainability assurance engagement.
23. The Task Force agrees with comments raised in relation to the evolving nature of sustainability reporting frameworks that could cover a broad range of areas. Therefore, the Task Force reaffirms its view, as discussed and agreed at the March 2023 Board meeting, that, as a first step, the ethics and independence standards for sustainability assurance engagements that are equivalent to standards for the audit of financial statements only apply to sustainability assurance engagements of heightened public interest where:
- The assurance is provided on sustainability information reported in accordance with a general-purpose framework, and the sustainability information:
    - Is publicly available to support decision-making by investors or other stakeholders; or
    - Is required to be provided in accordance with law or regulation; or
  - Law or regulation determines a sustainability assurance engagement as being of heightened public interest.
24. The Task Force acknowledges the potential challenges of requiring non-PAs with various backgrounds to comply with the new standards equivalent to standards applicable to PAs for audit engagements. The Task Force proposes that the IESBA consider commissioning in due course the development of appropriate non-authoritative guidance to help non-PAs implement and apply the Code (see paragraph 74 below).
25. In addition, the Task Force highlights that the IESBA has already agreed to establish a Reference Group to include primarily representatives from outside the accounting profession and potential users of the new IESBA standards, to assist with the Task Force's work and provide input to the development of the new standards from the point of view of non-PA assurance providers.
26. To ensure consistency between global sustainability reporting and assurance standards, the Task Force will continue working together and coordinating with other standard setters, such as the International Sustainability Standards Board (ISSB), the International Auditing and Assurance Standards Board (IAASB) and the International Organization for Standardization (ISO).

**Q2: What are the key ethics (including independence) challenges or threats faced by sustainability assurance practitioners when providing assurance on sustainability information?**

27. Representatives of some accounting firms and professional bodies noted that there are many commonalities in terms of the threats to the fundamental principles and independence between the



audit of financial statements and assurance of sustainability information. However, participants have also pointed out some specificities related to sustainability assurance for the IESBA's consideration.

28. Many participants<sup>14</sup> observed that one of the greatest sources of threats in the context of sustainability assurance is related to the immature sustainability reporting environment, including the different reporting frameworks, the less-developed processes and controls, and the lack of regulatory oversight. These factors and the above-mentioned qualitative nature of sustainability information create a risk of greenwashing. Consequently, they emphasized the importance of complying with the fundamental principles, having an inquiring mind and exercising professional skepticism with respect to sustainability reporting and assurance.
29. Some participants commented that the Code's conceptual framework and the ethics requirements provide a strong basis for a consistent framework for all sustainability assurance providers. However, while financial reporting and auditing operates in a mature environment, the sustainability reporting environment is very different. Assurance providers are operating in a fluid environment with very demanding expectations. It was suggested that the IESBA promotes a culture focused on ethics and educate the market about its ethics and independence standards.
30. A substantial body of participants was in agreement that this new environment and the new challenges related to sustainability reporting and assurance require new skills and competencies, both for PAs and for other professionals who provide sustainability-related services. Sustainability matters cover a broad range of subject matters that are new and still evolving. In addition, in contrast to financial information and reports, sustainability information is generally more forward-looking. Due to the lack of specific guidance, sometimes the decisions and judgments are based more on the practitioner's competence and training. This could create threats to compliance with the fundamental principle of professional competence and due care.
31. A few participants, mainly representatives of the accounting profession, noted that the lack of experience or familiarity with the Code could result in a situation where a sustainability assurance provider could review their own work. In addition, in the case of sustainability reporting, many parties could be involved in generating information. Therefore, there is a higher risk of self-review threats. A representative of an accounting firm also stated that the self-review threat in the context of sustainability assurance engagements is not the same as in the context of audit engagements.
32. Given the uncertainty around the sustainability reporting environment, a few participants from accounting firms observed that an entity's management would be more likely to turn to the assurance provider for help, especially in the case of smaller, non-public interest entity (non-PIE) clients. They questioned to what extent the Code's current prohibitions regarding the provision of non-assurance services (NAS) would be applicable to such situations and whether the Code would provide transitional provisions for situations where the assurance provider previously provided advice or assistance to the sustainability assurance client. They acknowledged that this challenge is not unique to sustainability assurance but could be more intense in this different environment. A participant representing a PAO suggested that the standards should establish a longer cooling-off period compared to audit engagements if the practitioner performed sustainability-related NAS before accepting a sustainability assurance engagement because the sustainability information extends across longer periods.

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<sup>14</sup> Including participants from the following stakeholder categories: accounting firms, non-PAs, PAOs

33. A few representatives of the accountancy profession also raised that undue pressure on service providers to meet the new expectations regarding the client's sustainability information could create threats. There is pressure to provide assurance on sustainability information, an extension of financial information, in a really short time frame. Furthermore, there is a growing demand for assurance covering an increasing range of information while the assurance providers, especially auditors, have been experiencing resource constraints and capacity issues at their firms.
34. A few representatives noted that the fact that more individuals from different professions are involved in sustainability reporting and assurance could raise more complex ethics and independence issues. A representative of a global standard-setting body also suggested that the IESBA consider the potential challenges from the point of view of the value chain dimension. The participant was of the view that the standards should not prohibit the sustainability assurance provider from also providing assurance to entities in the value chain. However, the participant added that a lot of information in the sustainability realm is dependent on value chain information, and this may create independence or conflict of interest issues.

#### Task Force's Response and Proposal

35. The Task Force agrees with the participants' general view that the categories of threats can also be applied to sustainability assurance engagements performed by sustainability assurance providers who are non-PAs. As part of the project, the Task Force will consider:
  - Whether the threats to fundamental principles and independence in Parts 1 to 4 of the Code can also be applied to equivalent scenarios in the context of sustainability assurance; and
  - Whether there are any other scenarios the new ethics and independence standard for sustainability assurance engagements need to address (for example, the provision of sustainability data and information services).
36. The Task Force will consider the input received from Roundtable participants regarding the specific threats and issues when developing its proposals.

#### **Q3: Are there any ethics or independence questions that might arise if the financial statement auditor also performs the sustainability assurance engagement for the same entity?**

37. In their responses to this question, many participants from various stakeholder groups referred to the connectivity between sustainability information and financial statements. Some representatives of the accountancy profession pointed out that auditors already have access to clients' information and controls. They also noted that many auditors are already providing sustainability assurance services to their audit clients.
38. Some participants, including representatives from the investor community, pointed out that it is more cost-effective and less time-consuming for entities if they engage one provider for both audit and sustainability assurance engagements. Some participants also noted that having the auditor carrying out both types of engagement aligns with the ultimate goal of supporting integrated reporting.
39. Participants did not raise any specific threats to independence that might arise if the financial statement auditor also performs the sustainability assurance engagement for the same entity. A few

accounting firm representatives mentioned that the Code already addresses the potential issues of fee dependency and the proportion of fees for services other than audit to the audit fee, and questioned if it would also apply to fees for sustainability assurance engagements.

40. A representative of the investor community pointed out that it might create a conflict of interest if the entity's management has the authority to appoint the sustainability assurance provider while the audit committee or shareholders appoint the external auditor.

#### Task Force's Response and Proposal

41. The Task Force notes that each option for the presentation of the ethics and independence standards acknowledges that regulators might mandate or the client might choose to engage the auditor of the financial statements to also carry out the sustainability assurance engagement.
42. The Task Force will consider any threats to independence arising when the auditor of the financial statements also provides assurance over the audit client's sustainability information. For example:
- The proportion of fees for audit and sustainability assurance engagements,
  - Cooling-off period if an individual has acted as an engagement leader for the sustainability assurance engagement and an audit partner for the same entity.
  - Provision of accounting and bookkeeping services and sustainability data and information services to audit and sustainability assurance clients.

**Q4:** The IESBA is considering the following three options for the presentation of the profession-agnostic ethics (including independence) standards for sustainability assurance:

**Option A** Integrate the sustainability-specific ethics and independence provisions into the existing Parts 1 – 4A of the Code, retaining the references to professional accountants, audit clients and other audit-related terms but adding references to other sustainability assurance practitioners and sustainability assurance-related terms.

**Option B** Integrate the sustainability-specific ethics and independence provisions into the Code but within a new Part 5 of the Code, drafted in profession-neutral language.

**Option C** Develop a separate standalone Code focused on sustainability assurance engagements only, drafted in profession-neutral language.

**Which option would most effectively meet the IESBA's objective of delivering profession-agnostic ethics (including independence) standards for sustainability assurance that can be readily and widely adopted and implemented?**<sup>15</sup>

#### *Option A – Fully Integrated Approach*

43. The general view from participants across all stakeholder groups was that if the IESBA is aiming to develop profession-agnostic ethics and independence standards for sustainability assurance engagements, the IESBA should choose the option that would best support non-PA assurance

<sup>15</sup> Participants were provided with illustrative texts under each option in a supplement to the Roundtable Briefing Note.

providers with understanding and implementing the standards. In this regard, participants generally did not believe that a single set of standards for audit and sustainability assurance engagements within the Code for all assurance providers would be the best approach.

44. Some participants from various stakeholder groups also argued that the current Part 4A of the Code applicable to the audit of financial statements was developed in the context of financial statements and focused only on PAs. They felt that using Part 4A could alienate non-PA assurance providers and would not promote wider adoption and implementation of the standards.
45. A few participants, mainly representatives of accounting firms, were concerned making revisions to the extant standards applicable to audit engagements could undermine the current high standards and make Part 4A more complex and difficult to use, even for PAs.
46. A few of those participants who supported a separate set of standards also added that a single set of standards for all sustainability assurance providers could be a longer term goal as sustainability reporting evolves and merges with financial reporting over time.<sup>16</sup> However, they took the view that a separate set of standards for sustainability assurance providers would be a timelier and more practical response to meet current market needs.
47. Three participants, representing non-PAs and regulators, supported the integrated approach because they believe it would be a more cohesive way forward and could avoid divergence between the standards for audit and sustainability assurance in the future.

#### *Option B – New Part 5 in the Code*

48. There was overwhelming support across all stakeholders groups for including the new ethics and independence standards for sustainability assurance engagements within a new Part 5 of the Code. Participants believed it was a balanced approach between a fully integrated approach under Option A and two separate Codes under Option C. Many participants were of the view that the integrated approach would be more logical for PAs, but would be difficult to understand and apply for non-PAs. Consequently, they believed that Option B provides the most pragmatic approach, which would facilitate adoption and implementation of the standards for all sustainability assurance providers.
49. A representative from a global and regional standard setter wondered whether the IESBA has considered adding a Part 4C instead of Part 5. The representative suggested that instead of creating a Part 5A that includes both ethics and independence standards, the IESBA could use the extant Parts 1 to 3 by reference, and include a separate set of independence standards for sustainability assurance engagements as Part 4C.

#### *Option C – Standalone Code for Sustainability Assurance Engagements*

50. Several participants, across all stakeholder groups, were of the view that a separate Code for sustainability assurance providers would be the clearest and easiest-to-understand option for non-PA assurance providers. A few participants also suggested that a separate code would be easier to navigate and would allow for more flexibility. However, they recognized that there would be some challenges in adopting and implementing a separate set of standards outside the Code in some jurisdictions, which would detract from the goal of delivering timely, high-quality ethics and independence standards for sustainability assurance globally.

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<sup>16</sup> Including participants from the following stakeholder categories: accounting firms, non-PAs, regulators and standard setters

51. A few participants, including regulators, also noted that in the case of a separate set of standards outside of the Code, there is a risk that those standards can “take a life of their own,” and would result in different requirements for auditors of financial statements and for sustainability assurance providers.

**Task Force's Response and Proposal**

52. At its May 2023 meeting, the Task Force discussed the possible options for the presentation of the profession-agnostic ethics and independence standards, including three sub-options<sup>17</sup> under Option B, with a view to settling on its proposal for the IESBA’s consideration in June 2023. (For the illustration of the specific options and sub-options, refer to Appendix 2)
53. The Task Force agreed that each option would be fit-for-purpose and could appropriately support the following key premises underpinning the development of the profession-agnostic standards:
- For sustainability assurance engagements of heightened public interest, the ethics and independence standards are at the same level as for audits of financial statements;
  - The standards are of the same rigor for both PAs and non-PAs; and
  - There is a “single version of the truth” in terms of the wording of the requirements.
54. The Task Force discussed the feedback received from the Roundtables participants in conjunction with other factors relevant to determining which approach to the presentation of the standards would best serve the public interest and support the widest adoption of the new standards.
55. The Task Force recognized that the presentation of the new standards must meet the key characteristics of the Public Interest Framework (PIF). In particular, the standards need to be comprehensive, scalable, clear, implementable, and globally operable. The table below shows the Task Force’s evaluation of the extent to which each option fulfills the key PIF characteristics (five stars mean that it fully meets, and one star indicates that it fails to meet the characteristic):

<i>PIF Attributes / Options</i>	<i>Comprehensiveness</i>	<i>Scalability</i>	<i>Clarity</i>	<i>Implementability</i>	<i>Enforceability</i>
<i>Option A</i>	*****	**	**	***	*****
<i>Option B (i)</i>	*****	*****	****	*****	*****
<i>Option B (ii)</i>	*****	*****	****	*****	*****
<i>Option B (iii)</i>	*****	*****	*****	*****	*****
<i>Option C</i>	*****	*****	*****	*****	*****

56. The Task Force also took into consideration the input received from the IESBA and the IESBA CAG at their prior meetings and the feedback on the illustrative drafts based on each option.

<sup>17</sup> Although the Briefing Note for Roundtable participants only included two sub-options for Option B (sub-options (i) and (ii)), the Task Force developed and considered a third sub-option (sub-option (iii)) as presented in Appendix 2.

57. In light of all the input received, the Task Force is of the view that Option A, the fully integrated approach, would not be the way to proceed. A substantial body of Roundtable participants acknowledged its disadvantages, including that it would be more challenging for non-PAs to understand and navigate, and that it would make the standards more complicated for PAs carrying out the audit of the financial statements. Importantly, however, the Task Force believes that this approach would create a significant risk that jurisdictions and standard setters could decide to adopt the standards integrated into Part 4A as that would readily serve the needs of PAs, and leave out adopting the standards for non-PAs. The Task Force believes that this would undermine the IESBA's objective of delivering profession-agnostic standards that would be widely adopted around the world.
58. In relation to Option C, the Task Force recognizes that it would provide a comprehensive and clear approach for non-PAs. However, the Task Force is of the view that developing a separate handbook to house the profession-agnostic standards could impair the adoption of the standards in a timely manner as in some jurisdictions, legislation or regulation may need to be passed to adopt standards outside the Code.
59. The Task Force agreed with the broad sentiment from Roundtable participants, the IESBA and the IESBA CAG that Option B, separate ethics and independence standards contained in a new Part 5, would provide a balanced approach to presenting the profession-agnostic standards for all sustainability assurance providers. The Task Force believes that developing the new Part 5 would be the best approach to meet stakeholders' expectations and would best serve the public interest by making global, high-quality ethics and independence standard available to all sustainability assurance providers in a timely manner.
60. Regarding the sub-options for Option B, the Task Force supported that Part 5 be applicable to all sustainability assurance practitioners irrespective of whether they are PAs or non-PAs, or whether they are also the auditor (Sub-option (iii)). The Task Force is of the view that Sub-option (iii) would provide the most practical solution to achieve the IESBA's objectives for the following reasons:
- It most clearly demonstrates that the standards aim to provide same rigor for both PAs and non-PAs.
  - It is clearer that there is a "single version of the truth" in terms of the wording of the requirements.
  - It provides the clearest option regarding which standards the assurance providers should use if they provide different services to the same client.

**Q5: Do you believe all sustainability assurance practitioners should establish systems of quality management to meet the same (or equivalent) quality management requirements, including with respect to ethics and independence?**

61. Participants from all stakeholder groups emphasized the importance of the sustainability assurance providers having a system of quality management in place to support their assertion of independence. A substantial body of participants also noted that having a level-playing field for sustainability assurance providers would be important, and they should all be subject to the same quality management standards. A few participants suggested that the standards should require compliance

with ISQM 1 or other quality management standards equivalent to ISQM 1. It was pointed out that the IAASB's draft ISSA 5000 already requires sustainability assurance providers to comply with ISQM 1. A few participants queried which quality management standards other professionals are currently applying that could be equivalent to ISQM 1.

62. Nevertheless, many participants<sup>18</sup> referred to potential challenges non-PA sustainability assurance providers might face if they are required to comply with the same quality management standards as PAs, especially if the standard they must comply with is ISQM 1. They pointed out that accounting firms have implemented stringent quality management standards for a long time. Requiring non-PAs to implement the same quality management standards in such a short period of time would be extremely costly and could, as an unintended consequence, deter non-PA assurance providers from entering the market.
63. Many participants<sup>19</sup> suggested that the IESBA consider a more scalable approach and first understand what standards other professionals are currently using for similar engagements, for example, the ISO standards. There were suggestions<sup>20</sup> for the IESBA to allow for an appropriate transitional period if non-PA assurance providers are required to implement new quality management standards as part of adopting and implementing ethics and independence standards for sustainability assurance engagements.
64. Because of the potential burden of implementing and maintaining an effective system of quality management, a few participants from accounting firms and the investor community pointed out that non-PAs may decide to participate in the engagement only in an expert capacity, reporting to a PA assurance provider.

Task Force's Response and Proposal

65. The Task Force proposes that Part 5 of the Code highlight that it is a prerequisite for all firms of sustainability assurance practitioners, including non-PAs, to have a system of quality management in place in order to comply with high ethics and independence standards equivalent to those applicable to audit engagements.
66. The Task Force notes that if the sustainability assurance provider is an accounting firm that also performs audits of financial statements, the firm is already subject to the IAASB's ISQM 1.
67. In cases where the sustainability assurance provider is not an accounting firm, the Task Force is of the view that the assurance provider needs to be subject to the same level of standards regarding quality management as would apply for audit engagements. Therefore, the Task Force proposes that sustainability assurance providers, including non-PAs, be subject to ISQM 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1. This proposal is in line with IAASB's draft ISSA 5000.
68. The Task Force recognizes the challenges for non-PA firms related to adopting and implementing new systems of quality management. The Task Force will consider possible ways and work with

<sup>18</sup> Including participants from the following stakeholder categories: PAOs, accounting firms, non-PAs and a representatives of preparers/TCWG

<sup>19</sup> Including participants from the following stakeholder categories: PAOs, accounting firms, regulators and others

<sup>20</sup> Including participants from the following stakeholder categories: PAOs and accounting firms

standard setters to provide flexibility and appropriate transition to such requirements. However, the Task Force does not believe that it would be in the public interest if the ethics and independence standards for sustainability assurance engagements in the Code were to establish different requirements depending on whether the sustainability assurance provider is from the accounting profession or not.

**Q6: What assistance could the IESBA provide sustainability assurance practitioners who are not familiar with the Code to help them apply the new standards effectively?**

69. Participants, including many participants from, investors, users and preparers, recommended that the IESBA should prioritize raising awareness and educating stakeholders, especially non-PAs, about the new standards' principles and requirements. They suggested that the IESBA promote and facilitate the capacity building efforts for sustainability service providers in general, which is one of the strategic areas of focus of other standard-setting bodies such as ISSB.
70. Some participants<sup>21</sup> suggested that the IESBA develop guidance or other non-authoritative resources to facilitate the application of the profession-agnostic standards, such as guidance on the interpretation of the new terms and the application of quality management standards. However, a few participants<sup>22</sup> emphasized that the guidance will not be a substitute for robust and, most importantly, comprehensive provisions in the new standards.
71. It was also noted that regulators and professional bodies would play a crucial role in the promotion, adoption and enforcement of the new standards. Some participants<sup>23</sup> suggested that the IESBA organize outreach and work with local regulators and standard setters as part of the rollout of the standards.
72. A few representatives of accounting firms suggested that the IESBA consider providing transitional provisions where the assurance providers can disclose which part they are unable to comply with and their reasons.

**Task Force's Response and Proposal**

73. The Task Force agrees with participants' views that it would be important that the IESBA consider allocating time and resources to supporting the non-PA sustainability assurance providers in adopting and implementing the new standards and the Code's conceptual framework.
74. The Task Force recommends that the IESBA consider commissioning in due course non-authoritative guidance to support the adoption and implementation of the profession-agnostic standards by non-PA sustainability assurance providers, including when they apply the new standards for the first time. The Task Force believes that the guidance should be available as soon as possible after the final standards are published.

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<sup>21</sup> Including participants from the following stakeholder categories: accounting firms and regulators

<sup>22</sup> Including participants from the following stakeholder categories: PAOs

<sup>23</sup> Including participants from the following stakeholder categories: users, investors, PAOs, non-PAs, regulators



75. In addition, the Task Force highlights the importance of collaboration and coordination with NSS and regulators to better understand how they can promote and facilitate the application of the new standards by all assurance providers.

### III. Ethics Considerations Applicable to Reporting on Sustainability Information

**Q7: What are the key ethics issues relating to sustainability reporting that undermine, or might undermine, public trust in the sustainability information disclosed by organizations?**

76. Participants<sup>24</sup> expressed support for having an ethical framework applicable to preparers of sustainability information since they are the first line of defense against corporate malfeasance. One participant from the preparer/TCWG group acknowledged the key role that professional accountants in business (PAIBs) can play in data governance and the development of artificial intelligence for their organizations.
77. Participants<sup>25</sup> observed that in Europe, approximately 75% or more of the people preparing entry-level sustainability information in larger and more experienced companies are non-PAs (e.g., engineers, human rights experts), from other departments (e.g., commercial, technical, human resources), or from outside the company. The PAs usually get involved in a second phase, as the information is transferred to the finance department. For smaller entities, this may not be the case. For instance, a representative from a small- and medium-sized entity (SME) shared that they do not have a dedicated in-house team to prepare the sustainability report and rely on PAs to prepare internal or voluntary sustainability reports using the Global Reporting Initiative (GRI) standards.
78. There was also a general recognition that sustainability reports have often been prepared by the marketing, communications, and public relations departments but the finance departments are starting to undertake this task.
79. Participants<sup>26</sup> considered that threats occurring in the context of sustainability reporting are similar to those arising in the context of financial reporting. However, participants<sup>27</sup> also recognized the existence of specific threats due to:
- Lack of maturity of sustainability frameworks.
  - Less developed systems and controls.
  - Time pressure.
  - Resource pressure.
  - Pressure to meet the company's goals.
80. Participants<sup>28</sup> also mentioned transparency and having an inquiring mind as relevant ethical considerations for sustainability reporting.

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<sup>24</sup> From the following stakeholder categories: accounting firms, global and regional standard-setters, non-PAs, user/investor

<sup>25</sup> From the following stakeholder categories: accounting firms, global and regional standard-setters, preparer/TCWG

<sup>26</sup> From PAOs

<sup>27</sup> From the following stakeholder categories: accounting firms, global and regional standard-setters, PAOs, regulators

<sup>28</sup> From the following stakeholder categories: accounting firms, INSS, non-PAs, PAOs, regulators

81. There was a view that preparers need to be transparent about the availability and deficiencies of the data and their inability to influence the quality of such data. This may be especially relevant for the information coming from the company's value chain. In this regard, one participant from the non-PA community considered that complexity in the value chain can result in complexity in collecting reliable data. In many cases, the company may not even be able to access the data (e.g., where the raw materials are sourced). Preparers also need to be transparent about measurement policies or the fact that the methodology has changed. One participant stated that "*It is not about certainty; it is about clarity.*"
82. Preparers need to have an inquiring mind so they can consider potential inconsistencies between conflicting narratives, both between financial and sustainability information and within sustainability information itself (i.e., among the three ESG dimensions). Having an inquiring mind also helps to synthesize all the information received and avoid cherry-picking information.
83. Participants from accounting firms and the global and regional standard-setting community expressed the view that PAIBs will be facing new ethics dilemmas, for instance, in terms of non-compliance with laws and regulations.
84. Participants considered that greenwashing may be caused by:
- Lack of professional competence and due care as a result of lack of knowledge on sustainability subjects, lack of proper education or training, or the broader nature of sustainability information.<sup>29</sup>
  - Excessive optimism in the analysis of estimates and forward-looking information which is more qualitative and narrative-based by nature.<sup>30</sup>
- Therefore, greenwashing may not always be a consequence of fraudulent intent.
85. Participants from the preparer/TCWG and user/investor communities considered that the more empirical evidence (i.e., that can be factually checked) there is, the more trustworthy the sustainability information will be. They also recognized, however, that empirical evidence is more difficult to obtain for the social and governance topics.
86. Due to the subjective and qualitative nature of sustainability information, there might be more occasions where restatements are necessary. However, it is important to understand the driver of the restatement. Participants discussed whether the restatement is made because:
- New or better information has been obtained, due to, for instance, improvements in systems, processes, and internal controls for the collection and analysis of data; or because sustainability-related information is continuously evolving. This would be a "positive restatement;" or
  - There was information that was initially withheld or that was untrue or misleading. This would be a "negative restatement."
87. A participant from a PAO also acknowledged that the restatement may be imposed by the regulator or done voluntarily.

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<sup>29</sup> This view was shared by participants from the following stakeholder categories: accounting firms, INSS, non-PAs, PAOs, regulators, user/investor

<sup>30</sup> This view was shared by a participant from the user/investor community

#### Task Force's Response and Proposal

88. Ethics issues identified regarding sustainability reporting are generically covered by the fundamental principles set out in Part 1 of the Code, notably the fundamental principles of:
- Professional competence and due care – in terms of having proper knowledge and education and training on sustainability topics.
  - Integrity – in terms of being transparent about information limitations (especially those resulting from the value chain) and preventing greenwashing.
  - Objectivity – especially when treating information of a more qualitative nature as is the case with sustainability information.
89. Compliance with the fundamental principles contributes to having an inquiring mind (as recognized in Part 1 of the Code) which was identified by participants as a relevant ethical consideration in terms of sustainability reporting.

#### **Q8: What role should senior management or those charged with governance (TCWG) of an organization play in ensuring that the sustainability information disclosed by their organization is trustworthy?**

90. A participant from the global and regional standard-setting community acknowledged that the role of management and TCWG regarding sustainability disclosures is not different from financial reporting.
91. A participant from the academia noted that many finance directors have an accountancy background and therefore understand and are subject to the IESBA Code (or standards that are at least as stringent). The IESBA's standards thus have, at least, an indirect impact on boards.
92. Overall, participants agreed that management and TCWG play an important role in sustainability disclosures as investors are interested in what audit committees and boards have to say in this area. Participants from the user/investor and the preparer/TCWG communities showed interest in having sustainability reports signed off by the board, as happens with financial statements. Having management representation letters for sustainability was another possibility raised by a participant from an accounting firm since someone from the marketing or communications department usually signs those representation letters.
93. Sincerity, honesty and good faith were identified<sup>31</sup> as key factors for management and preparers as well as from a communications perspective. From one global and regional standard-setter's perspective, preparers are as important as TCWG. A participant from an accounting firm suggested embedding this concept of "sincerity" into the Fundamental Principles (Part 1 of the Code).
94. Participants<sup>32</sup> overall shared the opinion that the responsibility for a company's disclosures should lie with TCWG, not with the assurance provider. For this to happen, internal controls regarding the preparation of sustainability information need to be aligned with those set up for financial information,

<sup>31</sup> By participants from accounting firms and PAOs

<sup>32</sup> From the following stakeholder categories: accounting firms, PAOs, preparer/TCWG, user/investor

especially considering the complexities involved with collecting and validating sustainability information coming from the value chain. The internal audit function should also be involved.

95. A participant representing an INSS considered that the same level of rigor between sustainability and financial information can only be attained with integrated reporting and when the responsibility for sustainability reporting is assumed by the CFOs. On the other hand, there was the perception from a participant from a global and regional standard setter that the finance function is holding back sustainability reporting since CFOs tend to focus on the budget and providing information on financial results to the Board. A participant from the preparer/TCWG community shared that, in their organization, sustainability questions have started to be built into key investment decisions.
96. Participants<sup>33</sup> shared the idea that boards need broader competence and skillsets to understand what kind of sustainability information they need from the company (i.e., from preparers) to better identify and understand the material risks and report on them. A participant from the regulatory community suggested that board members may need individual training and upskilling. Another suggestion<sup>34</sup> was to enhance board diversity in terms of technical background.
97. Participants representing an accounting firm and other stakeholders thought there should be an independent body assuring the information that the Board signs off but wondered whether the audit committee would be the best positioned to oversee all kinds of sustainability information. A participant from the accounting firms favored board oversight broadly.
98. A participant from the global and regional standard-setting community suggested that the IESBA could set expectations for management and explain how to deal with situations where those expectations are not met.

#### Task Force's Response and Proposal

99. If and when PAIBs are present in senior management or TCWG-related roles, the Code is also applicable at the senior management and TCWG levels.

#### **Q9: The IESBA is assessing the level of market demand for ethics standards for preparers of sustainability information who are not professional accountants.**

- (a) Are local legislators or regulators in your jurisdiction planning (or have they done so already) to require preparers of sustainability information to comply with ethics standards? Are they pursuing the legislative route or using the corporate governance regime to do so?**
- (b) Would there be support for the IESBA to develop ethics standards for those preparers who are not professional accountants? What key conditions should be in place for those standards to be effectively adopted and implemented with respect to those other preparers?**

<sup>33</sup> From the following stakeholder categories: global and regional standard-setters, preparer/TCWG

<sup>34</sup> Raised by participants from the following stakeholder categories: global and regional standard-setters, preparer/TCWG, regulators

100. Participants were not aware of any local laws and regulations requiring preparers of sustainability information to comply with ethics standards.<sup>35</sup> There was a suggestion that Canada could pass this kind of regulation in the future and that this will likely be influenced by IOSCO's decisions.
101. There was a general acknowledgment of the importance of having ethics standards apply to preparers of sustainability information who are not PAs, as preparers and TCWG are the first lines of defense against corporate malfeasance. A participant from the non-PA community pointed out that all those involved in the collection of sustainability data throughout the value chain should be guided by ethical principles.
102. However, participants<sup>36</sup> shared their doubts about the enforceability of such standards on non-PAs should the IESBA develop them. For instance, imposing penalties for non-compliance could raise challenges in terms of the burden of proof considering the qualitative nature of sustainability information.<sup>37</sup> On the other hand, the COSO framework was exemplified<sup>38</sup> as having evolved to become the *de facto* standard for internal control without requiring regulation.
103. The general view was that the first step in this area must be taken by the relevant regulators. However, it does not seem to be on the radar of most of them.<sup>39</sup>
104. In addition, participants<sup>40</sup> wondered whether setting ethics standards for preparers should be the role of professional organizations or the companies themselves (in terms of the board and/or senior management) instead of global standard setters such as the IESBA. One participant from the user/investor community noted that it is a good corporate governance practice for public companies in the US to have a company ethics code applicable to all employees.
105. Notwithstanding the importance of those standards, one participant from the non-PA community recognized that developing one Code to cover all preparers would be a very ambitious task, as there are very technical types of entities that might refer to other codes or practices. A participant from an accounting firm also shared the view that this would be a very long-term objective and it thus should not be the IESBA's immediate priority.
106. Participants<sup>41</sup> recognized that having ethics standards for sustainability reporting could be useful for companies to adopt and apply as best practices on a voluntary basis, which would be valuable from a user and civil society perspective. This could in turn improve the likelihood of those companies finding a reputable assurance provider for their sustainability assurance needs. A participant representing a global and regional standard setter suggested that the IESBA start by issuing a staff paper or guidelines written in layman's terms. This would be a faster alternative and allow the IESBA to learn from the reactions before embarking on a specific standard-setting project. It could be an interim route from a resource and time perspective.

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<sup>35</sup> This was explicitly stated for Canada, the European Union, the Republic of Korea, New Zealand and the US

<sup>36</sup> From the following stakeholder categories: accounting firms, preparer/TCWG, regulators, user/investor

<sup>37</sup> This was raised by a PAO

<sup>38</sup> By a participant from the user/investor community

<sup>39</sup> This was mentioned by a PAO

<sup>40</sup> From the following stakeholder categories: academia, regulators

<sup>41</sup> From the following stakeholder categories: accounting firms, global and regional standard setters

107. There was overall support for corporate governance as the preferential route to address this matter. One INSS pointed out that reporting is essentially a governance issue. Participants<sup>42</sup> agreed that corporate governance codes and the 'comply or explain' mechanism should be the initial vehicles for setting ethics standards that apply to all preparers of sustainability information.
108. Finally, participants from an accounting firm, a PAO and a regulator wondered whether the IESBA could also consider extending the existing ethics standards to other preparers of financial information (i.e., non-accountants) to level the playing field and avoid arbitrage.

Task Force's Response and Proposal

109. This feedback supports the WS2's proposal to the Board in March 2023, i.e., to develop ethics standards for sustainability reporting by PAs only under the current project.
110. Based on this feedback, WS2 also recommends the IESBA to consider, as a separate work stream, the development of guidance material based on Part 2 of the Code for preparers of sustainability information who are not PAs, for voluntary adoption by entities (for instance, as internal policies or procedures).

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<sup>42</sup> From the following stakeholder categories: global and regional standard setters, PAOs, preparer/TCWG, regulators

## Appendix 1

### List of Participants' Organizations at Global sustainability Roundtables

This list below includes the organizations of Roundtable participants in alphabetical order. Some participants indicated more organizations where they held positions.<sup>43</sup>

1. AccountAbility
2. Accountancy Europe
3. Accounting and Corporate Regulatory Authority, Singapore (ACRA)
4. Accounting Professional & Ethical Standards Board, Australia (APESB)
5. American Institute of Certified Public Accountants (AICPA) & Chartered Institute of Management Accountants (CIMA)
6. AICPA Uniform Accountancy Act Committee
7. AssuranceMark
8. Auditing and Assurance Standards Board, Australia (AUASB)
9. Australian Accounting Standards Board (AASB)
10. Australian Institute of Company Directors
11. Australian Securities & Investments Commission (ASIC)
12. Australian Taxation Office
13. Chartered Accountants Australia and New Zealand (CA ANZ)
14. Center for Audit Quality (CAQ)
15. Chartered Accountants Ireland
16. Chartered Professional Accountants of Ontario, Canada
17. Collins Aerospace
18. Commission on Financial Reporting of the European Federation of Financial Analysts' Societies (EFFAS)
19. Compagnie Nationale des Commissaires aux Comptes (CNCC)
20. Council of Institutional Investors (CII)
21. CPA Australia
22. CPA Canada
23. CTR-CSR (Belgian Audit Oversight Board)
24. Deakin University
25. Deloitte & Touche LLP
26. DNV
27. Durham University
28. EFRAG Sustainability Reporting Board
29. Ernst and Young

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<sup>43</sup> The views expressed by participants at the Roundtables do not necessarily represent the views of their respective organizations.

30. ESG Partners Inc.
31. European Commission
32. European Federation of Accountants and Auditors for SMEs
33. European Securities and Markets Authority (ESMA)
34. Exemplar Global
35. Financial Reporting Council, Australia
36. Global Reporting Initiative (GRI)
37. Grant Thornton
38. Haut Conseil du Commissariat aux Comptes, France (H3C)
39. Hong Kong Institute of Certified Public Accountants (HKICPA)
40. International Association for Accounting Education & Research (IAAER)
41. International Association for Sustainable Economy (IASE)
42. International Auditing and Assurance Standards Board (IAASB)
43. International Federation of Accountants (IFAC)
44. International Organization for Standardization (ISO)
45. International Organization of Securities Commissions (IOSCO)
46. Institute of Chartered Accountants in England and Wales (ICAEW)
47. Institute of Chartered Accountants of Scotland (ICAS)
48. Institute of Electrical and Electronics Engineers (IEEE)
49. Institute of Internal Auditors
50. Institute of Public Accountants, Australia (IPA)
51. Investment Company Institute (ICI)
52. Japanese Institute of Certified Public Accountants (JICPA)
53. Korean Institute of Certified Public Accountants (KICPA)
54. KPMG
55. La Trobe University
56. Malaysian Industrial Development Finance Berhad
57. Malaysian Institute of Accountants (MIA)
58. Mazars
59. MNP
60. Monetary Authority of Singapore (MAS)
61. Monitoring Group
62. Moore Global
63. MSCI
64. National Association of State Boards of Accountancy (NASBA)
65. New Zealand Auditing and Assurance Standards Board (NZAuASB)
66. Norges Bank Investment Management

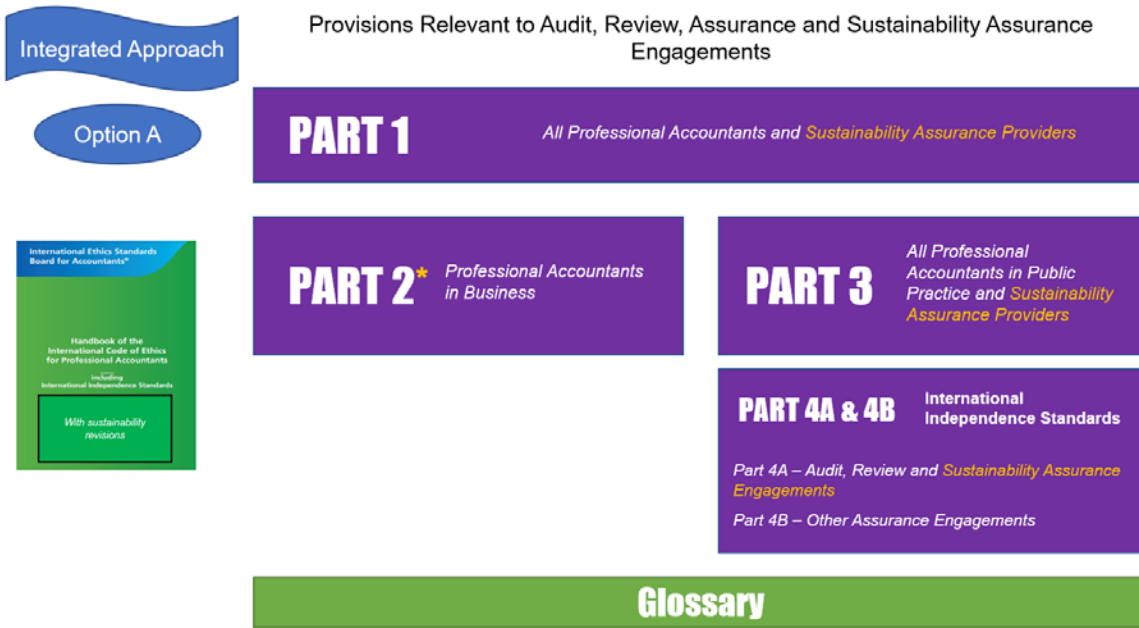


67. Nova Southeastern University
68. Organisation for Economic Co-operation and Development (OECD)
69. Olive Tree Estates Limited
70. PricewaterhouseCoopers LLP (PwC)
71. Securities Commission Malaysia
72. Securities Investors Association, Singapore (SIAS)
73. Singapore Exchange Regulation (SGX RegCo)
74. Singapore Institute of Directors (SID)
75. Straco Corporation Limited
76. Temasek Holdings Limited
77. U.S. Government Accountability Office (US GAO)
78. University of Melbourne
79. University of Pretoria
80. US Integrated Reporting Committee
81. Willis Towers Watson
82. Woodward & Curran
83. World Bank
84. World Federation of Exchanges (WFE)

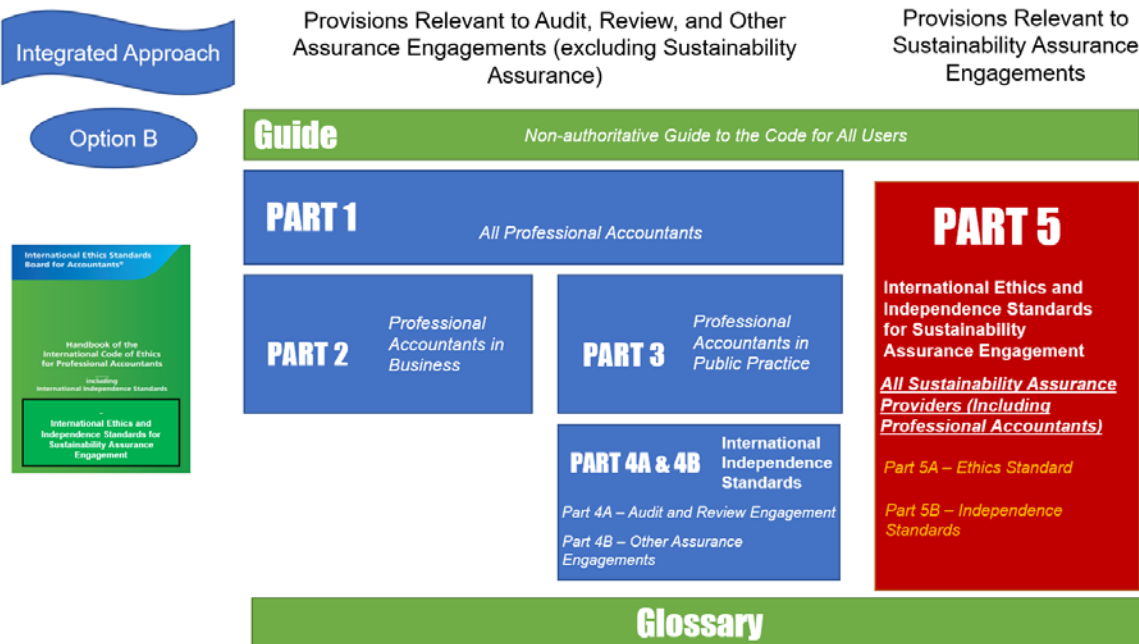
**Appendix 2**

**Options for Presentation of IESBA’s New Standards for Sustainability Assurance Engagements**

Option A – Fully Integrated Approach



Option B – Part 5 within the Code



(See sub-options to Option B on next page)

Sub-Options for Option B

**Option i)**

**Ethics** - Part 5A applies *only* to non-PAs providing sustainability assurance services; Parts 1 & 3 (updated) continue to apply to PAs.

**Independence** – Part 5B applies to both PAs and non-PAs as well as their firms – with the exception of PAs who are also the auditor

\* Parts 1 to 4A of the Code need to be updated to include sustainability-related considerations applicable to PAs providing sustainability assurance

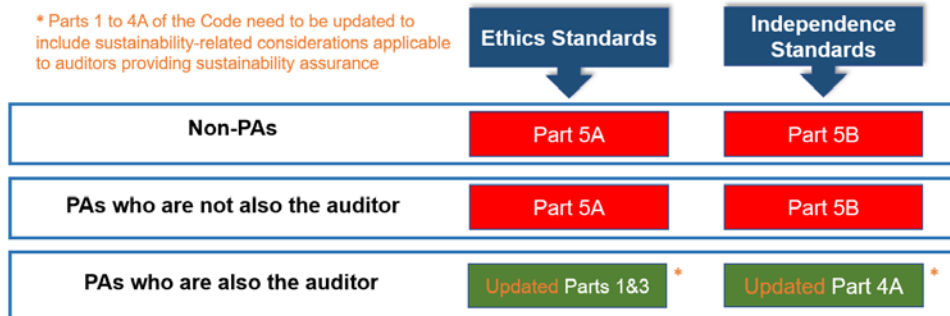


**Option ii)**

**Ethics** - Part 5A applies to practitioners providing sustainability assurance services (PAs and non-PAs), except for PAs who are also the auditor.

**Independence** – Part 5B applies to both PAs and non-PAs as well as their firms – with the exception of PAs who are also the auditor

\* Parts 1 to 4A of the Code need to be updated to include sustainability-related considerations applicable to auditors providing sustainability assurance



**Option iii)**

**Ethics** - Part 5A applies to *all* practitioners providing sustainability assurance services (PAs and non-PAs).

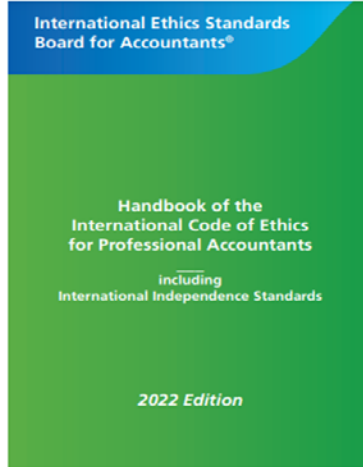
**Independence** – Part 5B applies to all practitioners providing sustainability assurance services (PAs and non-PAs).

\* Parts 1 to 4A of the Code will apply to PAs only when they provide any professional services other than sustainability assurance



Option C – Separate Code for Sustainability Assurance Engagements

International Code of Ethics for Professional Accountants (including International Independence Standards)



International Code of Ethics and Independence Standards for Sustainability Assurance Engagements

