

IESBA

International  
Ethics Standards  
Board for Accountants®

# Sustainability – Global Outreach Campaign

IESBA June 2024 Board Meeting

Presented by IESBA Staff

New York, 10-13 June, 2024

# Global Outreach Campaign Feb-May 2024

## > 7000 stakeholders reached

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



### Australia Outreach

- |                               |                                |
|-------------------------------|--------------------------------|
| • ASIC                        | Australia & IPA                |
| • APRA                        | • G100                         |
| • Financial Reporting Council | • Big-6 firms                  |
| • AUASB & AASB                | • APESB Dinner Event           |
| • CA ANZ, CPA                 | • Media interviews and podcast |

## Media interviews and broad international press coverage

E.g., Reuters  
Responsible Investor  
Investments and Pensions Europe  
Regulation Asia  
Financial Management (U.S.)  
International Accounting Bulletin  
Corporate Disclosures



### Japan Outreach

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

# Global Outreach Campaign Feb-May 2024



## Canada Outreach

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

## IESBA Outreach

UK FRC, Impact Healthcare REIT plc, PWC, ICAEW, UK Department of Business and Trade, UK Financial Conduct Authority, ISSB and more

Date: May 20 - 24, 2024  
Topic: IESBA Updates

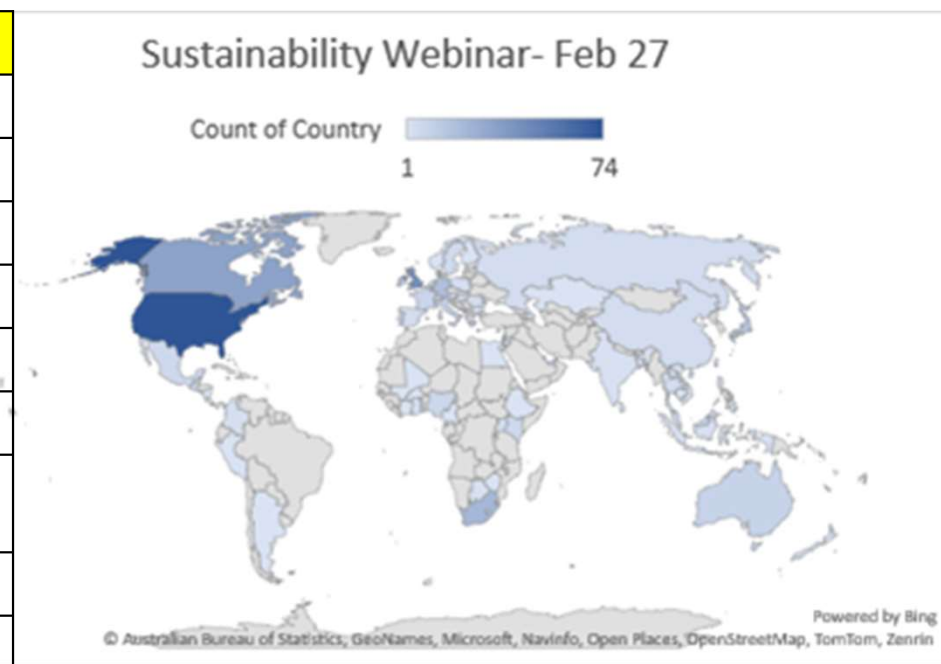


## Singapore Outreach

- ISCA Sustainability Seminar
- Forum of Firms
- Fireside chat
- IFAC AP Sustainability Exchange

# Global Webinar – February 27

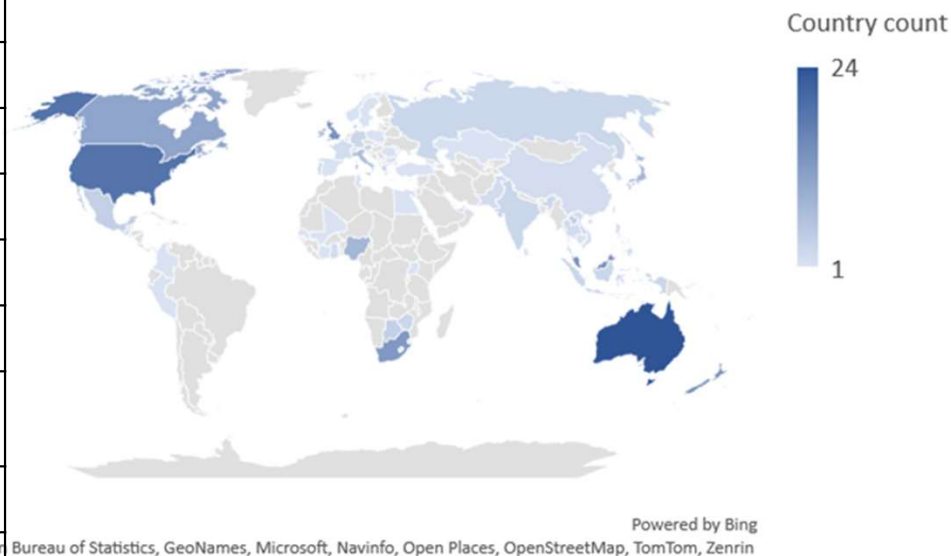
| Registered Participants   | #          |
|---|------------|
| Academics and educators   | 19         |
| Accounting Firms, including Solo Practitioners  | 216        |
| IFAC Member Bodies  | 60         |
| Investors and other users of the financial statements                                 | 7          |
| National Standard Setters   | 35         |
| Others  | 33         |
| Preparers and other professional accountants in business, including internal auditors | 27         |
| Public sector organizations   | 10         |
| Regulators and other audit oversight authorities                                      | 48         |
| Those charged with governance, including audit committees and board of directors      | 3          |
| <b>Total</b>  | <b>458</b> |



# Global Webinar – March 5

| Registered Participants   | #          |
|---|------------|
| Academics and educators   | 11         |
| Accounting Firms, including Solo Practitioners  | 101        |
| IFAC Member Bodies  | 48         |
| Investors and other users of the financial statements                                 | 1          |
| National Standard Setters   | 21         |
| Others  | 19         |
| Preparers and other professional accountants in business, including internal auditors | 16         |
| Public sector organizations   | 8          |
| Regulators and other audit oversight authorities                                      | 14         |
| Those charged with governance, including audit committees and board of directors      | 4          |
| <b>Total</b>  | <b>243</b> |

## Sustainability Webinar- March 5





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

# Stakeholder Feedback: Brussels

- **Ethics recognized as critical plank in sustainability ecosystem**
- Concerns regarding fragmentation between global and jurisdictional standards, viewed especially in the EU context
- Strong support for ethics and independence standards addressing group sustainability assurance engagements
  - Addressing group engagements critical as mandatory SAEs starting with the largest, most complex entities
  - But need for close coordination with IAASB stressed
  - Concerns re perceived complexity, familiarity of non-PAs with group audit concepts, and interactions between PAs and non-PAs



# Stakeholder Feedback: Brussels

- Questions re independence considerations with respect to value chain entities (VCEs)
  - Application of “knows or has reason to believe” principle
- NAS
  - Whether all the NAS provisions are needed
  - Need for transitional provisions
- Why a perceived conflict of interest in relation to fees if SAP does both the audit and SAE?
- Some non-PA perspectives
  - Conformity assessment bodies (CABs) have long performed regulatory-driven engagements under ISO quality management standards (e.g. in the EU)
- A recognition that a number of the issues are early-year challenges and practice will evolve



# Tokyo Seminars

- JFSA seminar: ~40 participants from 20+ organizations representing regulators, investors, preparers/TCWG, global standard setters, non-PAs, and accountancy profession
- JICPA seminar: 600+ participants (in-person and virtual)
- Selected stakeholders – JFSA seminar (outside accountancy profession):
  - Securities Analysts Association of Japan | Tokyo Stock Exchange | JFSA | Bureau Veritas Japan | Japan Accreditation Board | Japan Business Federation | Japan Quality Assurance Org | Japan Securities Dealers Association | SGS Japan | Sustainability Standards Board of Japan



# Stakeholder Feedback: Tokyo

- **General support for IESBA proposals, including profession-agnostic approach**
- Some concerns re implementation by non-PAs
  - Need for guidance and capacity building especially in the context of group engagements
  - Suggestion for IESBA to coordinate closely with ISO
  - Questions re how to license and oversee non-PA SAPs
- Some questions/concerns re independence wrt VCEs
  - Difficult to get credible information from VCEs and perform assurance procedures
  - A challenge to presumption that VCEs' info is material
  - Need for IESBA-IAASB coordination re approaches to VCEs
  - Suggestion for more guidance to address perceived complexity
  - A developing area but practice will evolve



# Stakeholder Feedback: Tokyo

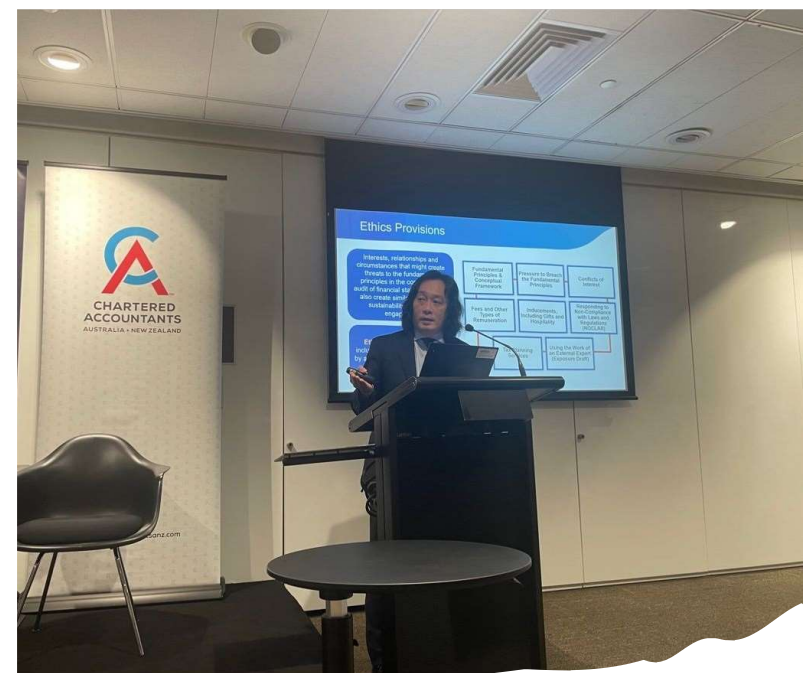
- NAS

- Some concerns about complexity of NAS provisions – all needed?
- Need for guidance on types of NAS entities may need, esp. wrt ESG reporting
- Allow non-PIE provisions even for PIEs in early reporting cycles as a transitional measure?
- Need for guidance on self-review threat in context of SAEs, e.g., wrt ESG strategy advice
- A concern re NAS provided to VCE acting as a barrier to same firm being appointed as its SAP

- NOCLAR

- Support to strengthen NOCLAR proposals beyond consideration of communication from SAP to auditor, and vice versa





## Australia Outreach

- Seminars
  - CAANZ breakfast event (150 participants)
  - CPAA lunch event (2,000+ participants)
- Meetings with Big-6 firms, regulators, and accounting, audit and assurance standard setters

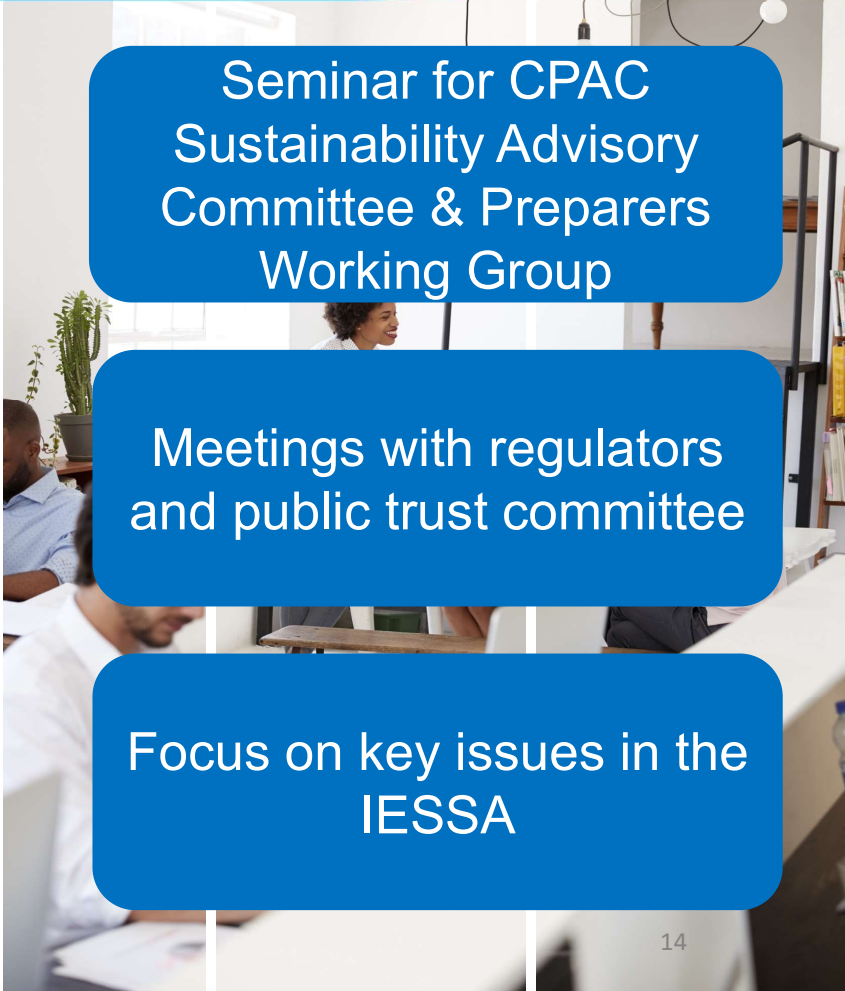
# Stakeholder Feedback: Australia

- Whether there will be additional guidance for non-PAs
- Most comments relating to operability of proposed requirements re VCEs
  - E.g., challenges re getting data, change in VCEs is constant, there could be a lot of suppliers that are direct suppliers
- Concern about how related entities would work in context of sustainability assurance
- Consider a transition period as well as PIRs sooner to respond to rapidly changing landscape
- Concern about overload of new sustainability-related standards



# Stakeholder Feedback: Toronto

- **Broad support for IESBA proposals, including profession-agnostic approach and premise of same high standard as for audits**
- No current Canadian regulation on mandatory sustainability assurance and who can provide such assurance:
  - One province requires assurance to be done by CPAs
  - Who will oversee non-PA SAPs?
  - Provincial differences (including political dimension of ESG) will create complexities and possible fragmentation → as in U.S., development of regulatory framework will take time
  - Big-4 firms have built up excess capacity in sustainability assurance, some of which is being deployed to support work in other jurisdictions



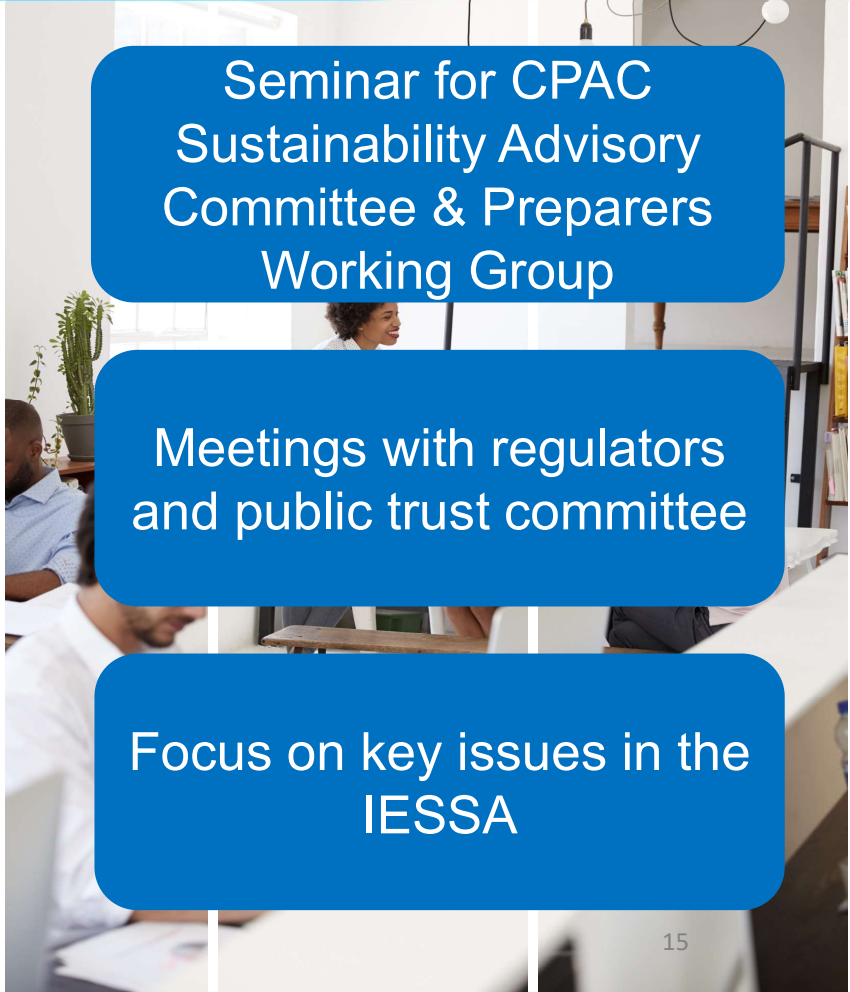
Seminar for CPAC  
Sustainability Advisory  
Committee & Preparers  
Working Group

Meetings with regulators  
and public trust committee

Focus on key issues in the  
IESSA

# Stakeholder Feedback: Toronto

- Does the “publicly disclosed” criterion for the scope of the IIS capture voluntary disclosures?
- Support for IESSA to address groups but important for a coordinated approach with IAASB
- Independence considerations re VCEs
  - Will proposed approach impose disproportionate burden?
  - Will continuous assessment be needed as value chain is evolving all the time?
  - A suggestion to consider independence on a sample basis
- Capacity building with respect to non-PAs is important
  - Coordinate with IAASB, esp. with respect to group SAEs
  - Discuss with national standard setters
  - Will supply of non-PAs shrink because of stringent standards?



Seminar for CPAC  
Sustainability Advisory  
Committee & Preparers  
Working Group

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Focus on key issues in the  
IESSA



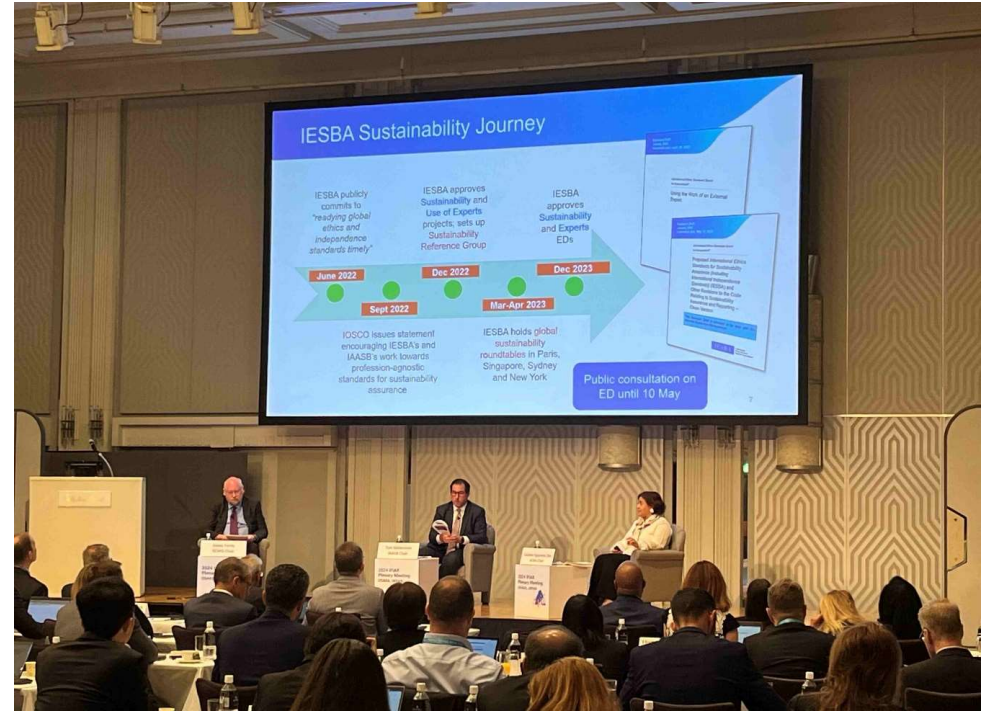
Outreach to IOSCO Sustainable  
Finance Task Force (STF) and  
Committee 1 (C1) – Feb



# Outreach Feedback: IOSCO STF and C1

- **IESBA's standards will be key to overall quality of sustainability information**
- How to ensure that auditors are open to sharing information with non-PA SAPs?
  - How to enable that connectivity if the jurisdiction does not allow such exchange of information?
- Independence considerations re VCEs
  - Is the “knows or has reason to believe” principle sufficient?
- Acknowledgment of jurisdictional challenges re licensing of SAPs
- In jurisdictions that limit SAPs to only auditors, will regime addressing use of experts be adequate to achieve desired outcomes?





## IFIAR SCWG and Plenary (April-May)

# Outreach Feedback: IFIAR

- **IAF adoption of proposed IESSA is a very positive outcome**
  - Same high level of standards will apply to both auditors and non-PA SAPs
- However, some questions focused on the IAF side
  - How is IAF equipped to verify conformity assessment bodies' compliance with IESSA?
  - Also a concern about understandability of IESBA proposals by non-PAs
- Independence considerations re VCEs
  - Key will be coordination with IAASB
- NOCLAR
  - Why only a requirement to *consider* communicating NOCLAR to auditor, and vice versa?



# Stakeholder Advisory Council (SAC)

- Support for profession-agnostic approach, but noting jurisdictional differences regarding:
  - Voluntary versus mandatory sustainability assurance
  - Whether both PA and non-PA practitioners may provide such assurance
  - Enforceability with respect to non-PAs
- Strong support for the IESSA to be equivalent to, and as robust as, ethics and independence standards for audits, but noting:
  - Challenges addressing independence issues, including with respect to VCEs
  - Mixed views on whether importance of sustainability reporting would surpass financial reporting in future
- Challenges for jurisdictional adoption, including differences in laws and regulations, and capacity building for non-PAs could be addressed via:
  - Stakeholder engagement, guidance and implementation material, working closely with NSS and regulators, and leveraging SAC members

# National Standard Setters Liaison Group

- Support for emphasis on capacity building and partnership with IAF:
  - Concerns regarding complexity and application of the standards by non-PAs
- Suggestions for further coordination with IAASB:
  - Need for alignment regarding approach and definitions, especially with respect to groups and value chain
- Questions regarding relevance of proposed specific NAS prohibitions
- Questions regarding determination of related entities in context of sustainability assurance engagements

18 NSS attended May  
2024 IESBA-NSS  
meeting

Brief update on outreach  
activities and discussion  
on key matters

# Coordination with IAASB

- Public consultation of proposed ISSA 5000 ended in December 2023:
  - Scheduled approval of ISSA 5000 in September 2024
  - Close coordination at Staff and Board levels
- Coordination Working Group consisting of IAASB and IESBA Staff to identify and develop proposals regarding key coordination matters:
  - Coordination sessions at both IESBA and IAASB June meetings
- July 2024 coordination meeting between IESBA and IAASB Chairs, Task Force Chairs and staff leads to seek closure of open coordination matters, subject to the Boards' final agreement in Sept

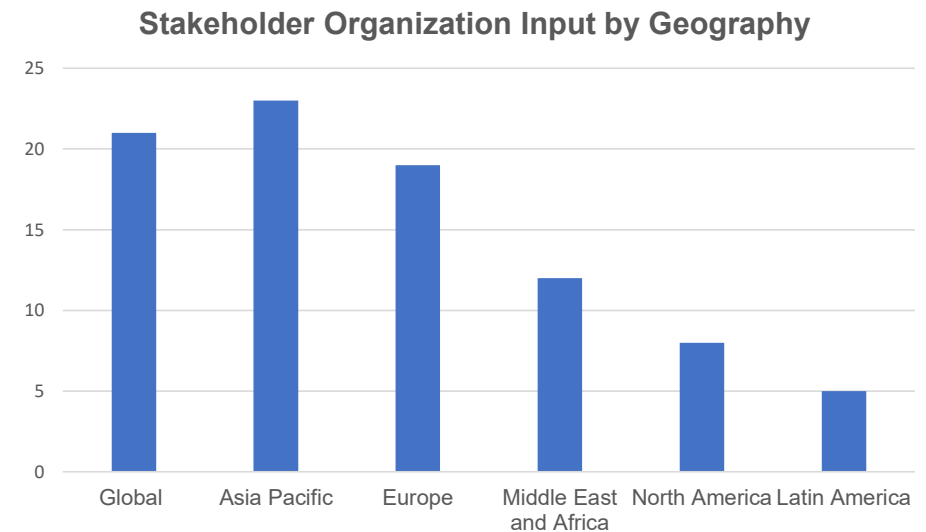


# Comment Letters on Sustainability ED

| Stakeholder Category                               | # of Individual Stakeholders^ | # Stakeholders (Umbrella Organizations) | TOTAL     |
|--|-------------------------------|---|-----------|
| Regulators and Oversight Authorities               | 8                             | 4                                       | 12        |
| Investors and Other Users                          | 6                             |   | 6         |
| Preparers and TCWG                                 | 3                             |   | 3         |
| Public Sector Organizations                        | 2                             | 1                                       | 3         |
| Independent National Standard Setters              | 2                             |   | 2         |
| Professional Accountancy Organizations             | 34                            | 4                                       | 38        |
| Other Assurance Providers and Accreditation Bodies | 2                             | 1                                       | 3         |
| Accounting Firms and Sole Practitioners            | 14                            |   | 14        |
| Academia and Research Institutes                   | 5                             |   | 5         |
| Others   |                               | 2                                       | 2         |
| <b>TOTAL</b>                                       | <b>76</b>                     | <b>12</b>                               | <b>88</b> |
| ^ Late submission from UNCTAD ARP expected         |                               |   |           |

# Comment Letters on Sustainability ED

| Region                 | Number    |
|------------------------|-----------|
| Global                 | 21        |
| Asia Pacific           | 23        |
| Europe                 | 19        |
| Middle East and Africa | 12        |
| North America          | 8         |
| Latin America          | 5         |
| <b>Total</b>           | <b>88</b> |



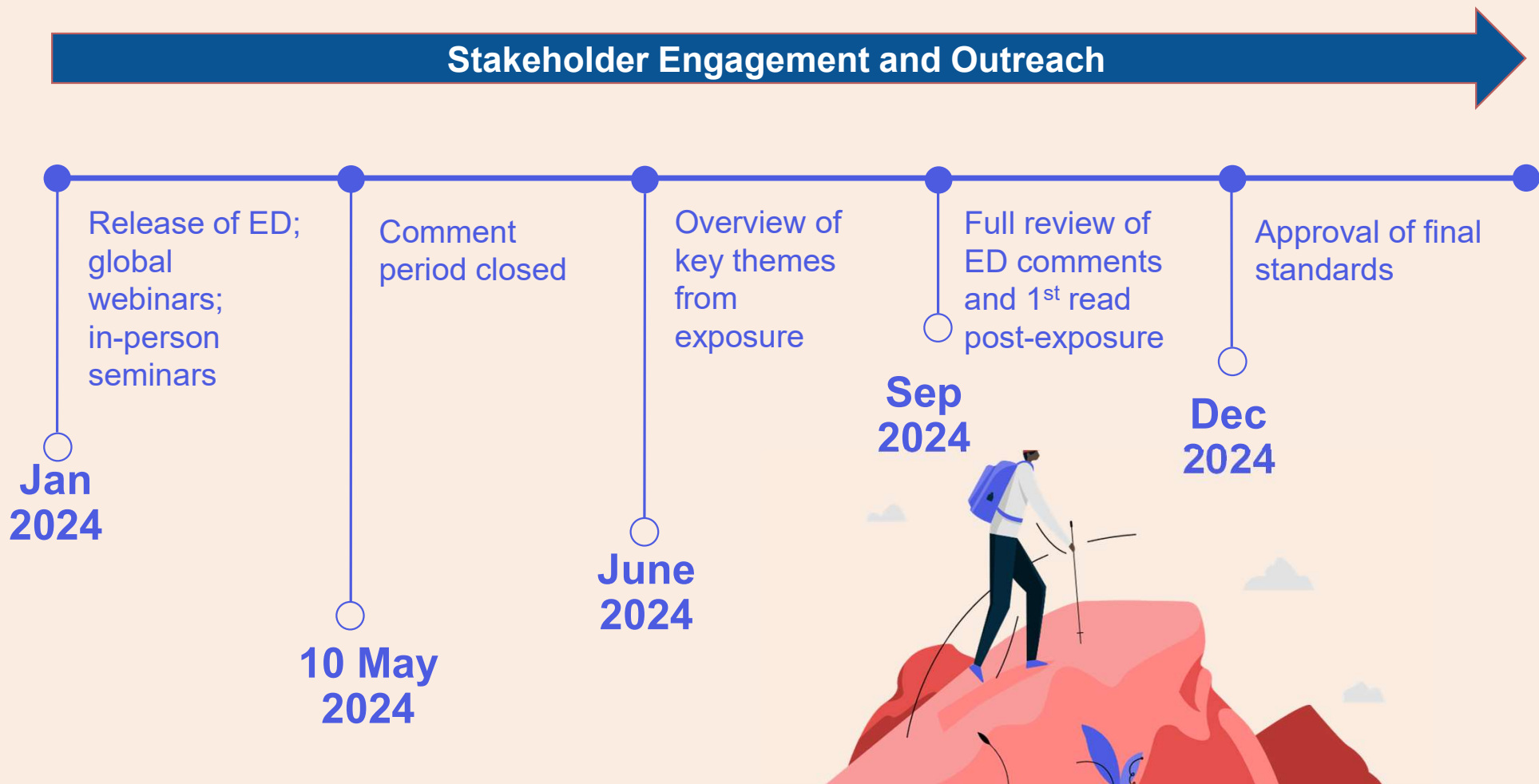
# Key Themes in Comment Letters

Key issues in comment letters are broadly in line with feedback from outreach

Call for further coordination with IAASB

- Broad support for **global ethics and independence baseline** and **main design elements** of proposed IESSA
  - Profession-agnostic | Equivalence to standards for audits | Standalone but in new Part 5 of IESBA Code
- Some concerns about perceived complexity
  - Concerns, mainly from PAs and PAOs, re implementation by non-PAs
  - Suggestions for more guidance and support for capacity building
  - Concerns about lack of enforcement regime for non-PAs and level playing field
- Emphasis on coordination with IAASB re definitions and approach to groups
- Questions and concerns re complexity and practicality of proposals re VCEs
  - Concerns that proposals might create barriers to providing sustainability-related services
- Comments re approach to proportion of fees when firm provides both engagements
  - Views that no threat can arise from providing both audit and sustainability assurance

# Timeline





*[www.ethicsboard.org](http://www.ethicsboard.org)*



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[@IESBA](https://www.linkedin.com/company/iesba)



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