

IESBA EXPOSURE DRAFT ON SUSTAINABILITY REPORTING AND ASSURANCE

AN OVERVIEW

WHAT IS THE IESBA EXPOSURE DRAFT ON SUSTAINABILITY REPORTING AND ASSURANCE?

The IESBA has drafted and is consulting on a set of new **ethics and independence standards** for sustainability reporting and assurance.

WHY ARE THESE PROPOSED STANDARDS BEING DEVELOPED?

Sharp rise in market and public demand for sustainability information in recent years.



Sustainability information is increasingly used to support not only capital allocation by investors, but also other decisions by customers, current or potential employees, government agencies and other stakeholders.



Rapidly increasing amount of readily available sustainability information.

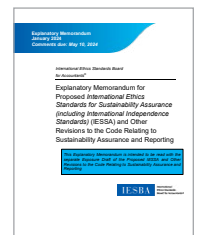
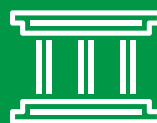


GREENWASHING

Pressing public interest need to ensure that such information is trustworthy and comparable, and therefore capable of being subject to assurance.



IESBA's Ethics and Independence Standards - a robust ethics framework to complete the global sustainability standards infrastructure by supporting the proper conduct of sustainability preparers and assurance providers globally.



This publication provides an at-a-glance overview of the IESBA's Exposure Draft, **Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (Sustainability ED)**.

The Sustainability ED and the accompanying Explanatory Memorandum were released on January 29, 2024 and are **open for public consultation until May 10, 2024**.



READ, ENGAGE, & COMMENT ON THE EXPOSURE DRAFT HERE

SUSTAINABILITY REPORTING AND ASSURANCE

Standardized approach for **reporting** information



Reliable, comparable and decision useful information

Reporting Standards

Standardized approach for providing independent **assurance**



Credible and trustworthy information

Assurance Standards

Ethical mindset and behaviors to guide judgment and drive actions



Trustworthy information that is not misleading

IESBA – Ethics and Independence Standards

Ethics plays an extremely important role in sustainability information, given the subjectivity, prospectivity, and immaturity of the data today.



ABOUT IESBA

International Ethics Standards Board for Accountants®

Handbook of the International Code of Ethics for Professional Accountants including International Independence Standards

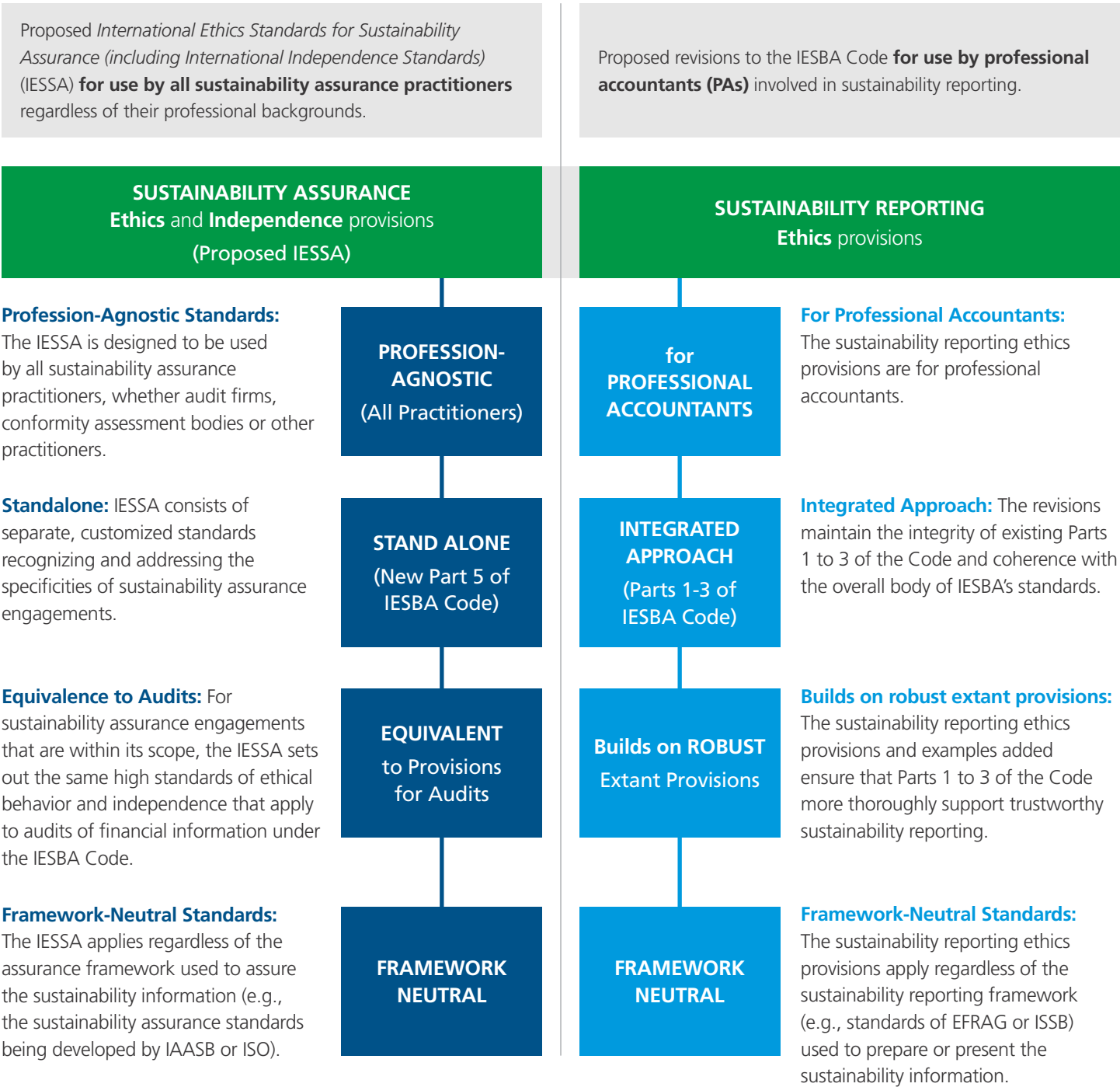
The IESBA is an independent global standard-setting board that serves the public interest by setting high-quality, international ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

The IESBA Code has been adopted or is used in more than 130 jurisdictions around the world, either through legislation or local professional bodies.



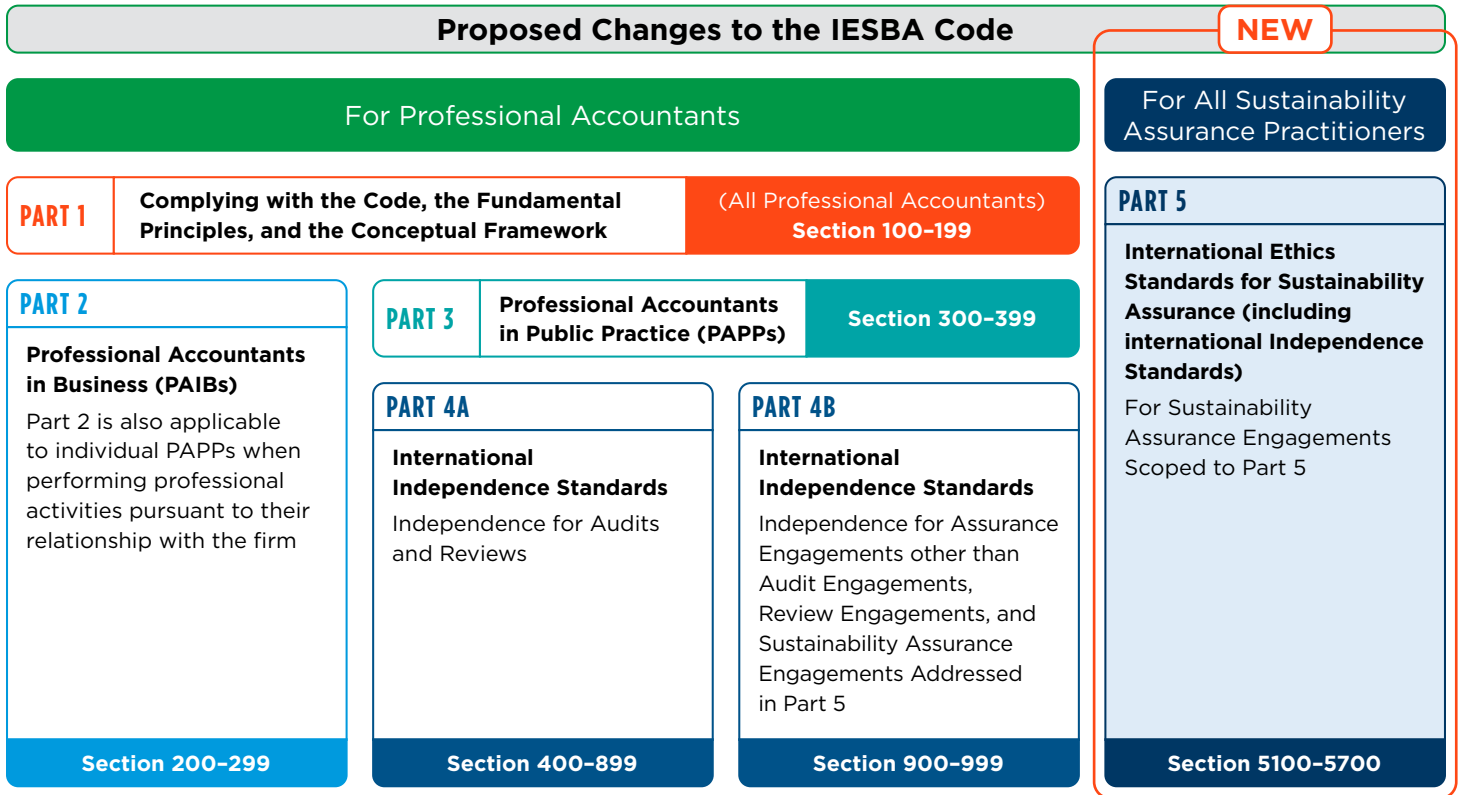
As sustainability reporting is being transitioned from voluntary to mandatory, ethical behavior in the preparation and assurance of sustainability information becomes critical.

THE IESBA'S EXPOSURE DRAFT ON SUSTAINABILITY REPORTING AND ASSURANCE INCLUDES:



Impact of the proposed standards: will help reduce greenwashing and other unethical behavior in relation to sustainability reporting and assurance, thereby fostering greater public and institutional trust in corporate sustainability disclosures.

SUSTAINABILITY ASSURANCE



Ethics Standards in Part 5

Interests, relationships and circumstances that might create threats in the context of an audit of financial statements might also create similar threats in a sustainability assurance engagement.	The ethics standards cover all sustainability assurance engagements (including those outside the scope of the independence standards included in the IESSA) and any other professional services the sustainability assurance practitioner provides to the same sustainability assurance client.
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Independence Standards in Part 5

The <i>International Independence Standards</i> (IIS) in IESSA apply to sustainability assurance engagements with the same level of public interest as the audit of financial statements.	For sustainability assurance engagements outside the scope of the IIS in the IESSA, the independence standards in Part 4B of the Code apply.
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While IESSA follow the key principles of the independence standards for audits of financial statements, they also address the specific characteristics of sustainability assurance engagements, for example, with respect to the different subject matter (i.e., sustainability information) and the different reporting boundaries. Accordingly, the IESSA includes:

- Sustainability-specific examples of matters such as threats and safeguards;
- Independence considerations when a sustainability assurance practitioner uses the work of another practitioner;
- Provisions addressing circumstances where assurance work is performed at, or with respect to, entities within the value chain.

SUSTAINABILITY REPORTING

Preparers play a crucial role in preventing or mitigating greenwashing by applying an ethical mindset and exhibiting ethical behavior to ensure that corporate sustainability disclosures for investors and other stakeholders are transparent, relevant and trustworthy.

The proposed revisions to the existing Code address ethics issues that might arise in sustainability reporting, including specific examples relating to conduct to mislead, value chain considerations and forward-looking information.

The focus of the ethics provisions for sustainability reporting is on PAs who prepare sustainability information.

Reinforcing that preparers and management / those charged with governance are the first line of defense against “greenwashing” and other corporate malfeasance

Truthful, high-quality corporate sustainability disclosures



The IESBA will consider developing profession-agnostic standards for sustainability reporting under a new work stream in 2025. The IESBA agreed it is in the public interest to continue exploring the opportunity to extend the impact of the Code beyond the accountancy profession as a key strategic focus area and in a systematic and phased approach.



CALL FOR CONTRIBUTIONS

The IESBA is seeking to obtain **diverse feedback from all stakeholders, including those from:**

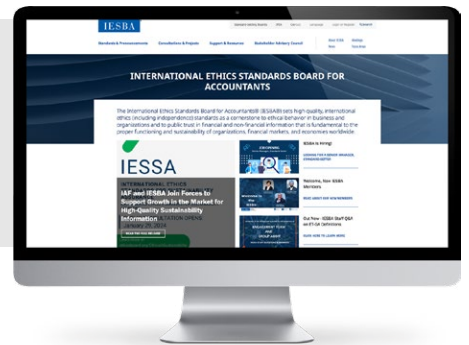
- International, regional, and local regulators and oversight bodies
- Sustainability assurance practitioners
- Preparers of sustainability information
- Investors
- International and national standard setters

HOW TO COMMENT

The IESBA invites all stakeholders to provide their feedback on the Sustainability ED by visiting the [IESBA's website](#).

Comments are requested by May 10, 2024.

For more information, read the [Explanatory Memorandum](#) that accompanies the ED.



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