

KEY DIFFERENCES BETWEEN THE IESSA™ AND THE PROVISIONS OF THE IESBA CODE APPLICABLE TO AN AUDIT OF FINANCIAL STATEMENTS

The *International Ethics Standards for Sustainability Assurance™* (including *International Independence Standards™*) (IESSA) establish the same high standards of ethical behavior and independence for sustainability assurance engagements (SAEs)¹ as the provisions in the extant *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (the Code) that apply to an audit of financial statements.^{2,3}

The International Ethics Standards Board for Accountants (IESBA) developed the IESSA based on the premise that interests, relationships, and circumstances that might create threats to compliance with the fundamental principles and to independence could also create similar threats in the context of SAEs. However, the IESSA recognizes that it is designed to be applied by all sustainability assurance practitioners (SAPs), whether professional accountants, conformity assessment bodies or other assurance practitioners. The IESSA also recognizes the particular characteristics of SAEs. Accordingly, the IESSA reflects ethics and independence considerations related to, among other matters:

- Its **profession-agnostic** nature, in that it applies to all SAPs regardless of their backgrounds.
- The **different subject matters** addressed by SAEs as compared to audits of financial statements.
- The potentially **different reporting boundary** under the applicable sustainability reporting framework as compared to the reporting boundary under the applicable financial reporting framework in an audit of financial statements (in particular, the sustainability information in an SAE may include information from the reporting entity's **value chain**).
- The use of the work of **another practitioner**, who is not a component practitioner, for purposes of the SAE, as might be provided for under the sustainability assurance framework.

This publication provides an overview of the key differences between the IESSA and the ethics and independence provisions in the Code applicable to an audit of financial statements. It is intended to facilitate the understanding and implementation of the IESSA by firms that also follow the Code when performing audits of financial statements. Jurisdictional standard setters, regulators and oversight bodies, professional accountancy organizations, educational bodies and other stakeholders may also find the publication helpful.

A mark-up of changes from the corresponding sections of the extant Code to the IESSA is available [here](#).

This publication is non-authoritative and does not override the Code, the text of which alone is authoritative.

¹ The ethics provisions in the IESSA apply to all SAEs. The independence provisions in the IESSA apply only to SAEs that fall within the scope of the IIS in the IESSA (see paragraph 5400.3b).

² The ethics and independence standards applicable to an audit of financial statements are those in Parts 1 to 4A of the Code.

³ The numbering of the paragraphs in Part 5 follows the numbering of the corresponding provisions in the extant Code.



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A. Changes to the Glossary of the Code

While the IESSA introduces new requirements and guidance specific to SAEs, it also includes **new terms and definitions, and changes to some existing definitions** in the Glossary to ensure they are relevant for SAEs.⁴

New terms and definitions:

- Another Practitioner
- General Purpose Framework
- Reporting Boundary
- (Group)⁵ Sustainability Information
- Group Component
- Sustainability Assurance Practitioner
- Sustainability Assurance Engagement
- Value Chain and Value Chain Component

New terms and definitions that mirror terms and definitions applicable to audits of financial statements:

- Component Practitioner
- Existing Practitioner, Predecessor Practitioner and Proposed Practitioner
- (Group) Sustainability Assurance Client
- (Group) Sustainability Assurance Team
- Group Sustainability Assurance Engagement
- Group Sustainability Assurance Firm
- Leader, (Group) Engagement Leader, and Key Sustainability Assurance Leader

Definitions of terms that apply to audits of financial statements, adapted for SAEs:

- Component
- Engagement Period
- Non-Compliance with Laws and Regulations™

⁴ The IESSA also includes [Revisions to the Code Addressing Using the Work of an External Expert](#), which introduce new terms such as “expert” and “expertise,” and revisions to the definition of “external expert” that are relevant to both SAEs and audits of financial statements.

⁵ There are separate definitions for both sustainability information and group sustainability information. This is the same for other definitions in the Glossary.

The IESSA also includes amendments to definitions of existing terms in the Glossary to ensure that those terms are also applicable to SAEs:⁶

- Acceptable Level | Advertising | Appropriate Reviewer | Attestation Engagement
- Criteria
- Engagement Quality Reviewer | Engagement Team
- Firm
- Group
- Independence
- Professional Activity
- Reasonable and Informed Third Party
- Safeguards
- Those Charged with Governance

⁶ For some defined terms, amendments have been made to the essential explanatory material in italics in the definitions. These terms are not included here.

B. Sections Containing No Additional Requirements

The provisions in the following [sections reflect those for audits of financial statements](#), adapted as necessary for SAEs. There are [no additional requirements](#):

I. Ethics Provisions⁷

- Section 5110 – The Fundamental Principles
- Section 5120 – The Conceptual Framework
- Section 5270 – Pressure to Breach the Fundamental Principles⁸
- Section 5310 – Conflicts of Interest
- Section 5320 – Professional Appointments
- Section 5325 – Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers
- Section 5330 – Fees and Other Types of Remuneration
- Section 5340 – Inducements, Including Gifts and Hospitality
- Section 5350 – Custody of Client Assets
- Section 5380 – Tax Planning Services
- Section 5390 – Using the Work of an External Expert

II. International Independence Standards

- Section 5411 – Compensation and Evaluation Policies
- Section 5420 – Gifts and Hospitality
- Section 5430 – Actual or Threatened Litigation
- Section 5510 – Financial Interests
- Section 5511 – Loans and Guarantees
- Section 5520 – Business Relationships
- Section 5521 – Family and Personal Relationships
- Section 5522 – Recent Service With a Sustainability Assurance Client
- Section 5523 – Serving as a Director or Officer of a Sustainability Assurance Client
- Section 5524 – Employment With a Sustainability Assurance Client
- Section 5525 – Temporary Personnel Assignments

⁷ The ethics provisions in the IESSA are equivalent to the corresponding provisions in Parts 1 and 3 of the Code, except for Section 321, *Second Opinions*, which is outside the scope of the IESSA. Section 321 in Part 4A applies to second opinions provided to an entity that is not an existing client.

⁸ See Question 3 in the [IESBA Staff Q&As on the IESSA](#) regarding the rationale for the inclusion of a section equivalent to Section 270 in Part 2 of the Code in the IESSA, but not other sections in Part 2.

C. New Sections and Sections with Changes

Section 5100 – Complying with Part 5

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs. There are no additional requirements.

This section also includes a **detailed description of sustainability information** that is subject to sustainability assurance. (See paragraphs 5100.4a – 5100.4d.)

Section 5300 – Applying the Conceptual Framework

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs.

This Section provides a requirement and guidance on **using the non-assurance work of another practitioner** for purposes of an SAE, which is a concept provided for in ISSA 5000.⁹ (See paragraphs R5300.11 – 5300.11 A2.)

Section 5360 – Responding to Non-Compliance with Laws and Regulations (NOCLAR)

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs.

This section sets out **specific communication requirements about NOCLAR between the SAP and the auditor**. (See paragraphs R5360.18a – 5360.18b A2. There are corresponding requirements in Section 360 in the extant Part 3 of the Code.)

Section 5400 – Applying the Conceptual Framework to Independence for Sustainability Assurance Engagements

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs. There are no additional requirements.

The **determination of a public interest entity (PIE)** is the same for both audits of financial statements and SAEs. The IESSA relies on the requirements and application material regarding the determination of a PIE in Part 4A of the Code. However, the IESSA sets out that laws and regulations might also determine an entity to be a PIE for the purposes of an SAE. (See paragraph 5400.13b.)

Section 5405 – Group Sustainability Assurance Engagements

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs.

The *general provisions* of this section provide:

- **Guidance on the meaning of “performing assurance work at” a component.** This term is key in determining the applicability of independence requirements under the IESSA when the group sustainability assurance firm or a component practitioner performs assurance work at a component, including a value chain component. (See paragraph 5405.2 A3.)

⁹ International Standard on Sustainability Assurance™ (ISSA™) 5000, *General Requirements for Sustainability Assurance*

- A new, adapted requirement regarding the responsibility of the group engagement leader to evaluate any threat to independence that comes to their attention and to take appropriate action. (See paragraph R5405.4a.) This requirement corresponds to the application material in paragraph 405.4 A1 of Section 405 in extant Part 4A which refers to a similar, underlying requirement in ISA 220 (Revised).¹⁰

The rest of the section is split into two subsections:

A – Requirements and Application Material When Assurance Work is Performed at a Group Sustainability Assurance Client or a Group Component

This subsection reflects the remainder of the requirements and application material in Part 4A of the extant Code applicable to group audit engagements, with no additional requirements. The subsection covers the provisions applicable in relation to a group sustainability assurance client and its group components, adapted as necessary for SAEs.

B – Requirements and Application Material When Assurance Work is Performed at a Value Chain Component

This subsection includes new independence provisions applicable when a group sustainability assurance firm or a component practitioner performs assurance work at a value chain component. The requirements in paragraphs R5405.30A to R5404.37 are **additional requirements pertaining to value chain components** which do not apply in an audit of financial statements.

Section 5406 – Another Practitioner Whose Assurance Work is Used in a Sustainability Assurance Engagement

This new section includes **requirements and application material that apply when a firm intends to use the assurance work of another practitioner**.

Using the assurance work of another practitioner, in whose assurance work the firm is unable to be sufficiently and appropriately involved, is a concept established in ISSA 5000. The individuals from another practitioner are not members of the engagement team.

Section 5406 does not set out direct requirements for “another practitioner,” recognizing that such other practitioner might not be subject to the Code.

Section 5410 – Fees

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs. There are no additional requirements.

When the firm performs both the SAE and the audits of financial statements for the same client, Section 5410 provides specific **guidance on how to apply the corresponding requirements and application material related to fees in Sections 5410 and 410**. (See paragraphs 5410.3 A4 and 5410.11 A0.)

¹⁰ International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*

Section 5540 – Long Association of Personnel (Including Leader Rotation) With a Sustainability Assurance Client

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs.

There are new requirements addressing circumstances where:

- **An individual is a member of both the sustainability assurance team and the audit team for the same client** (see paragraph R5540.6). There is a consequential amendment in paragraph R540.6 in Part 4A.
- A firm has previously performed an SAE for a sustainability assurance client that is a PIE and that engagement was not within the scope of the IIS in the IESSA. (See paragraph R5540.10a.)

Section 5600 – Provision of Non-assurance Services (NAS) to a Sustainability Assurance Client

The provisions in this section reflect those for audits of financial statements, adapted as necessary for SAEs.

The IESSA recognizes that **providing an NAS to a sustainability assurance client might only create threats to independence if it impacts the sustainability information on which the firm expresses an opinion**. Unlike an audit of financial statements, where the auditor expresses an opinion on the entirety of the client's financial statements, an SAP might only express an opinion on the sustainability information addressing a specific sustainability matter, out of all the sustainability information the client might prepare on a variety of different sustainability matters. The sustainability information related to those other sustainability matters is not subject to the engagement. (See paragraph R5600.15.)

Subsections 5601 to 5610

Most of the subsections to Section 5600 are in line with the corresponding subsections in Part 4A. The IESBA recognized that the NAS covered in those subsections might impact both the sustainability information and the financial statements, depending on the nature and scope of the NAS. To emphasize the relevance of the specific types of NAS covered and their potential impact on the sustainability information, the IESSA includes some explanatory guidance in paragraph 5600.6a.¹¹

Two subsections include specific adaptations for SAEs:

Subsection 5601 – Sustainability Data and Information Services

This subsection **covers “sustainability data and information services”** rather than “accounting and bookkeeping services” described in Subsection 601 of the Code. This reflects the different nature of the information on which the firm expresses an opinion (sustainability information vs. financial statements). However, the principles are the same in both subsections.

Subsection 5603 – Valuations and Advisory Services on Forward-Looking Information

This subsection expands on Subsection 603 of the Code on “valuations”. It **also covers “advisory services on forward-looking information,”** given that sustainability-related NAS more often include or

¹¹ See Question 35 in the [IESBA Staff Q&As on the IESSA](#) regarding the impact of NAS addressed in the subsections of Section 5600 on the sustainability information on which the practitioner expresses an opinion.

take into account assumptions about future developments. However, the principles are the same in both subsections.

This document was prepared by the Staff of the [International Ethics Standards Board for Accountants®](#) (IESBA®).

About IESBA

The IESBA is an independent global standard-setting board. The IESBA's mission is to serve 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.

Along with the [International Auditing and Assurance Standards Board®](#) (IAASB®), the IESBA is part of the [International Foundation for Ethics and Audit™](#) (IFEATM). The [Public Interest Oversight Board](#) (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

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