

CODE OF ETHICS

Volume III (Revised 2026)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

CODE OF ETHICS

(Volume III)



Issued by
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(Set up by an Act of Parliament)
New Delhi

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FOREWORD TO THE THIRTEENTH EDITION

The Institute of Chartered Accountants of India (ICAI) issued its first Code of Ethics in 1963, making it one of the earliest ethical frameworks for the accountancy profession globally. The Code lays down the ethical requirements for members and serves as the foundation for maintaining public trust in the profession. In today's global environment, characterised by uncertainty, complex transactions, and rapid technological advancements, the expectations of stakeholders for trust, transparency and reliability have increased significantly. It is therefore, essential to periodically review and strengthen the ethical framework governing the profession.

The Code of Ethics remains the cornerstone and the most important instrument for guiding professional conduct and must be regularly updated to address emerging professional and regulatory challenges. As a regulator of the chartered accountancy profession in India, ICAI is committed to ensuring that its members adhere to the highest standards of ethical conduct, integrity and professionalism in the discharge of their professional responsibilities.

The Revised Code introduces several significant changes that enhance the clarity, consistency, and enforceability of ethical requirements, particularly in areas such as independence, conflicts of interest, and the more liberalisation of provisions relating to advertisement.

ICAI emphasizes that the Code is not merely a set of rules but a guiding framework for ethical decision-making and the exercise of professional judgement. Members are expected to comply with the requirements of the Code both in the letter and the spirit, always acting in the public interest and upholding the dignity of the profession.

The Institute expects all members and firms to familiarize themselves with the provisions of the revised Code of Ethics and follow them effectively in their professional conduct. Consistent adherence to ethical standards will strengthen public confidence, enhance the credibility of the profession and enable members to contribute meaningfully to the economy and society.

We compliment the efforts of CA Priti Paras Savla, Chairperson, CA Dayaniwas Sharma, Vice-Chairman and CA Chandrashekhar Chitale,

Immediate Past Chairman, Ethical Standards Board and all stakeholders who contributed to the revision of this Code.

It is our firm belief that the Revised Code of Ethics will mark a significant milestone in upholding the highest standards of the professional responsibility and ethical conduct.

CA. Prasanna Kumar D
President, ICAI

New Delhi
Date: 28.05.2026

CA. Mangesh Kinare
Vice-President, ICAI

PREFACE TO THE THIRTEENTH EDITION

The Code of Ethics ("Code") issued by the Institute of Chartered Accountants of India establishes an ethical framework for members. Members should follow the Code while rendering professional services or discharging other responsibilities. Given the dynamic nature of the economic, regulatory and professional environment, the Code is reviewed and revised to remain relevant, comprehensive and effective.

The revised Code of Ethics is segregated into three volumes, Volume-I is domestic provisions and Council Guidelines, Volume-II is converged with IESBA Code 2024 edition and Volume-III is Ethics Standards for Sustainability Assurance. The revision incorporates amendments arising from statutory changes, contemporary developments including relaxation in advertisement norms. It is applicable with effect from April 01, 2026, except for the s.no. (xxxi) of Management Consultancy and other services issued under Section 2(2)(iv) of the Chartered Accountants Act, 1949 which is effective from December 11, 2025.

The revised Code of Ethics is designed not only to uphold high standards of professional conduct but also to empower chartered accountants to adapt to modern challenges. It aims to support their role in national development, improve global competitiveness, and maintain public confidence in the profession. By combining strong ethical principles with forward-looking provisions, the revised Code ensures that the Chartered Accountancy profession remains relevant, responsible, and continues to maintain public trust.

We extend our deepest gratitude to CA. Prasanna Kumar D, President, ICAI and CA Mangesh Kinare, Vice-President, ICAI for their leadership, guidance and continued encouragement. We sincerely thank CA. Chandrashekhar Chitale, Imm. Past Chairman, ESB, for his contribution. We express gratitude to members of the Council, coopted members, special invitees, regulators and other stakeholders for their contribution in completing this onerous task.

We hope that the revised Code will open new avenues, strengthen ethical foundation of the profession, enhance public trust and guide members in upholding the highest standards of professionalism.

CA Priti Paras Savla
Chairperson, ESB

CA Dayaniwas Sharma
Vice-Chairman, ESB

New Delhi

Date: 28.05.2026

धर्मो रक्षति रक्षितः ।¹

Dharma protected protects. Therefore, let us not violate Dharma.

In the legendary words of Sri Aurobindo, who also gave the motto of Institute “Ya Aeshu Supteshu Jagruti”,² “Dharma” means literally that which one lays hold of and which holds things together, the law, the norm, the rule of nature, action and life. “Dharma” is a word which has an ethical and practical, a natural and philosophical and a religious and spiritual significance, and it may be used in any of these senses exclusive of the others, in a purely ethical, a purely philosophical or a purely religious sense. Dharma protects those who protect it. i.e. “Righteousness protects the one who upholds righteousness”. Ethically it means the law of righteousness, the moral rule of conduct, or in a still more outward and practical significance social and political justice, or even simply the observation of the social law. When individuals or institutions follow ethical conduct and fulfil their duties with integrity, these very principles become their safeguard. By protecting dharma, we receive protection, stability, and trust in return.

The following excerpt from the speech of CA. G.P. Kapadia, the first President of ICAI on 29th September, 1951 is notable in this regard:-

I believe in keeping a vigilant eye all through and I must ensure the position whereby no laxity is shown at any time, in any manner, in any sphere. As you all know, the emblem we have selected has “Garuda” in it, the Bird of the “Devas”, the bird that soars above the clouds. “Garuda” has the most vigilant eye and the caption embodied in the emblem is “ya Aeshu supteshu jagrati”. This has been borrowed from the “Kathopanishad” and means “One who is awake amongst those who are asleep”. The idea underlying is that the profession of accountancy is a profession requiring the greatest vigilance and with the adoption of this emblem and the motto it is but to be expected that every member strives his utmost to maintain the highest standards, to fully worthy of such a motto.

ICAI’s tryst with highest standards is manifested in its adoption of highest professional standards, including the ethical standards.

¹ Manu Smriti (8.15)

² kind courtesy: Sri Aurobindo Ashram, Pondicherry

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GUIDELINE OF THE COUNCIL

The Code of Ethics, Volume III has been issued as guideline of the Council in the exercise of power conferred on Council under Section 15(2) (fa) of Chartered Accountants Act, 1949 as amended vide Chartered Accountants, Company Secretaries and Cost and work Accountants (Amendment) Act, 2022.

The Chartered Accountants shall comply with the provisions of the Code. The Code contains requirements and application material to enable Chartered Accountants to meet their responsibility to act in the public interest. The requirements of the sections of the Code establish general and specific obligations on the Chartered Accountants to comply with the specific provision in which “shall” has been used. The Requirements are designated with the letter “R” in the Code.

GUIDE TO THE CODE

(This Guide is a non-authoritative aid to using the Code.)

Purpose of the Code

This Code of Ethics is applicable from April 01, 2026. Where guidance contained in this Code relates to engagements commencing prior to that date, guidance contained in twelfth (2019) edition of the Code applicable from 1st July, 2020 except with regard to certain provisions (i.e Sections 260 & 360, subsection 604 and paragraphs 410.3 to 410.6*) for which the date of applicability shall be reckoned to be 1st October, 2022, applicable upto the completion of the said engagements. Where the engagements are prior to 1st July, 2020, the eleventh (2009) edition of the Code may be applied up to completion of the said engagements. Transitional arrangements are available in respect of specific sections of this Code.

This Code has been converged with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, 2024 issued by the International Federation of Accountants (IFAC).

1. The *Code of Ethics* for Chartered Accountants (Including Independence Standards) (hereinafter called as “Code of Ethics” or “the Code”) sets out fundamental principles of ethics for chartered accountants (hereinafter also called as “accountants”), reflecting the profession’s recognition of its public interest responsibility. These principles establish the standard of behaviour expected of a chartered accountant. The fundamental principles are: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.
2. The Code provides a conceptual framework that chartered accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. The Code sets out requirements and application material on various topics to help accountants apply the conceptual framework to those topics.
3. In the case of audits, reviews and other assurance engagements, the Code sets out *Independence Standards*, established by the application of the conceptual framework to threats to independence in relation to these engagements.

* Refer to Paragraph R410.14 to R410.20 of this Code.

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How the Code is Structured*

4. The Code contains the following material:

- Part 1 – *Complying with the Code, Fundamental Principles and Conceptual Framework*, which includes the fundamental principles and the conceptual framework and is applicable to all chartered accountants.
- Part 2 – *Chartered Accountants in Service*, which sets out additional material that applies to chartered accountants in service when performing professional activities. Chartered Accountants in service include chartered accountants employed, engaged or contracted in an executive or non-executive capacity.

Part 2 is also applicable to individuals who are chartered accountants in practice when performing professional activities pursuant to their relationship with the firm as an employee.

- Part 3 – *Chartered Accountants in Practice*, which sets out additional material that applies to chartered accountants in practice when providing professional services.
- *Independence Standards*, which sets out additional material that applies to chartered accountants in practice when providing assurance services, as follows:
 - Part 4A – *Independence for Audit and Review Engagements*, which applies when performing audit or review engagements.
 - Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements*, which applies when performing assurance engagements that are not audit or review engagements.
- Part 5 – *Ethics Standards for Sustainability Assurance* (including *Independence Standards*) which sets out additional material that applies to sustainability assurance providers when performing sustainability assurance engagements, as

* Refer to Code of Ethics, Volume II for Part 1, 2, 3 and 4A & 4B and Code of Ethics, Volume III for Part 5.

follows:

- Sections 5100 to 5350 – ethics standards for all sustainability assurance engagements (including those within the scope of the Independence Standards in Volume III) and other professional services performed for sustainability assurance clients.
 - Sections 5400 to 5600 – independence standards for sustainability assurance engagements that are within the scope of the Independence Standards in Volume III as set out in paragraphs 5400.3a and 5400.3b.
 - *Glossary*, which contains defined terms (together with additional explanations where appropriate) and described terms which have a specific meaning in certain parts of the Code. For example, as noted in the Glossary, in Part 4A, the term “audit engagement” applies equally to both audit and review engagements. The Glossary also includes lists of abbreviations that are used in the Code and other standards to which the Code refers.
5. The Code contains sections which address specific topics. Some sections contain subsections dealing with specific aspects of those topics. Each section of the Code is structured, where appropriate, as follows:
- Introduction – sets out the subject matter addressed within the section and introduces the requirements and application material in the context of the conceptual framework. Introductory material contains information, including an explanation of terms used, which is important to the understanding and application of each Part and its sections.
 - Requirements – establish general and specific obligations with respect to the subject matter addressed.
 - Application material – provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance to assist in complying with the requirements.

How to Use the Code

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The Fundamental Principles, Independence and Conceptual Framework

6. The Code requires chartered accountants to comply with the fundamental principles of ethics. The Code also requires them to apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles. Applying the conceptual framework requires having an inquiring mind, exercising professional judgment and using the reasonable and informed third party test.
7. The conceptual framework recognizes that the existence of conditions, policies and procedures established by the profession, legislation, regulation, the firm, or the employing organization might impact the identification of threats. Those conditions, policies and procedures might also be a relevant factor in the chartered accountant's evaluation of whether a threat is at an acceptable level. When threats are not at an acceptable level, the conceptual framework requires the accountant to address those threats. Applying safeguards is one way that threats might be addressed. Safeguards are actions individually or in combination that the accountant takes that effectively reduce threats to an acceptable level.
8. In addition, the Code requires chartered accountants to be independent when performing audit, review and other assurance engagements. The conceptual framework applies in the same way to identifying, evaluating and addressing threats to independence as to threats to compliance with the fundamental principles.
9. Complying with the Code requires knowing, understanding and applying:
 - All of the relevant provisions of a particular section in the context of Part 1, together with the additional material set out in Sections 200, 300, 400 and 900, as applicable.
 - All of the relevant provisions of a particular section in the context of Part 5.
 - All of the relevant provisions of a particular section, for example, applying the provisions that are set out under the subheadings titled "General" and "All Audit Clients" together with additional specific provisions, including those set out

under the subheadings titled “Audit Clients that are not Public Interest Entities” or “Audit Clients that are Public Interest Entities.”

- All of the relevant provisions set out in a particular section together with any additional provisions set out in any relevant subsection.

Requirements and Application Material

10. Requirements and application material are to be read and applied with the objective of complying with the fundamental principles, applying the conceptual framework and, when performing audit, review and other assurance engagements, being independent.

Requirements

11. Requirements are designated with the letter “R” and, in most cases, include the word “shall.” The word “shall” in the Code imposes an obligation on a chartered accountant or firm to comply with the specific provision in which “shall” has been used.
12. In some situations, the Code provides a specific exception to a requirement. In such a situation, the provision is designated with the letter “R” but uses “may” or conditional wording.
13. When the word “may” is used in the Code, it denotes permission to take a particular action in certain circumstances, including as an exception to a requirement. It is not used to denote possibility.
14. When the word “might” is used in the Code, it denotes the possibility of a matter arising, an event occurring or a course of action being taken. The term does not ascribe any particular level of possibility or likelihood when used in conjunction with a threat, as the evaluation of the level of a threat depends on the facts and circumstances of any particular matter, event or course of action.

Application Material

15. In addition to requirements, the Code contains application material that provides context relevant to a proper understanding of the Code. In particular, the application material is intended to help a chartered accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application

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material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework. Application material is designated with the letter "A."

16. Where application material includes lists of examples, these lists are not intended to be exhaustive.

Appendix to Guide to the Code

17. The Appendix to this Guide provides an overview of the Code.

**PART 5 ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE
(INCLUDING INDEPENDENCE STANDARDS)**

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ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE (INCLUDING INDEPENDENCE STANDARDS)

SECTION 5100 COMPLYING WITH THIS PART

Introduction

General

- 5100.1 It is in the public interest that sustainability assurance provider act ethically in order to maintain public trust and confidence in sustainability information that is subject to assurance. High-quality ethics and independence standards alongside other high-quality, globally accepted reporting and assurance standards will help users of sustainability information such as investors, customers, employees, suppliers, regulators and governments to confidently rely on such information in their decision-making.
- 5100.1a Sustainability assurance provider are expected to have relevant skills, knowledge and experience to perform sustainability assurance engagements and have appropriate training to ensure their assurance skills are continually up to date with relevant developments.
- 5100.2 This Part sets out ethics (including independence) standards for sustainability assurance provider and comprises:
- (a) Sections 5100 to 5350 which set out ethics standards for all sustainability assurance engagements (including those within the scope of the Independence Standards in this Part) and other professional services performed for sustainability assurance clients; and
 - (b) Sections 5400 to 5600 which set out independence standards for sustainability assurance engagements that are within the scope of the Independence Standards in this Part as set out in paragraphs 5400.3a and 5400.3b.

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- 5100.2a When a sustainability assurance provider performs a sustainability assurance engagement that is not within the scope of the Independence Standards in this Part, Part 4B of the Code sets out the applicable independence standards as set out in paragraph 5400.3e.
- 5100.2b Sustainability assurance provider might perform professional activities and have professional and business relationships that are not covered by this Part, in which case Parts 1 to 4B of the Code apply to a practitioner who is a chartered accountant.
- 5100.3 This Part sets out high quality standards of ethical behavior expected of sustainability assurance providers. The Code should also be used by firms in developing their ethics and independence policies.
- 5100.4 This Part establishes five fundamental principles to be complied with by all sustainability assurance providers. It also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and threats to independence. This Part also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that sustainability assurance provider might encounter.

Sustainability Information Subject to Assurance

- 5100.4a Sustainability information might include comprehensive disclosures about many different topics or aspects of topics as required by the sustainability reporting framework or by law or regulation, or that an entity chooses to prepare in accordance with other criteria. Alternatively, the sustainability information prepared by an entity might be limited to certain matters, such as metrics, targets or key performance indicators.
- 5100.4b The criteria used for the reporting of sustainability information on which the sustainability assurance provider expresses an

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opinion might be framework criteria, entity-developed criteria or a combination of both. Framework criteria might be embodied in law or regulation or issued by authorized or recognized bodies that follow a transparent due process.

- 5100.4c Depending on the criteria used, the sustainability information might be prepared on a single entity or group basis, and might include information from other entities in the reporting entity's value chain.
- 5100.4d Sustainability information might be presented in different ways, for example, in a separate sustainability report issued by the entity, as part of the entity's annual report (e.g., a separately identified report within the annual report, or presented as part of the management report or management commentary), or in an integrated report.

Requirements and Application Material

- 5100.5 A1 The requirements in this Part, designated with the letter "R," impose obligations.
- 5100.5 A2 Application material, designated with the letter "A," provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of this Part. In particular, the application material is intended to help a sustainability assurance provider to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of this Part, including application of the conceptual framework.
- 5100.6 A1 Upholding the fundamental principles and compliance with the specific requirements of this Part enable sustainability assurance providers to act in the public interest when providing sustainability assurance.
- 5100.6 A2 Complying with this Part includes giving appropriate regard to the aim and intent of the specific requirements.

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- 5100.6 A3 There might be unusual or exceptional circumstances in which a sustainability assurance provider believes that complying with a requirement or requirements in this Part might not be in the public interest when providing sustainability assurance or would lead to a disproportionate outcome. In those circumstances, the practitioner is encouraged to consult with Institute.
- 5100.6 A4 In acting in the public interest, a sustainability assurance provider considers not only the preferences or requirements of an individual sustainability assurance client, but also the interests of other stakeholders when performing professional services for sustainability assurance clients.
- R5100.6** A sustainability assurance provider shall comply with this Part when providing a professional service described in paragraph 5100.2.
- R5100.7** If there are circumstances where laws or regulations preclude a sustainability assurance provider from complying with certain provisions in this Part, those laws and regulations prevail, and the practitioner shall comply with all other provisions in this Part. If provisions which are more stringent or additional to those prescribed in this part have been stipulated vide any industry/Sector specific provisions, the said provisions shall be applicable with regard to such industry/Sector.
- 5100.7 A1 The principle of professional behavior requires a sustainability assurance provider to comply with relevant laws and regulations. Practitioners need to be aware of differences in local regulations from the provisions as set out in the Code and comply with the more stringent provisions unless prohibited by law or regulation.

Breaches of this Part

- R5100.8** Paragraphs R5400.80 to R5400.89 address a breach of independence requirements in this Part. A sustainability assurance provider who identifies a breach of any other provision in this Part shall evaluate the significance of the

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breach and its impact on the practitioner's ability to comply with the fundamental principles. The practitioner shall also:

- (a) Take whatever actions might be available, as soon as possible, to address the consequences of the breach satisfactorily; and
- (b) Determine whether to report the breach to the relevant parties.

5100.8 A1 Relevant parties to whom such a breach might be reported include those who might have been affected by it.

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SECTION 5110 THE FUNDAMENTAL PRINCIPLES

General

- 5110.1 A1 There are five fundamental principles of ethics for sustainability assurance providers:
- (a) Integrity – to be straightforward and honest in all professional and business relationships.
 - (b) Objectivity – to exercise professional or business judgment without being compromised by:
 - (i) Bias;
 - (ii) Conflict of interest; or
 - (iii) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.
 - (c) Professional Competence and Due Care – to:
 - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a sustainability assurance client receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (ii) Act diligently and in accordance with applicable technical and professional standards.
 - (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
 - (e) Professional Behavior – to:
 - (i) Comply with relevant laws and regulations;
 - (ii) Behave in a manner consistent with acting in the public interest in all professional activities and business relationships relating to sustainability assurance clients; and

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- (iii) Avoid any conduct that the sustainability assurance provider knows or should know might affect public trust in sustainability information that is subject to assurance.

R5110.2 A sustainability assurance provider shall comply with each of the fundamental principles.

5110.2 A1 The fundamental principles of ethics establish the standard of behavior expected of a sustainability assurance provider. The conceptual framework establishes the approach which a practitioner is required to apply in complying with those fundamental principles. Subsections 5111 to 5115 set out requirements and application material in this Part related to each of the fundamental principles.

5110.2 A2 A sustainability assurance provider might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the practitioner might consider consulting, with:

- Others within the firm.
- Those charged with governance.
- Institute
- Legal counsel.

However, such consultation does not relieve the practitioner from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

5110.2 A3 The sustainability assurance provider is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.

SUBSECTION 5111 – INTEGRITY

R5111.1 A sustainability assurance provider shall comply with the principle of integrity, which requires a practitioner to be

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straightforward and honest in all professional and business relationships.

5111.1.1 A1 A Chartered Accountant shall comply with the principle of honesty, which requires an accountant to be honest and upright as a citizen, and in the personal affairs.

5111.1.1 A2 *A chartered accountant shall imbibe the ideal of Satyameva Jayate (Sanskrit: सत्यमेव जयते) which means 'Truth alone triumphs' , being part of the Mundaka Upanishad , and adopted as national motto of India.*

5111.1 A1 Integrity involves fair dealing, truthfulness and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences.

5111.1 A2 Acting appropriately involves:

- (a) Standing one's ground when confronted by dilemmas and difficult situations; or
- (b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

R5111.2 A sustainability assurance provider shall not knowingly be associated with reports, returns, communications or other information where the practitioner believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information provided 'in grossly negligent manner; or
- (c) Omits or obscures required information where such omission or obscurity would be misleading.

5111.2 A1 If a sustainability assurance provider provides a modified report in respect of such a report, return, communication or other information, the practitioner is not in breach of paragraph R5111.2.

R5111.3 When a sustainability assurance provider becomes aware of having been associated with information described in

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paragraph R5111.2, the practitioner shall take steps to be disassociated from that information.

SUBSECTION 5112 – OBJECTIVITY

R5112.1 A sustainability assurance provider shall comply with the principle of objectivity, which requires a practitioner to exercise professional or business judgment without being compromised by:

- (a) Bias;
- (b) Conflict of interest; or
- (c) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

R5112.2 A sustainability assurance provider shall not undertake a professional activity for a sustainability assurance client if a circumstance or relationship unduly influences the practitioner's professional judgment regarding that activity.

SUBSECTION 5113 – PROFESSIONAL COMPETENCE AND DUE CARE

R5113.1 A sustainability assurance provider shall comply with the principle of professional competence and due care, which requires a practitioner to:

- (a) Attain and maintain professional knowledge and skills at the level required to ensure that a sustainability assurance client receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

5113.1 A1 Serving sustainability assurance clients with professional competence involves the exercise of sound judgment in applying professional knowledge and skill when undertaking professional activities.

5113.1 A2 The knowledge and skills necessary for a professional activity vary depending on the nature of the activity being undertaken. For example, in addition to the application of any technical knowledge relevant to the professional activity, interpersonal,

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communication and organizational skills facilitate the practitioner's interaction with entities and individuals with whom the practitioner interacts.

5113.1 A3 Maintaining professional competence requires a sustainability assurance provider to have a continuing awareness and understanding of technical, professional, business and technology-related developments relevant to the professional activities undertaken by the practitioner. Continuing professional development enables a practitioner to develop and maintain the capabilities to perform competently within the professional environment.

5113.1 A4 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

R5113.2 In complying with the principle of professional competence and due care, a sustainability assurance provider shall take reasonable steps to ensure that those working in a professional capacity under the practitioner's authority have appropriate training and supervision.

R5113.3 Where appropriate, a sustainability assurance provider shall make sustainability assurance clients or other users of the practitioner's professional activities, aware of the limitations inherent in the activities and explain the implications of those limitations.

SUBSECTION 5114 – CONFIDENTIALITY

R5114.1 A sustainability assurance provider shall comply with the principle of confidentiality, which requires a practitioner to respect the confidentiality of information acquired in the course of professional and business relationships. A practitioner shall:

- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
- (b) Maintain confidentiality of information within the firm;

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- (c) Maintain confidentiality of information disclosed by a prospective sustainability assurance client; and
 - (d) Take reasonable steps to ensure that personnel under the practitioner's control, and individuals from whom advice and assistance are obtained, comply with the practitioner's duty of confidentiality.
- 5114.1 A1 Maintaining the confidentiality of information acquired in the course of professional and business relationships involves the sustainability assurance provider taking appropriate action to protect the confidentiality of such information in the course of its collection, use, transfer, storage or retention, dissemination and lawful destruction.
- R5114.2** Subject to paragraph R5114.3, a sustainability assurance provider shall not:
 - (a) Disclose confidential information acquired in the course of professional and business relationships;
 - (b) Use confidential information acquired in the course of professional and business relationships for the advantage of the practitioner, the firm or a third party;
 - (c) Use or disclose any confidential information, either acquired or received in the course of a professional or business relationship, after that relationship has ended; and
 - (d) Use or disclose information in respect of which the duty of confidentiality applies notwithstanding that the information has become publicly available, whether properly or improperly.
- R5114.3** As an exception to paragraph R5114.2, a sustainability assurance provider may disclose or use confidential information where:
 - (a) There is a legal or professional duty or right to do so; or
 - (b) This is authorized by the sustainability assurance client or any person with the authority to permit disclosure or use of the confidential information and this is not prohibited by law or regulation.

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- 5114.3 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the sustainability assurance client to the sustainability assurance provider in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where sustainability assurance providers might be required or have the duty or right to disclose confidential information:
- (a) Disclosure is required by law or regulation, for example:
 - (i) Production of documents or other provision of evidence in the course of legal proceedings; or
 - (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and
 - (b) There is a professional duty or right to disclose or use, when not prohibited by law or regulation:
 - (i) To comply with the requirements of peer review or quality review or such other review by the Institute;
 - (ii) To respond to an inquiry or investigation by the Institute or other regulator;
 - (iii) To protect the professional interests of a practitioner in legal proceedings or meet the ends of justice in legal proceedings when demanded by the court;
- 5114.3 A2 In deciding whether to disclose or use confidential information, factors to consider, depending on the circumstances, include:
- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the sustainability assurance client authorizes the disclosure or use of information by the sustainability assurance provider.
 - Whether all the relevant information is known and substantiated, to the extent practicable. Factors

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affecting the decision to disclose or use, the information include:

- Unsubstantiated facts.
- Incomplete information.
- Unsubstantiated conclusions.
- The proposed means of communicating the information.
- Whether the parties to whom the information is to be provided or access is to be granted are appropriate recipients.
- Any applicable law or regulation (including those governing privacy) in a jurisdiction where disclosure might take place and, if different, the jurisdiction where the confidential information originates.

R5114.4 A sustainability assurance provider shall continue to comply with the principle of confidentiality even after the end of the relationship between the practitioner and a sustainability assurance client. When acquiring a new sustainability assurance client, the practitioner is entitled to use prior experience but shall not use or disclose any confidential information acquired or received in the course of a professional or business relationship.

SUBSECTION 5115 – PROFESSIONAL BEHAVIOUR

R5115.1 A sustainability assurance provider shall comply with the principle of professional behaviour, which requires a practitioner to:

- (a) Comply with relevant laws and regulations;
- (b) Behave in a manner consistent with acting in the public interest in all professional activities and business relationships relating to sustainability assurance clients; and
- (c) Avoid any conduct that the practitioner knows or should know might affect public trust in sustainability information that is subject to assurance.

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A sustainability assurance provider shall not knowingly engage in any business, occupation or activity that impairs or might impair public trust in sustainability information that is subject to assurance, and as a result would be incompatible with the fundamental principles.

5115.1 A1 Conduct that might adversely affect public trust in sustainability information that is subject to assurance includes conduct that a reasonable and informed third party would be likely to conclude has such an effect.

R5115.2 When promoting himself and his work, a sustainability assurance provider shall not bring the profession into disrepute. A sustainability assurance provider is required to conduct his affairs in a manner that he remains outside the boundaries of professional and other misconduct. A sustainability assurance provider shall be honest and truthful and shall not make:

- (a) Exaggerated claims for the services offered by, or the qualifications or experience of, the accountant; or
- (b) Disparaging references or unsubstantiated comparisons to the work of others.
- (c) Any direct or indirect measures to advertise any professional/other facts which are in violation of Advertisement Guidelines issued by the Council of the Institute from time to time.

5115.2 A1 The sustainability assurance provider should ensure that the contents of an advertisement are true to the best of his knowledge and belief, and are in conformity with the Advertisement Guidelines, and be aware that the Institute does not own any responsibility, whatsoever, for such contents or claims by him. If a sustainability assurance provider is in doubt about whether a form of advertising is appropriate, the practitioner is encouraged to consult with the Ethical Standards Board of ICAI. .

SECTION 5120

THE CONCEPTUAL FRAMEWORK

Introduction

- 5120.1 The circumstances in which sustainability assurance providers operate might create threats to compliance with the fundamental principles. Section 5120 sets out requirements and application material, including a conceptual framework, to assist practitioners in complying with the fundamental principles and acting in the public interest when performing sustainability assurance engagements. Such requirements and application material accommodate the wide range of facts and circumstances, including the various professional activities, interests and relationships, that create threats to compliance with the fundamental principles. In addition, they deter practitioners from concluding that a situation is permitted solely because that situation is not specifically prohibited by this Part.
- 5120.2 The conceptual framework specifies an approach for a sustainability assurance provider to:
- (a) Identify threats to compliance with the fundamental principles;
 - (b) Evaluate the threats identified; and
 - (c) Address the threats by eliminating or reducing them to an acceptable level.

Requirements and Application Material

General

- R5120.3** The sustainability assurance provider shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles set out in Section 5110.
- R5120.5** When applying the conceptual framework, the sustainability assurance provider shall:
- (a) Have an inquiring mind;

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- (b) Exercise professional judgment; and
- (c) Use the reasonable and informed third party test described in paragraph 5120.5 A9.

Having an Inquiring Mind

5120.5 A1 An inquiring mind is a prerequisite to obtaining an understanding of known facts and circumstances necessary for the proper application of the conceptual framework. Having an inquiring mind involves:

- (a) Considering the source, relevance and sufficiency of information obtained, taking into account the nature, scope and outputs of the professional activity being undertaken; and
- (b) Being open and alert to a need for further investigation or other action.

5120.5 A2 When considering the source, relevance and sufficiency of information obtained, the sustainability assurance provider might consider, among other matters, whether:

- New information has emerged or there have been changes in facts and circumstances.
- The information or its source might be influenced by bias or self-interest.
- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the practitioner.
- There is an inconsistency between the known facts and circumstances and the practitioner's expectations.
- The information provides a reasonable basis on which to reach a conclusion.
- There might be other reasonable conclusions that could be reached from the information obtained.

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- 5120.5 A3 Paragraph R5120.5 requires all sustainability assurance provider to have an inquiring mind when identifying, evaluating and addressing threats to the fundamental principles. This prerequisite for applying the conceptual framework applies to all practitioners regardless of the professional activity undertaken. Under sustainability assurance standards, including those issued by the SRSB, practitioners are also required to exercise professional skepticism, which includes a critical assessment of evidence.

Exercising Professional Judgment

- 5120.5 A4 Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular professional activities, and the interests and relationships involved. For example, application of knowledge of certain location-specific environmental, social, economic, cultural or other sustainability-related issues might be relevant when performing sustainability assurance engagements.
- 5120.5 A5 Professional judgment is required when the sustainability assurance provider applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the practitioner might consider matters such as whether:
- The practitioner's expertise is sufficient to reach a conclusion.
 - There is a need to consult with others with relevant expertise.
 - The practitioner's own preconception or bias might be affecting the practitioner's exercise of professional judgment.
- 5120.5 A6 The circumstances in which sustainability assurance provider carry out professional activities and the factors involved vary

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considerably in their range and complexity. The professional judgment exercised by practitioners might need to take into account the complexity arising from the compounding effect of the interaction between, and changes in, elements of the facts and circumstances that are uncertain and variables and assumptions that are interconnected or interdependent.

5120.5 A7 Managing complexity involves:

- Making the firm and, if appropriate, relevant stakeholders aware of the inherent uncertainties or difficulties arising from the facts and circumstances. (Ref: Para. R5113.3)
- Being alert to any developments or changes in the facts and circumstances and assessing whether they might impact any judgments the sustainability assurance provider has made. (Ref: Para. R5120.5 to 5120.5 A3, and R5120.9 to 5120.9 A2)

5120.5 A8 Managing complexity might also involve:

- Analyzing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.
- Using technology to analyze relevant data to inform the sustainability assurance provider's
- judgment.
- Consulting with others, including experts, to ensure appropriate challenge and additional input as part of the evaluation process.

Reasonable and Informed Third Party

5120.5 A9 The reasonable and informed third party test is a consideration by the sustainability assurance provider about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the

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practitioner knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be a sustainability assurance provider, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the practitioner's conclusions in an impartial manner.

Identifying Threats

- R5120.6** The sustainability assurance provider shall identify threats to compliance with the fundamental principles.
- 5120.6 A1 An understanding of the facts and circumstances, including any professional activities, interests and relationships that might compromise compliance with the fundamental principles, is a prerequisite to the sustainability assurance provider's identification of threats to such compliance. The existence of certain conditions, policies and procedures established by the practitioner's profession, legislation, regulation, or the firm that can enhance the practitioner acting ethically might also help identify threats to compliance with the fundamental principles. Paragraph 5120.8 A2 includes general examples of such conditions, policies and procedures which are also factors that are relevant in evaluating the level of threats.
- 5120.6 A2 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. It is not possible to define every situation that creates threats. In addition, the nature of engagements and work assignments might differ and, consequently, different types of threats might be created.
- 5120.6 A3 Threats to compliance with the fundamental principles fall into one or more of the following categories:
- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a sustainability assurance provider's judgment or behavior;

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- (b) Self-review threat – the threat that a sustainability assurance provider will not appropriately evaluate the results of a previous judgment made, or an activity performed by the practitioner or by another individual within the practitioner's firm, on which the practitioner will rely when forming a judgment as part of performing a current activity;
- (c) Advocacy threat – the threat that a sustainability assurance provider will promote a sustainability assurance client's position to the point that the practitioner's objectivity is compromised;
- (d) Familiarity threat – the threat that due to a long or close relationship with a sustainability assurance client, a sustainability assurance provider will be too sympathetic to their interests or too accepting of their work; and
- (e) Intimidation threat – the threat that a sustainability assurance provider will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the practitioner.

5120.6 A4 A circumstance might create more than one threat, and a threat might affect compliance with more than one fundamental principle.

Evaluating Threats

R5120.7 When the sustainability assurance provider identifies a threat to compliance with the fundamental principles, the practitioner shall evaluate whether such a threat is at an acceptable level.

Acceptable Level

5120.7 A1 An acceptable level is a level at which a sustainability assurance provider using the reasonable and informed third party test would likely conclude that the practitioner complies with the fundamental principles.

Factors Relevant in Evaluating the Level of Threats

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- 5120.8 A1 The consideration of qualitative as well as quantitative factors is relevant in the sustainability assurance provider's evaluation of threats, as is the combined effect of multiple threats, if applicable.
- 5120.8 A2 The existence of conditions, policies and procedures described in paragraph 5120.6 A1 might also be factors that are relevant in evaluating the level of threats to compliance with the fundamental principles. Examples of such conditions, policies and procedures include:
- Corporate governance requirements.
 - Educational, training and experience requirements.
 - Effective complaint systems which enable the sustainability assurance provider and the general public to draw attention to unethical behavior.
 - An explicitly stated duty to report breaches of ethics requirements.
 - Professional or regulatory monitoring and disciplinary procedures.

Consideration of New Information or Changes in Facts and Circumstances

- R5120.9** If the sustainability assurance provider becomes aware of new information or changes in facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the practitioner shall re-evaluate and address that threat accordingly.
- 5120.9 A1 Remaining alert throughout the professional activity assists the sustainability assurance provider in determining whether new information has emerged or changes in facts and circumstances have occurred that:
- (a) Impact the level of a threat; or
 - (b) Affect the practitioner's conclusions about whether safeguards applied continue to be appropriate to address identified threats.

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- 5120.9 A2 If new information results in the identification of a new threat, the sustainability assurance provider is required to evaluate and, as appropriate, address this threat. (Ref: Paras. R5120.7 and R5120.10).

Addressing Threats

- R5120.10** If the sustainability assurance provider determines that the identified threats to compliance with the fundamental principles are not at an acceptable level, the practitioner shall address the threats by eliminating them or reducing them to an acceptable level. The practitioner shall do so by:
- (a) Eliminating the circumstances, including interests or relationships, that are creating the threats;
 - (b) Applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; or
 - (c) Declining or ending the specific professional activity.

Actions to Eliminate Threats

- 5120.10 A1 Depending on the facts and circumstances, a threat might be addressed by eliminating the circumstance creating the threat. However, there are some situations in which threats can only be addressed by declining or ending the specific professional activity. This is because the circumstances that created the threats cannot be eliminated and safeguards are not capable of being applied to reduce the threat to an acceptable level.

Safeguards

- 5120.10 A2 Safeguards are actions, individually or in combination, that the sustainability assurance provider takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.

Consideration of Significant Judgments Made and Overall Conclusions Reached

- R5120.11** The sustainability assurance provider shall form an overall conclusion about whether the actions that the practitioner

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takes, or intends to take, to address the threats created will eliminate those threats or reduce them to an acceptable level. In forming the overall conclusion, the practitioner shall:

- (a) Review any significant judgments made or conclusions reached; and
- (b) Use the reasonable and informed third party test.

Other Considerations when Applying the Conceptual Framework

Bias

5120.12 A1 Conscious or unconscious bias affects the exercise of professional judgment when identifying, evaluating and addressing threats to compliance with the fundamental principles.

5120.12 A2 Examples of potential bias to be aware of when exercising professional judgment include:

- Anchoring bias, which is a tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.
- Automation bias, which is a tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.
- Availability bias, which is a tendency to place more weight on events or experiences that immediately come to mind or are readily available than on those that are not.
- Confirmation bias, which is a tendency to place more weight on information that corroborates an existing belief than information that contradicts or casts doubt on that belief.
- Groupthink, which is a tendency for a group of individuals to discourage individual creativity and responsibility and as a result reach a decision without critical reasoning or consideration of alternatives.

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- Overconfidence bias, which is a tendency to overestimate one's own ability to make accurate assessments of risk or other judgments or decisions.
- Representation bias, which is a tendency to base an understanding on a pattern of experiences, events or beliefs that is assumed to be representative.
- Selective perception, which is a tendency for a person's expectations to influence how the person views a particular matter or person.

5120.12 A3 Actions that might mitigate the effect of bias include:

- Seeking advice from experts to obtain additional input.
- Consulting with others to ensure appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

Firm Culture

5120.13 A1 The effective application of the conceptual framework by a sustainability assurance provider is enhanced when the importance of ethical values that align with the fundamental principles and other provisions set out in this Part is promoted through the internal culture of the firm.

5120.13 A2 The promotion of an ethical culture within a firm is most effective when:

- (a) Leaders and those in managerial roles promote the importance of, and hold themselves and others accountable for demonstrating, the ethical values of the firm;
- (b) Appropriate education and training programs, management processes, and performance evaluation and reward criteria that promote an ethical culture are in place;
- (c) Effective policies and procedures are in place to

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encourage and protect those who report actual or suspected illegal or unethical behavior, including whistle-blowers; and

- (d) The firm adheres to ethical values in its dealings with third parties.

5120.13 A3 Sustainability assurance provider are expected to:

- (a) Encourage and promote an ethics-based culture in their firm, taking into account their position and seniority; and
- (b) Exhibit ethical behavior in dealings with individuals with whom, and entities with which, the practitioners or the firm has a professional or business relationship.

Considerations for Sustainability Assurance Engagements

Independence

5120.15 A1 Sustainability assurance provider are required by Sections 5400 to 5600 and Part 4B, as applicable, to be independent when performing sustainability assurance engagements. Independence is linked to the fundamental principles of objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or a sustainability assurance team member's, integrity, objectivity or professional skepticism has been compromised.

5120.15 A2 Sections 5400 to 5600 and Part 4B set out requirements and application material on how to apply the conceptual framework to maintain independence when performing

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sustainability assurance engagements. Sustainability assurance provider and firms are required to comply with these requirements and application material in order to be independent when conducting such engagements. The conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles applies in the same way to compliance with independence requirements. The categories of threats to compliance with the fundamental principles described in paragraph 5120.6 A3 are also the categories of threats to compliance with independence requirements.

Professional Skepticism

- 5120.16 A1 Under sustainability assurance standards, including those issued by the AASB, sustainability assurance provider are required to exercise professional skepticism when planning and performing sustainability assurance engagements. Professional skepticism and the fundamental principles that are described in Section 5110 are inter-related concepts.
- 5120.16 A2 In a sustainability assurance engagement that is within the scope of the Independence Standards in this Part, compliance with the fundamental principles, individually and collectively, supports the exercise of professional skepticism, as shown in the following examples:
- *Integrity* requires the sustainability assurance provider to be straightforward and honest. For example, the practitioner complies with the principle of integrity by:
 - Being straightforward and honest when raising concerns about a position taken by a sustainability assurance client.
 - Pursuing inquiries about inconsistent information and seeking further evidence to address concerns about statements that might be materially false or misleading in order to make informed decisions about the appropriate course of action in the circumstances.

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- Having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences. Acting appropriately involves:
 - (a) Standing one's ground when confronted by dilemmas and difficult situations; or
 - (b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

In doing so, the practitioner demonstrates the critical assessment of evidence that contributes to the exercise of professional skepticism.

- *Objectivity* requires the sustainability assurance provider to exercise professional or business judgment without being compromised by:
 - (a) Bias;
 - (b) Conflict of interest; or
 - (c) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

For example, the practitioner complies with the principle of objectivity by:

- (a) Recognizing circumstances or relationships such as familiarity with the sustainability assurance client, that might compromise the practitioner's professional or business judgment; and
- (b) Considering the impact of such circumstances and relationships on the practitioner's judgment when evaluating the sufficiency and appropriateness of evidence related to a matter material to the client's sustainability information.

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In doing so, the practitioner behaves in a manner that contributes to the exercise of professional skepticism.

- *Professional competence and due care* requires the sustainability assurance provider to have professional knowledge and skill at the level required to ensure the provision of competent professional service, and to act diligently in accordance with applicable standards, laws and regulations. For example, the practitioner complies with the principle of professional competence and due care by:
 - (a) Applying knowledge that is relevant to a particular sustainability assurance client's industry and business activities in order to properly identify risks of material misstatement;
 - (b) Designing and performing appropriate assurance procedures; and
 - (c) Applying relevant knowledge when critically assessing whether evidence is sufficient and appropriate in the circumstances.

In doing so, the practitioner behaves in a manner that contributes to the exercise of professional skepticism.

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SECTION 5270

PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

Introduction

- 5270.1 Sustainability assurance providers are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5270.2 Pressure exerted on, or by, a sustainability assurance provider might create an intimidation or other threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- R5270.3** A sustainability assurance provider shall not:
- (a) Allow pressure from others to result in a breach of compliance with the fundamental principles; or
 - (b) Place pressure on others that the practitioner knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.
- 5270.3 A1 A sustainability assurance provider might face pressure that creates threats to compliance with the fundamental principles, for example an intimidation threat, when undertaking a professional activity for a sustainability assurance client. Pressure might be explicit or implicit and might come from:
- The sustainability assurance client.
 - Within the firm, for example, from a colleague or superior.
 - Another external organization or individual such as a supplier, customer or lender of the sustainability assurance client or of the firm.
 - Internal or external targets and expectations.

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5270.3 A2 Examples of pressure that might result in threats to compliance with the fundamental principles include:

- Pressure related to conflicts of interest:
 - Pressure from a family member bidding to act as a counterparty to a transaction involving a sustainability assurance client to select the family member over other counterparties.

See also Section 5310, *Conflicts of Interest*.
- Pressure to act without sufficient expertise or due care:
 - Pressure from a sustainability assurance client to express an opinion on sustainability information that is not supported by the evidence obtained from the assurance procedures performed.
 - Pressure from a sustainability assurance client to inappropriately alter the scope of the sustainability assurance engagement to influence how the client's sustainability goals or practices are perceived.
 - Pressure from a sustainability assurance client to deviate from the recommended approach when setting the scope of a voluntary sustainability assurance engagement.
 - Pressure from a sustainability assurance client not to inquire about strategy-related assumptions used in the forward-looking information prepared by the client and subject to assurance procedures.
 - Pressure from superiors to inappropriately reduce the extent of work performed.
 - Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

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- Pressure related to inducements:
 - Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential or existing sustainability assurance clients.

See also Section 5340, Inducements, Including Gifts and Hospitality.
- Pressure related to non-compliance with laws and regulations:
 - Pressure to overlook potential breaches of environmental or safety regulations applicable to a sustainability assurance client.
- Pressure related to level of fees:
 - Pressure exerted by a superior or a colleague of a sustainability assurance provider to provide professional services at a fee level that does not allow for sufficient and appropriate resources (including human, technological and intellectual resources) to perform the services in accordance with technical and professional standards.

See also Section 5330, Fees and Other Types of Remuneration

5270.3 A3 Factors that are relevant in evaluating the level of threats created by pressure include:

- The intent of the individual who is exerting the pressure and the nature and extent of the pressure.
- The application of laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the firm including the extent to which they reflect or emphasize the importance of ethical behavior and the expectation that personnel will act ethically. For example, a corporate

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culture that tolerates unethical behavior might increase the likelihood that the pressure would result in a threat to compliance with the fundamental principles.

- Policies and procedures, if any, that the firm has established, such as ethics or human resources policies that address pressure.

5270.3 A4 Discussing the circumstances creating the pressure and consulting with others about those circumstances might assist the sustainability assurance provider to evaluate the level of the threat. Such discussion and consultation, which requires being alert to the principle of confidentiality, might include:

- Discussing the matter with the individual who is exerting the pressure to seek to resolve it.
- Discussing the matter with the practitioner's superior, if the superior is not the individual exerting the pressure.
- Escalating the matter within the firm, including when appropriate, explaining any consequential risks to the firm, for example with:
 - Higher levels of management.
 - Internal or external auditors.
 - Those charged with governance.
- Disclosing the matter in line with the firm's policies, including ethics and whistleblowing policies,
- using any established mechanism, such as a confidential ethics hotline.
- Consulting with:
 - A colleague, superior, human resources personnel, or another sustainability assurance provider;
 - Institute or industry associations; or
 - Legal counsel.

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5270.3 A5 An example of an action that might eliminate threats created by pressure is the sustainability assurance provider's request for a restructure of, or segregation of, certain responsibilities and duties relating to the professional services performed for a sustainability assurance client so that the practitioner is no longer involved with the individual or entity exerting the pressure.

Documentation

5270.4 A1 The sustainability assurance provider is encouraged to document:

- The facts.
- The communications and parties with whom these matters were discussed.
- The courses of action considered.
- How the matter was addressed.

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SECTION 5300

APPLYING THE CONCEPTUAL FRAMEWORK

Introduction

5300.1 Sections 5300 to 5390 set out requirements and application material for sustainability assurance providers when applying the conceptual framework set out in Section 5120. They do not describe all of the facts and circumstances, including professional activities, interests and relationships, that could be encountered by practitioners, which create or might create threats to compliance with the fundamental principles. Therefore, the conceptual framework requires sustainability assurance providers to be alert for such facts and circumstances.

Requirements and Application Material

General

R5300.4 A sustainability assurance provider shall comply with the fundamental principles set out in Section 5110 and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to compliance with the fundamental principles.

5300.5 A2 The more senior the position of a sustainability assurance provider, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the firm. To the extent that they are able to do so, taking into account their position and seniority in the firm, practitioners are expected to encourage and promote an ethics-based culture in the firm and exhibit ethical behavior in dealings with individuals with whom, and entities with which, the practitioner or the firm has a professional or business relationship in accordance with paragraph 5120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.

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- Firm processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations. (Ref: Paras. 5120.13 A1 to 5120.13 A3).

Identifying Threats

5300.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 5120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a sustainability assurance provider when undertaking a professional service for a sustainability assurance client:

(a) Self-interest Threats

- A sustainability assurance provider having a direct financial interest in a sustainability assurance client.
- A sustainability assurance provider quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.
- A sustainability assurance provider having a close business relationship with a sustainability assurance client.
- A sustainability assurance provider having incentives linked to the outcome of a sustainability assurance engagement.
- A sustainability assurance provider discovering a significant error when evaluating the results of a previous professional service performed by a

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member of the practitioner's firm.

(b) Self-review Threats

- A sustainability assurance provider issuing an assurance report on the effectiveness of the operation of systems that generate sustainability information after designing or implementing the systems.
- A sustainability assurance provider having contributed to the preparation of data used to generate information that is subject to procedures in the sustainability assurance engagement.
- A sustainability assurance provider having provided sustainability-related services other than sustainability assurance engagements for an entity in a sustainability assurance client's value chain, the outcome of which is subject to procedures in the sustainability assurance engagement for the client.
- A sustainability assurance provider having provided a valuation or forecasting service the outcome of which is subject to procedures in the sustainability assurance engagement for the sustainability assurance client.

(c) Advocacy Threats

- A sustainability assurance provider promoting the interests of a sustainability assurance client.
- A sustainability assurance provider acting as an advocate on behalf of a sustainability assurance client in litigation or disputes with third parties.
- A sustainability assurance provider lobbying in favor of legislation on behalf of a sustainability assurance client.

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(d) Familiarity Threats

- A sustainability assurance provider having a close or immediate family member who is a director or officer of the sustainability assurance client.
- A director or officer of the sustainability assurance client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the engagement leader.
- A sustainability assurance team member having a long association with the sustainability assurance client.

(e) Intimidation Threats

- A sustainability assurance provider being threatened with dismissal from a professional service performed for a sustainability assurance client or the firm because of a disagreement about a professional matter.
- A sustainability assurance provider feeling pressured to agree with the judgment of a sustainability assurance client because the client has more expertise on the matter in question.
- A sustainability assurance provider being informed that a planned promotion will not occur unless the practitioner agrees with an inappropriate sustainability-related analysis or conclusion.
- A sustainability assurance provider having accepted a significant gift from a sustainability assurance client and being threatened that acceptance of this gift will be made public.

Identifying Threats Associated with the Use of Technology

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5300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a sustainability assurance provider when undertaking a professional activity for a sustainability assurance client:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The practitioner might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.
- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgment of the practitioner or firm.

Evaluating Threats

5300.7 A1 The conditions, policies and procedures described in paragraphs 5120.6 A1 and 5120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level. Such conditions, policies and procedures might relate to:

- (a) The sustainability assurance client and its operating environment; and
- (b) The firm and its operating environment.

5300.7 A2 The sustainability assurance provider's evaluation of the level of a threat is also impacted by the nature and scope of the professional service.

The Sustainability Assurance Client and its Operating Environment

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5300.7 A3 The sustainability assurance provider's evaluation of the level of a threat might be impacted by whether the client is a sustainability assurance client:

- (a) For which the practitioner performs a sustainability assurance engagement within the scope of the Independence Standards in this Part;
- (b) For which the practitioner also performs an audit engagement;
- (c) For which other assurance or non-assurance services are also provided and, if so, the nature of those services; or
- (d) Which is a public interest entity.

For example, providing a non-assurance service to a sustainability assurance client that is a public interest entity might be perceived to result in a higher level of threat to compliance with the principle of objectivity with respect to the sustainability assurance engagement.

5300.7 A4 The corporate governance structure, including the leadership of a sustainability assurance client, might promote compliance with the fundamental principles. Accordingly, a sustainability assurance provider's evaluation of the level of a threat might also be impacted by a client's operating environment. For example:

- The client requires appropriate individuals other than management to ratify or approve the appointment of a firm to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.
- The client has implemented internal procedures that facilitate objective choices in tendering non- assurance engagements.
- The client has a corporate governance structure that

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provides appropriate oversight and communications regarding the firm's services.

- 5300.7 A4a The sustainability assurance provider's evaluation of the level of a threat might be impacted by the quantitative and qualitative characteristics of a sustainability assurance client's value chain. For example, the evaluation of a threat to compliance with the principle of professional competence and due care might be impacted if the sustainability information that is subject to assurance comes from multiple suppliers that are geographically dispersed or is prepared in accordance with different reporting frameworks.

The Firm and its Operating Environment

- 5300.7 A5 A sustainability assurance provider's evaluation of the level of a threat might be impacted by the work environment within the practitioner's firm and its operating environment. For example:
- Leadership of the firm that promotes compliance with the fundamental principles and establishes the expectation that sustainability assurance team members will act in the public interest when providing sustainability assurance.
 - Policies or procedures for establishing and monitoring compliance with the fundamental principles by all personnel.
 - Compensation, performance appraisal and disciplinary policies and procedures that promote compliance with the fundamental principles.
 - Management of the reliance on revenue received from a single sustainability assurance client.
 - The engagement leader having authority within the firm for decisions concerning compliance with the fundamental principles, including any decisions about accepting or providing services to a sustainability assurance client.
 - Educational, training and experience requirements.

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- Processes to facilitate and address internal and external concerns or complaints.

5300.7 A6 The sustainability assurance provider's evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the practitioner's firm and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third-party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.

Consideration of New Information or Changes in Facts and Circumstances

5300.7 A7 New information or changes in facts and circumstances might:

- (a) Impact the level of a threat; or
- (b) Affect the sustainability assurance provider's conclusions about whether safeguards applied continue to address identified threats as intended.

In these situations, actions that were already implemented as safeguards might no longer be effective in addressing threats. Accordingly, the application of the conceptual framework requires that the sustainability assurance provider re-evaluate and address the threats accordingly. (Ref: Paras. R5120.9 and R5120.10).

5300.7 A8 Examples of new information or changes in facts and circumstances that might impact the level of a threat include:

- When the scope of a professional service is expanded.
- When the sustainability assurance client becomes a listed entity or acquires another business unit.

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- When the firm merges with another firm.
- When the sustainability assurance provider is jointly engaged by a sustainability assurance client and another client and a dispute emerges between the two clients.
- When there is a change in the sustainability assurance provider's personal or immediate family relationships.

Addressing Threats

5300.8 A1 Paragraphs R5120.10 to 5120.10 A2 set out requirements and application material for addressing threats that are not at an acceptable level.

Examples of Safeguards

5300.8 A2 Safeguards vary depending on the facts and circumstances. Examples of actions that in certain circumstances might be safeguards to address threats include:

- Assigning additional time and qualified personnel to required tasks when an engagement has been accepted might address a self-interest threat.
- Having an appropriate reviewer who was not a member of the team review the work performed or advise as necessary might address a self-review threat.
- Using different leaders and teams with separate reporting lines for the provision of non- assurance services to a sustainability assurance client might address self-review, advocacy or familiarity threats.
- Involving another firm to perform or re-perform part of the engagement might address self- interest, self-review, advocacy, familiarity or intimidation threats.
- Disclosing to sustainability assurance clients any referral fees or commission arrangements received for recommending services or products might address a self-interest threat.
- Separating teams when dealing with matters of a

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confidential nature might address a self-interest threat.

- 5300.8 A3 The remaining sections of this Part describe certain threats that might arise during the course of performing professional services for sustainability assurance clients and include examples of actions that might address threats.

Appropriate Reviewer

- 5300.8 A4 An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided to a sustainability assurance client. Such an individual might be a sustainability assurance provider.

Communicating with Those Charged with Governance

- R5300.9** When communicating with those charged with governance in accordance with this Part, a sustainability assurance provider shall determine the appropriate individual(s) within the sustainability assurance client's governance structure with whom to communicate. If the practitioner communicates with a subgroup of those charged with governance, the practitioner shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

- R5300.10** If a sustainability assurance provider communicates with individuals who have management responsibilities as well as governance responsibilities, the practitioner shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the practitioner would otherwise communicate.

- 5300.9 A1 In determining with whom to communicate, a sustainability assurance provider might consider:

- (a) The nature and importance of the circumstances; and
- (b) The matter to be communicated.

- 5300.9 A2 Examples of a subgroup of those charged with governance include an audit committee or another committee tasked with

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oversight of sustainability information, or an individual member of those charged with governance.

- 5300.10 A1 In some circumstances, all of those charged with governance are involved in managing the sustainability assurance client, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated to individual(s) with management responsibilities, and those individual(s) also have governance responsibilities, the sustainability assurance provider has satisfied the requirement to communicate with those charged with governance.

Using Non-Assurance Work of Another Practitioner

- R5300.11** A sustainability assurance provider who intends to use non-assurance work performed by another practitioner for purposes of a sustainability assurance engagement shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfil the sustainability assurance provider's responsibilities to comply with the fundamental principles of integrity, objectivity and professional competence and due care.
- 5300.11 A1 For the purposes of this section, the non-assurance work performed by another practitioner excludes the work of an external expert. When a sustainability assurance practitioner intends to use the work of an external expert, the requirements and application material set out in Section 5390 apply. When a sustainability assurance practitioner intends to use assurance work performed by another practitioner for purposes of a sustainability assurance engagement, the requirements and application material set out in Section 5406 apply.
- 5300.11 A2 Factors to consider in determining the appropriate steps to take, if any, when a sustainability assurance practitioner intends to use the non-assurance work of another practitioner include:
- The reputation and competence of, and resources available to, that other practitioner.

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- Whether that other practitioner is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, that other practitioner.

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SECTION 5310

CONFLICTS OF INTEREST

Introduction

- 5310.1 Sustainability assurance providers are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5310.2 A conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:
- (a) A sustainability assurance provider provides a professional service related to a particular matter for a sustainability assurance client and another client whose interests with respect to that matter are in conflict; or
 - (b) The interests of a sustainability assurance provider with respect to a particular matter and the interests of the sustainability assurance client for whom the practitioner provides a professional service related to that matter are in conflict.
- 5310.3 This section sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest. When a sustainability assurance provider performs a sustainability assurance engagement, independence is also required in accordance with this Part or Part 4B, as applicable.

Requirements and Application Material

General

- R5310.4** A sustainability assurance provider shall not allow a conflict of interest to compromise professional or business judgment.
- 5310.4 A1 Examples of circumstances that might create a conflict of interest include:

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- Providing a transaction advisory service to a client seeking to acquire a sustainability assurance client, where the firm has obtained confidential information during the course of the sustainability assurance engagement that might be relevant to the transaction.
- Providing advice to a sustainability assurance client and another client at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties' competitive positions.
- Representing a sustainability assurance client and another client in the same matter who are in a legal dispute with each other.
- Advising a sustainability assurance client to invest in a business in which, for example, the spouse of the practitioner has a financial interest.
- Providing strategic advice to a sustainability assurance client on its competitive position while having a joint venture or similar interest with a major competitor of the client.
- Advising a sustainability assurance client on acquiring a business which the firm is also interested in acquiring.

Conflict Identification

R5310.5 Before accepting a new sustainability assurance client relationship, engagement, or business relationship, a sustainability assurance provider shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:

- (a) The nature of the relevant interests and relationships between the parties involved; and
- (b) The service and its implication for relevant parties.

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- 5310.5 A1 An effective conflict identification process assists a sustainability assurance provider when taking reasonable steps to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the engagement. Such a process includes considering matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the practitioner being able to address threats created by the conflict of interest.
- 5310.5 A2 An effective process to identify actual or potential conflicts of interest will take into account factors such as:
- The nature of the professional services provided.
 - The size of the firm.
 - The size and nature of the client base.
 - The structure of the firm, for example, the number and geographic location of offices. 5310.5 A3 More information on client acceptance is set out in Section 5320, *Professional Appointments*.

Changes in Circumstances

- R5310.6** A sustainability assurance provider shall remain alert to changes over time in the nature of services, interests and relationships that might create a conflict of interest while performing an engagement.
- 5310.6 A1 The nature of services, interests and relationships might change during the engagement. This is particularly true when a sustainability assurance provider is asked to conduct an engagement in a situation that might become adversarial, even though the parties who engage the practitioner initially might not be involved in a dispute.

Network Firms

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R5310.7 If the firm is a member of a network, a sustainability assurance provider shall consider conflicts of interest that the practitioner has reason to believe might exist or arise due to interests and relationships of a network firm.

5310.7 A1 Factors to consider when identifying interests and relationships involving a network firm include:

- The nature of the professional services provided.
- The clients served by the network.
- The geographic locations of all relevant parties.

Threats Created by Conflicts of Interest

5310.8 A1 In general, the more direct the connection between the professional service and the matter on which the parties' interests conflict, the more likely the level of the threat is not at an acceptable level.

5310.8 A2 Factors that are relevant in evaluating the level of a threat created by a conflict of interest include measures that prevent unauthorized disclosure of confidential information when performing professional services related to a particular matter for a sustainability assurance client and another client whose interests with respect to that matter are in conflict. These measures include:

- The existence of separate practice areas for specialty functions within the firm, which might act as a barrier to the passing of confidential client information between practice areas.
- Policies and procedures to limit access to client files.
- Confidentiality agreements signed by personnel and leaders of the firm.
- Separation of confidential information physically and electronically.
- Specific and dedicated training and communication.

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5310.8 A3 Examples of actions that might be safeguards to address threats created by a conflict of interest include:

- Having separate teams who are provided with clear policies and procedures on maintaining confidentiality.
- Having an appropriate reviewer, who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and conclusions are appropriate.

Disclosure and Consent

R5310.9 A sustainability assurance provider shall exercise professional judgment to determine whether the nature and significance of a conflict of interest are such that specific disclosure and explicit consent are necessary when addressing the threat created by the conflict of interest.

5310.9 A1 Factors to consider when determining whether specific disclosure and explicit consent are necessary include:

- The circumstances creating the conflict of interest.
- The parties that might be affected.
- The nature of the issues that might arise.
- The potential for the particular matter to develop in an unexpected manner. 5310.9 A2 Disclosure and consent might take different forms, for example:
- General disclosure to clients of circumstances where, as is common commercial practice, the sustainability assurance provider does not provide professional services exclusively to any one client (for example, in a particular professional service and market sector). This enables the client to provide general consent accordingly. For example, a practitioner might make general disclosure in the standard terms and conditions for the engagement.
- Specific disclosure to affected clients of the circumstances of the particular conflict in sufficient

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detail to enable the client to make an informed decision about the matter and to provide explicit consent accordingly. Such disclosure might include a detailed presentation of the circumstances and a comprehensive explanation of any planned safeguards and the risks involved.

- Consent might be implied by clients' conduct in circumstances where the sustainability assurance provider has sufficient evidence to conclude that clients know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.

5310.9 A3 It is generally necessary:

- (a) To disclose the nature of the conflict of interest and how any threats created were addressed to clients affected by a conflict of interest; and
- (b) To obtain consent of the affected clients to perform the professional services when safeguards are applied to address the threat.

5310.9 A4 If such disclosure or consent is not in writing, the sustainability assurance provider is encouraged to document:

- (a) The nature of the circumstances giving rise to the conflict of interest;
- (b) The safeguards applied to address the threats when applicable; and
- (c) The consent obtained.

When Explicit Consent is Refused

R5310.10 If a sustainability assurance provider has determined that explicit consent is necessary in accordance with paragraph R5310.9 and the sustainability assurance client has refused to provide consent, the practitioner shall either:

- (a) End or decline to perform professional services that would result in the conflict of interest; or

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- (b) End relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.

Confidentiality

R5310.11 A sustainability assurance provider shall remain alert to the principle of confidentiality, including when making disclosures or sharing information within the firm or network and seeking guidance from third parties.

5310.11 A1 Subsection 5114 sets out requirements and application material relevant to situations that might create a threat to compliance with the principle of confidentiality.

When Disclosure to Obtain Consent would Breach Confidentiality

R5310.12 When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, and such consent cannot therefore be obtained, the firm shall only accept or continue an engagement if:

- (a) The firm does not act in an advocacy role for a sustainability assurance client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of confidential information between the teams serving the sustainability assurance client and the other client; and
- (c) The firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm's ability to provide the professional service would produce a disproportionate adverse outcome for the clients or other relevant third parties.

5310.12 A1 A breach of confidentiality might arise, for example, when seeking consent to perform:

- A transaction-related service for a sustainability assurance client in a hostile takeover of another client of the firm.

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- A forensic investigation for a client regarding a suspected fraud, where the firm has confidential information from its work for a sustainability assurance client who might be involved in the fraud.

Documentation

R5310.13 In the circumstances set out in paragraph R5310.12, the sustainability assurance provider shall document:

- (a) The nature of the circumstances, including the role that the practitioner is to undertake;
- (b) The specific measures in place to prevent disclosure of information between the teams serving the sustainability assurance client and the other client; and
- (c) Why it is appropriate to accept or continue the engagement.

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SECTION 5320

PROFESSIONAL APPOINTMENTS

Introduction

- 5320.1 Sustainability assurance providers are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5320.2 Acceptance of a new sustainability assurance client relationship or changes in an existing engagement might create a threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

Client and Engagement Acceptance

General

- 5320.3 A1 Threats to compliance with the principles of integrity or professional behavior might be created, for example, from questionable issues associated with the sustainability assurance client (its owners, management or activities). Issues that, if known, might create such a threat include client involvement in illegal activities, dishonesty, questionable financial or non-financial, including sustainability, reporting practices or other unethical behavior.
- 5320.3 A2 Factors that are relevant in evaluating the level of such a threat include:
- Knowledge and understanding of the sustainability assurance client, its owners, management and those charged with governance and business activities.
 - The sustainability assurance client's commitment to address questionable issues, for example, through improving corporate governance practices or

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internal controls.

5320.3 A3 A self-interest threat to compliance with the principle of professional competence and due care is created if the team does not possess, or cannot acquire, the competencies to perform the professional services.

5320.3 A4 Factors that are relevant in evaluating the level of such a threat include:

- An appropriate understanding of:
 - The nature of the sustainability assurance client's business;
 - The complexity of its operations;
 - The quantitative and qualitative characteristics of the sustainability assurance client's value chain;
 - The requirements of the engagement; and
 - The purpose, nature and scope of the work to be performed.
- Knowledge of relevant industries or subject matter.
- Experience with relevant regulatory or reporting requirements.
- The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently.
- The level of fees and the extent to which they have regard to the resources required, taking into account the sustainability assurance provider's commercial and market priorities.

5320.3 A5 Examples of actions that might be safeguards to address a self-interest threat include:

- Assigning sufficient engagement personnel with the

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necessary competencies.

- Agreeing on a realistic time frame for the performance of the engagement.
- Using experts where necessary.

Changes in a Professional Appointment

R5320.4 A sustainability assurance provider shall determine whether there are any reasons for not accepting an engagement when the practitioner:

- (a) Is asked by a potential sustainability assurance client to replace another sustainability assurance provider;
- (b) Considers tendering for an engagement held by a different practitioner for a sustainability assurance client; or
- (c) Considers undertaking work for a sustainability assurance client that is complementary or additional to that of a different practitioner.

5320.4 A1 There might be reasons for not accepting an engagement. One such reason might be if a threat created by the facts and circumstances cannot be addressed by applying safeguards. For example, there might be a self-interest threat to compliance with the principle of professional competence and due care if a sustainability assurance provider accepts the engagement before knowing all the relevant facts.

5320.4 A2 If a sustainability assurance provider is asked by a sustainability assurance client to undertake work that is complementary or additional to the work of an existing or predecessor practitioner, a self-interest threat to compliance with the principle of professional competence and due care might be created, for example, as a result of incomplete information.

5320.4 A3 A factor that is relevant in evaluating the level of such a threat is whether tenders state that, before accepting the engagement, contact with the existing or predecessor

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practitioner will be requested. This contact gives the proposed practitioner the opportunity to inquire whether there are any reasons why the engagement should not be accepted.

5320.4 A4 Examples of actions that might be safeguards to address such a self-interest threat include:

- Asking the existing or predecessor practitioner to provide any known information of which, in the existing or predecessor practitioner's opinion, the proposed practitioner needs to be aware before deciding whether to accept the engagement. For example, inquiry might reveal previously undisclosed pertinent facts and might indicate disagreements with the existing or predecessor practitioner that might influence the decision to accept the appointment.
- Obtaining information from other sources such as through inquiries of third parties or background investigations regarding senior management or those charged with governance of the sustainability assurance client.

Communicating with the Existing or Predecessor Practitioner

5320.5 A1 A proposed practitioner will usually need the sustainability assurance client's permission, preferably in writing, to initiate discussions with the existing or predecessor practitioner.

R5320.6 If unable to communicate with the existing or predecessor practitioner, the proposed practitioner shall take other reasonable steps to obtain information about any possible threats.

Communicating with the Proposed Practitioner

R5320.7 When an existing or predecessor practitioner is asked to respond to a communication from a proposed practitioner, the existing or predecessor practitioner shall:

- (a) Comply with relevant laws and regulations governing the request; and

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- (b) Provide any information honestly and unambiguously.

5320.7 A1 An existing or predecessor practitioner is bound by confidentiality. Whether the existing or predecessor practitioner is permitted or required to discuss the affairs of a sustainability assurance client with a proposed practitioner will depend on the nature of the engagement and:

- (a) Whether the existing or predecessor practitioner has permission from the sustainability assurance client for the discussion; and
- (b) The legal and ethics requirements relating to such communications and disclosure.

5320.7 A2 Circumstances where a sustainability assurance provider is or might be required to disclose confidential information, or when disclosure might be appropriate, are set out in paragraph 5114.3 A1.

Changes in Sustainability Assurance Appointments

R5320.8 In the case of a sustainability assurance engagement within the scope of the Independence Standards in this Part, a sustainability assurance provider shall request the existing or predecessor practitioner to provide known information regarding any facts or other information of which, in the existing or predecessor practitioner's opinion, the proposed practitioner needs to be aware before deciding whether to accept the engagement.

- (a) If the sustainability assurance client consents to the existing or predecessor practitioner disclosing any such facts or other information, the existing or predecessor practitioner shall provide the information honestly and unambiguously; and
- (b) If the sustainability assurance client fails or refuses to grant the existing or predecessor practitioner permission to discuss the client's affairs with the proposed practitioner, the existing or predecessor practitioner shall disclose this fact to the proposed practitioner, who shall carefully consider such failure or

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refusal when determining whether to accept the appointment.

Client and Engagement Continuance

R5320.9 For a recurring engagement for a sustainability assurance client, a sustainability assurance provider shall periodically review whether to continue with the engagement.

5320.9 A1 Potential threats to compliance with the fundamental principles might be created after acceptance which, had they been known earlier, would have caused the sustainability assurance provider to decline the engagement. For example, a self-interest threat to compliance with the principle of integrity might be created by improper sustainability reporting, such as changes in measurement methodology to create the appearance of a positive trend in a key performance indicator.

Using the Work of an Expert

R5320.10 When a sustainability assurance provider intends to use the work of an expert in the course of undertaking a professional activity, the practitioner shall determine whether the use is appropriate for the intended purpose.

5320.10 A2 Factors to consider when a sustainability assurance provider intends to use the work of an expert include:

- The reputation and expertise of, and the resources available to, the expert.
- Whether the expert is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the expert.

Using the Output of Technology

R5320.11 When a sustainability assurance provider intends to use the output of technology in the course of undertaking a professional activity for a sustainability assurance client, the practitioner shall determine whether the use is appropriate for the intended purpose.

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5320.11 A1 Factors to consider when a sustainability assurance provider intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the practitioner has the ability, or access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The firm's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorizing user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

Other Considerations

5320.12 A1 When a sustainability assurance provider is considering using the work of experts or the output of technology, a consideration is whether the practitioner is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

SECTION 5330

FEES AND OTHER TYPES OF REMUNERATION

Introduction

- 5330.1 Sustainability assurance providers are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5330.2 The level and nature of fee and other remuneration arrangements might create a self-interest threat to compliance with one or more of the fundamental principles. This section sets out specific application material relevant to applying the conceptual framework in such circumstances.

Application Material

Level of Fees

- 5330.3 A1 The level of fees might impact a sustainability assurance provider's ability to perform professional services for sustainability assurance clients in accordance with technical and professional standards.
- 5330.3 A2 A sustainability assurance provider might quote whatever fee is considered appropriate. Quoting a fee lower than a different practitioner is not in itself unethical. However, the level of fees quoted creates a self-interest threat to compliance with the principle of professional competence and due care if the fee quoted is so low that it might be difficult to perform the engagement in accordance with applicable technical and professional standards.
- 5330.3 A3 Factors that are relevant in evaluating the level of such a threat include:
- Whether the sustainability assurance client is aware of the terms of the engagement and, in particular, the basis on which fees are determined and which professional services are covered.
 - Whether the level of the fee is set by an independent

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third party such as a regulatory body. 5330.3 A4

Examples of actions that might be safeguards to address such a self-interest threat include:

- Adjusting the level of fees or the scope of the engagement.
- Having an appropriate reviewer review the work performed.

Contingent Fees

5330.4 A1 Contingent fees are used for certain types of non-assurance services. However, contingent fees might create threats to compliance with the fundamental principles, particularly a self-interest threat to compliance with the principle of objectivity, in certain circumstances.

5330.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The nature of the engagement.
- The range of possible fee amounts.
- The basis or metrics for determining the fee.
- Disclosure to intended users of the work performed by the sustainability assurance provider and the basis of remuneration.
- Quality control policies and procedures.
- Whether an independent third party is to review the outcome or result of the work.
- Whether the level of the fee is set by an independent third party such as a regulatory body.

5330.4 A3 Examples of actions that might be safeguards to address such a self-interest threat include:

- Having an appropriate reviewer who was not involved in performing the service review the work performed by the sustainability assurance provider.

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- Obtaining an advance written agreement with the sustainability assurance client on the basis of remuneration.

5330.4 A4 Requirements and application material related to contingent fees for services provided to sustainability assurance clients are set out in Section 5410 and Section 905.

5330.4 A5 The fees which are based on a percentage of profits or which are contingent upon the findings, or results of such work, is not allowed except in cases which are permitted under Regulation 192 of The Chartered Accountants Regulations, 1988, given as under:-

- (a) in the case of a receiver or a liquidator, the fees may be based on a percentage of the realisation or disbursement of the assets;
- (b) in the case of an auditor of a co-operative society, the fees may be based on a percentage of the paid-up capital or the working capital or the gross or net income or profits;
- (c) in the case of a valuer for the purposes of direct taxes and duties, the fees may be based on a percentage of the value of the property valued.
- (d) in the case of certain management consultancy services as may be decided by the resolution of the Council from time to time, the fees may be based on percentage basis which may be contingent upon the findings, or results of such work;
- (e) in the case of certain fund raising services, the fees may be based on a percentage of the fund raised;
- (f) in the case of debt recovery services, the fees may be based on a percentage of the debt recovered;
- (g) in the case of services related to cost optimisation, the fees may be based on a percentage of the benefit derived; and

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- (h) any other service or audit as may be decided by the Council.

Note: Following activities have been decided by the Council under "h" above:-

- In the case of Insolvency professional, the fees may be based on percentage of recovery/assets for the services rendered under Insolvency and Bankruptcy Code, 2016 and rules made thereunder.
- In the case of Non-assurance services to non-audit clients, the fees may be charged on contingent basis.

Referral Fees or Commissions

5330.5 A1 A self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a sustainability assurance provider pays or receives a referral fee or receives a commission relating to a sustainability assurance client. Such referral fees or commissions include, for example:

- A fee paid to another sustainability assurance provider for referring a sustainability assurance client to the practitioner.
- A fee received from another sustainability assurance provider for the practitioner referring a continuing sustainability assurance client to that practitioner.

5330.5 A2 Examples of actions that might be safeguards to address such a self-interest threat include:

- Disclosing to sustainability assurance clients any referral fees paid to, or received from, another sustainability assurance provider for recommending services might address a self-interest threat.

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Purchase or Sale of a Firm

5330.6 A1 In accordance with the Council guidelines, sale of goodwill is permissible only after the death of the proprietor of the Firm. The relevant extract of Council Guidelines is reproduced hereunder:

- (a) *in respect of cases where the death of the proprietor concerned occurred on or after 30.8.1998.*

Provided such a sale is completed/effectuated in all respects and the Institute's permission to practice in deceased's proprietary firm name is sought within a year of the death of such proprietor concerned. In respect of these cases, the name of the proprietary firm concerned would be kept in abeyance (i.e. not removed on receipt of information about the death of the proprietor as is being done at present) only up to a period of one year from the death of proprietor concerned as aforesaid.

- (b) *in respect of cases where the death of the proprietor concerned occurred on or after 30.8.1998 and there existed a dispute as to the legal heir of the deceased proprietor.*

Provided the information as to the existence of the dispute is received by the Institute within a year of the death of the proprietor concerned. In respect of these cases, the name of proprietary firm concerned shall be kept in abeyance till one year from the date of settlement of dispute.

- (c) *in respect of cases where the death of the proprietor concerned had occurred on or before 29th August, 1998 (irrespective of the time lag between the date of death of the proprietor concerned and the date of sale/transfer of goodwill completed/to be completed). Provided such a sale/transfer is completed/effectuated and the Institute's permission to practice in the deceased's proprietary firm name is sought for by 28th August,*

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1999 and also further provided that the firm name concerned is still available with the Institute.

It may be noted that the sale of goodwill of a Chartered Accountancy Firm is not allowed except as stated above.

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SECTION 5340

INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY

Introduction

- 5340.1 Sustainability assurance providers are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5340.2 Offering or accepting inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behavior.
- 5340.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of inducements when performing professional services for sustainability assurance clients that does not constitute non-compliance with laws and regulations. This section also requires a sustainability assurance provider to comply with relevant laws and regulations when offering or accepting inducements.

Requirements and Application Material

General

- 5340.4 A1 An inducement is an object, situation, or action that is used as a means to influence another individual's behavior, but not necessarily with the intent to improperly influence that individual's behavior. Inducements can range from minor acts of hospitality between sustainability assurance providers and existing or prospective sustainability assurance clients to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:
- Gifts.
 - Hospitality.
 - Entertainment.

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- Political or charitable donations.
- Appeals to friendship and loyalty.
- Employment or other commercial opportunities.
- Preferential treatment, rights or privileges.

Inducements Prohibited by Laws and Regulations

R5340.5 The sustainability assurance provider shall obtain an understanding of relevant laws and regulations, if any, and comply with them when the practitioner encounters such circumstances.

Inducements Not Prohibited by Laws and Regulations

5340.6 A1 The offering or accepting of inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

Inducements with Intent to Improperly Influence Behaviour

R5340.7 A sustainability assurance provider shall not offer, or encourage others to offer, any inducement that is made, or which the practitioner considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual.

R5340.8 A sustainability assurance provider shall not accept, or encourage others to accept, any inducement that the practitioner concludes is made, or considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behaviour of the recipient or of another individual.

5340.9 A1 An inducement is considered as improperly influencing an individual's behavior if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient. The fundamental principles are an appropriate frame of reference for a sustainability assurance provider in considering what

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constitutes unethical behavior on the part of the practitioner and, if necessary by analogy, other individuals.

5340.9 A2 A breach of the fundamental principle of integrity arises when a sustainability assurance provider offers or accepts, or encourages others to offer or accept, an inducement where the intent is to improperly influence the behavior of the recipient or of another individual.

5340.9 A3 The determination of whether there is actual or perceived intent to improperly influence behavior requires the exercise of professional judgment. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the inducement.
- Timing of when the inducement is offered relative to any action or decision that it might influence.
- Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the inducement is an ancillary part of a professional service, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the firm, such as other suppliers to the sustainability assurance client.
- The roles and positions of the individuals at the firm or the sustainability assurance client offering or being offered the inducement.
- Whether the sustainability assurance provider knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the sustainability assurance client.

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- The degree of transparency with which the inducement is offered.
- Whether the inducement was required or requested by the recipient.
- The known previous behavior or reputation of the offeror.

Consideration of Further Actions

- 5340.10 A1 If the sustainability assurance provider becomes aware of an inducement offered with actual or perceived intent to improperly influence behavior, threats to compliance with the fundamental principles might still be created even if the requirements in paragraphs R5340.7 and R5340.8 are met.
- 5340.10 A2 Examples of actions that might be safeguards to address such threats include:
- Informing senior management of the firm or those charged with governance of the sustainability assurance client regarding the offer.
 - Amending or terminating the business relationship with the sustainability assurance client.

Inducements with No Intent to Improperly Influence Behavior

- 5340.11 A1 The requirements and application material set out in the conceptual framework apply when a sustainability assurance provider has concluded there is no actual or perceived intent to improperly influence the behavior of the recipient or of another individual.
- 5340.11 A2 If such an inducement is trivial and inconsequential, any threats created will be at an acceptable level.
- 5340.11 A3 Examples of circumstances where offering or accepting such an inducement might create threats even if the sustainability assurance provider has concluded there is no actual or perceived intent to improperly influence behavior include:
- Self-interest threats

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- A sustainability assurance provider is offered hospitality from the prospective acquirer of a sustainability assurance client while providing corporate finance services to the client.
 - Familiarity threats
 - A sustainability assurance provider regularly takes an existing or prospective sustainability assurance client to sporting events.
 - Intimidation threats
 - A sustainability assurance provider accepts hospitality from a sustainability assurance client, the nature of which could be perceived to be inappropriate were it to be publicly disclosed.
- 5340.11 A4 Relevant factors in evaluating the level of such threats created by offering or accepting such an inducement include the same factors set out in paragraph 5340.9 A3 for determining intent.
- 5340.11 A5 Examples of actions that might eliminate threats created by offering or accepting such an inducement include:
- Declining or not offering the inducement.
 - Transferring responsibility for the provision of any professional services to the sustainability assurance client to another individual who the sustainability assurance provider has no reason to believe would be, or would be perceived to be, improperly influenced when providing the services.
- 5340.11 A6 Examples of actions that might be safeguards to address such threats created by offering or accepting such an inducement include:
- Being transparent with senior management of the firm or of the sustainability assurance client about offering or accepting an inducement.

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- Registering the inducement in a log monitored by senior management of the firm or another individual responsible for the firm's ethics compliance or maintained by the sustainability assurance client.
- Having an appropriate reviewer, who is not otherwise involved in providing the professional service to the sustainability assurance client, review any work performed or decisions made by the sustainability assurance provider with respect to the client from which the practitioner accepted the inducement.
- Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to a member of senior management of the firm or the individual who offered the inducement.
- Reimbursing the cost of the inducement, such as hospitality, received.
- As soon as possible, returning the inducement, such as a gift, after it was initially accepted.

Immediate or Close Family Members

R5340.12 A sustainability assurance provider shall remain alert to potential threats to the practitioner's compliance with the fundamental principles created by the offering of an inducement:

- (a) By an immediate or close family member of the practitioner to an existing or prospective sustainability assurance client.
- (b) To an immediate or close family member of the practitioner by an existing or prospective sustainability assurance client.

R5340.13 Where the sustainability assurance provider becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behaviour of the practitioner or of an existing or prospective sustainability assurance client, or

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considers a reasonable and informed third party would be likely to conclude such intent exists, the practitioner shall advise the immediate or close family member not to offer or accept the inducement.

5340.13 A1 The factors set out in paragraph 5340.9 A3 are relevant in determining whether there is actual or perceived intent to improperly influence the behavior of the sustainability assurance provider or of the existing or prospective sustainability assurance client. Another factor that is relevant is the nature or closeness of the relationship, between:

- (a) The practitioner and the immediate or close family member;
- (b) The immediate or close family member and the existing or prospective client; and
- (c) The practitioner and the existing or prospective client.

For example, the offer of employment, outside of the normal recruitment process, to the spouse of the practitioner by a client for whom the practitioner is performing a sustainability assurance engagement might indicate such intent.

5340.13 A2 The application material in paragraph 5340.10 A2 is also relevant in addressing threats that might be created when there is actual or perceived intent to improperly influence the behavior of the sustainability assurance provider, or of the existing or prospective sustainability assurance client even if the immediate or close family member has followed the advice given pursuant to paragraph R5340.13.

Application of the Conceptual Framework

5340.14 A1 Where the sustainability assurance provider becomes aware of an inducement offered in the circumstances addressed in paragraph R5340.12, threats to compliance with the fundamental principles might be created where:

- (a) The immediate or close family member offers or accepts the inducement contrary to the advice of the practitioner pursuant to paragraph R5340.13; or

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- (b) The practitioner does not have reason to believe an actual or perceived intent to improperly influence the behavior of the practitioner or of the existing or prospective sustainability assurance client exists.

5340.14 A2 The application material in paragraphs 5340.11 A1 to 5340.11 A6 is relevant for the purposes of identifying, evaluating and addressing such threats. Factors that are relevant in evaluating the level of threats in these circumstances also include the nature or closeness of the relationships set out in paragraph 5340.13 A1.

Other Considerations

5340.15 A2 If a firm, network firm or a sustainability assurance team member is being offered gifts or hospitality from a sustainability assurance client, the requirement and application material set out in Section 5420 apply.

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SECTION 5350

CUSTODY OF CLIENT ASSETS

Introduction

- 5350.1 Sustainability assurance providers are required to comply with the fundamental principles and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats.
- 5350.2 Holding client assets creates a self-interest or other threat to compliance with the principles of professional behavior and objectivity. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

Before Taking Custody

- R5350.3** A sustainability assurance provider shall not assume custody of money or other assets belonging to a sustainability assurance client unless permitted to do so by law and in accordance with any conditions under which such custody may be taken.
- R5350.4** As part of client and engagement acceptance procedures related to assuming custody of money or assets belonging to a sustainability assurance client, a sustainability assurance provider shall:
- (a) Make inquiries about the source of the assets; and
 - (b) Consider related legal and regulatory obligations.
- 5350.4 A1 Inquiries about the source of assets belonging to a sustainability assurance client might reveal, for example, that the assets were derived from illegal activities, such as money laundering.

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After Taking Custody

- R5350.5** A sustainability assurance provider entrusted with money or other assets belonging to a sustainability assurance client shall:
- (a) Comply with the laws and regulations relevant to holding and accounting for the assets;
 - (b) Keep the assets separately from personal or firm assets;
 - (c) Use the assets only for the purpose for which they are intended; and
 - (d) Be ready at all times to account for the assets and any income, dividends, or gains generated, to any individuals entitled to that accounting.

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INDEPENDENCE STANDARDS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS

SECTION 5400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS

Introduction

General

- 5400.1 It is in the public interest and required by the Code that sustainability assurance providers be independent when performing sustainability assurance engagements in accordance with the requirements of the Code along with any additional requirements. Such requirements may be prescribed from time to time under the Chartered Accountants Act, 1949, the Chartered Accountants Regulations, 1988, Council guidelines, Companies Act 2013, or by other Regulators such as Securities and Exchange Board of India (SEBI) etc.
- 5400.3 In the Independence Standards in this Part, the term “sustainability assurance provider” refers to individuals conducting sustainability assurance engagements or, as applicable, their firms.
- 5400.3a The Independence Standards in this Part apply to both reasonable assurance and limited assurance sustainability assurance engagements. In this Part, references are made to a firm expressing an opinion on the sustainability information in the context of a reasonable assurance sustainability assurance engagement. In the context of a limited assurance engagement, those references mean a firm expressing a conclusion on the sustainability information.

Scope of the Independence Standards in Part 5

- 5400.3b The Independence Standards in this Part only apply to a sustainability assurance engagement where the sustainability information on which the sustainability assurance provider expresses an opinion:

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- (a) Is reported in accordance with a general purpose framework; and
 - (b) Is
 - (i) Required to be provided in accordance with law or regulation; or
 - (ii) Publicly disclosed to support decision-making by investors or other users.
- 5400.3c Law or regulation might also require the application of the Independence Standards in Part 4C to sustainability assurance engagements other than those described in paragraph 5400.3b.
- 5400.3d An assurance engagement might be either an attestation engagement or a direct engagement. The Independence Standards in this Part cover only sustainability assurance engagements that are attestation engagements.
- 5400.3e Part 4B of the Code sets out Independence Standards for other sustainability assurance engagements that are not within the scope of the Independence Standards in this Part. These include, for example:
 - A sustainability assurance engagement where the sustainability information on which the sustainability assurance provider expresses an opinion is reported solely in accordance with:
 - A framework designed to meet the information needs of specified users; or
 - Entity-developed criteria.
 - A sustainability assurance engagement for which the sustainability assurance report is a restricted use and distribution report.

Quality Management

- 5400.3f Quality management within firms that perform sustainability assurance engagements is an integral part of high-quality

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sustainability assurance engagements. Sustainability assurance standards are based on an expectation that the sustainability assurance provider has a system of quality management designed, implemented and operated in accordance with applicable quality management standards.

5400.4 Legal, regulatory or professional requirements that deal with the firm's responsibilities to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel), maintain independence where required by relevant ethics requirements. SAs and SREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of the Independence Standards in this Part do not prescribe the specific responsibilities of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference.

5400.5 Independence is linked to the principles of objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or a sustainability assurance team member's, integrity, objectivity, or professional skepticism has been compromised.

In the Independence Standards in this Part, references to an individual or firm being

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“independent” mean that the individual or firm has complied with the provisions of this Part.

5400.6 When performing sustainability assurance engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 5120 applies to independence as it does to the fundamental principles set out in Section 5110.

5400.7 The Independence Standards in this Part describe:

- (a) Facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence;
- (b) Potential actions, including safeguards, that might be appropriate to address any such threats; and
- (c) Some situations where the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.

Engagement Team and Sustainability Assurance Team

5400.8 The Independence Standards in this Part apply to all sustainability assurance team members, including engagement team members.

5400.9 An engagement team for a sustainability assurance engagement includes all leaders and staff in the firm who perform assurance procedures on the engagement, and any other individuals who perform such procedures who are from within or outside the firm’s network.

5400.10a If the firm intends to use the assurance work of another sustainability assurance provider and the firm is able to be sufficiently and appropriately involved in the practitioner’s work, that practitioner is a member of the engagement team.

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5400.11 Sustainability assurance engagements might be performed on a wide range of sustainability matters that require specialized skills and knowledge beyond those possessed by the engagement team. A sustainability assurance engagement might therefore involve experts within, or engaged by, the firm, or a network firm who assist in the engagement. Depending on the role of the individuals, they might be engagement team or sustainability assurance team members. For example:

- Individuals with expertise in a specialized area of sustainability reporting or assurance who perform assurance procedures are engagement team members. These include, for example, individuals with expertise in the measurement of specific sustainability matters or in analyzing complex information produced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships.
- Individuals within, or engaged by, the firm who have direct influence over the outcome of the sustainability assurance engagement through consultation regarding technical or industry- specific issues, transactions or events for the engagement are sustainability assurance team members but not engagement team members.

However, individuals who are external experts are neither engagement team nor sustainability assurance team members.

5400.12 If the sustainability assurance engagement is subject to an engagement quality control review, those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement are sustainability assurance team members but not engagement team members.

Public Interest Entities

5400.13 Some of the requirements and application material set out in this Part are applicable only to the sustainability assurance

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engagements of public interest entities. An entity is a public interest entity in this Part if it has been determined as such for the purposes of the audit of its financial statements in accordance with the relevant provisions in Part 4A.

- 5400.13a A firm performing the audit of an entity's financial statements might decide to voluntarily treat the entity as a public interest entity. In such circumstances, this does not mean that another firm performing a sustainability assurance engagement for that entity is required to treat that entity as a public interest entity for the purposes of the sustainability assurance engagement.
- 5400.13b Laws and regulations might also determine an entity to be a public interest entity for the purposes of a sustainability assurance engagement.
- 5400.15 Stakeholders have heightened expectations regarding the independence of a firm performing a sustainability assurance engagement for a public interest entity. The purpose of the requirements and application material for public interest entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's sustainability information that can be used for their decision-making purposes.

Firms Performing Both Audit and Sustainability Assurance Engagements

- 5400.16a Independence standards for audit and review engagements are set out in Part 4A – *Independence for Audit and Review Engagements*. If a firm performs both a sustainability assurance engagement and an audit or review engagement for the same client, the provisions in the Code applicable to audit and review engagements, including Part 4A, and this Part apply to the firm, a network firm and the audit team members.

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Requirements and Application Material

General

- R5400.18** A firm performing a sustainability assurance engagement shall be independent.
- R5400.19** A firm shall apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence in relation to a sustainability assurance engagement.

Prohibition on Assuming Management Responsibilities

- R5400.20** A firm or a network firm shall not assume a management responsibility for a sustainability assurance client.
- 5400.20 A1 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.
- 5400.20 A2 When a firm or a network firm assumes a management responsibility for a sustainability assurance client, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the firm or network firm becomes too closely aligned with the views and interests of management.
- 5400.20 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include:
- Setting policies and strategic direction, for example, setting sustainability policies and goals.
 - Hiring or dismissing employees.
 - Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
 - Authorizing transactions.

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- Deciding which recommendations of the firm or network firm or other third parties to implement.
- Reporting to those charged with governance on behalf of management.
- Taking responsibility for:
 - Developing criteria used by the client for reporting sustainability information.
 - The preparation and presentation of the sustainability information in accordance with the applicable sustainability reporting framework, including identifying material sustainability matters to be reported.
 - Designing, implementing, monitoring or maintaining internal control.
 - Supply chain management.
 - Designing or implementing software to collect or produce sustainability data for the client.
 - Reporting on environmental credits or offsets.
 - Resource allocation for sustainability initiatives.
- Controlling or managing bank accounts or investments.

5400.20 A4 Subject to compliance with paragraph R5400.21, providing advice and recommendations to assist the management of a sustainability assurance client in discharging its responsibilities is not assuming a management responsibility. The provision of advice and recommendations to a sustainability assurance client might create a self-review threat and is addressed in Section 5600.

R5400.21 When performing a professional activity for a sustainability assurance client, the firm shall be satisfied that client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

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- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:
 - (i) The objectives, nature and results of the activities; and
 - (ii) The respective client and firm or network firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the activities.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

5400.21 A1 When technology is used in performing a professional activity for a sustainability assurance client, the requirements in paragraphs R5400.20 and R5400.21 apply regardless of the nature or extent of such use of the technology.

Related Entities

R5400.27 As defined, a sustainability assurance client that is a listed entities includes all of its related entities. For all other entities, references to a sustainability assurance client in this Part include related entities over which the client has direct or indirect control. When the sustainability assurance team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the firm's independence from the client, the sustainability assurance team shall include that related entity when identifying, evaluating and addressing threats to independence.

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Period During which Independence is Required

R5400.30 Independence, as required by the Independence Standards in this Part, shall be maintained during both:

- (a) The engagement period; and
- (b) The reporting period for the engagement.

5400.30 A1 The engagement period starts when the engagement team begins to perform the sustainability assurance engagement. The engagement period ends when the sustainability assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final sustainability assurance report.

5400.30 A2 The reporting period for the engagement might be the same as the period covered by the financial statements. The reporting period for the engagement does not refer to the period covered by the sustainability information from the start of historical information to the end of any forward-looking information.

R5400.31 If an entity becomes a sustainability assurance client during or after the reporting period for the engagement, the firm shall determine whether any threats to independence are created by:

- (a) Financial or business relationships with the sustainability assurance client during or after the reporting period for the engagement but before accepting the sustainability assurance engagement; or
- (b) Previous services provided to the sustainability assurance client by the firm or a network firm.

5400.31 A1 Threats to independence are created if a non-assurance service was provided to a sustainability assurance client during, or after the reporting period for the engagement, but before the engagement team begins to perform the sustainability assurance engagement, and the service would not be permitted during the engagement period.

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- 5400.31 A2 A factor to be considered in such circumstances is whether the results of the service provided might form part of or affect the sustainability information on which the firm will express an opinion, the records underlying that information, or the internal controls over sustainability reporting.
- 5400.31 A3 Examples of actions that might be safeguards to address threats to independence include:
- Not assigning professionals who performed the non-assurance service to be members of the engagement team.
 - Having an appropriate reviewer review the sustainability assurance work or non-assurance service as appropriate.
 - Engaging another firm outside of the network to evaluate the results of the non-assurance service or having another firm outside of the network re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.
- 5400.31 A4 A threat to independence created by the provision of a non-assurance service by a firm or a network firm prior to the sustainability assurance engagement period or prior to the reporting period for the engagement is eliminated or reduced to an acceptable level if the results of such service have been used or implemented in a period for which a sustainability assurance engagement has been undertaken by another firm.

Sustainability Assurance Clients that are Public Interest Entities

- R5400.32** A firm shall not accept appointment to perform a sustainability assurance engagement for a public interest entity to which the firm or the network firm has provided a non-assurance service prior to such appointment that might create a self-review threat in relation to the sustainability information on which the firm will express an opinion unless:

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- (a) The provision of such service ceases before the commencement of the sustainability assurance engagement period;
- (b) The firm takes action to address any threats to its independence; and
- (c) The firm determines that, in the view of a reasonable and informed third party, any threats to the firm's independence have been or will be eliminated or reduced to an acceptable level.

5400.32 A1 Actions that might be regarded by a reasonable and informed third party as eliminating or reducing to an acceptable level any threats to independence created by the provision of non-assurance services to a public interest entity prior to appointment to perform a sustainability assurance engagement to that entity include:

- The results of the service had been subject to sustainability assurance procedures in the course of the sustainability assurance engagement of the prior period's sustainability information by a predecessor firm.
- The firm engages a practitioner, who is not a member of the firm expressing the opinion on the sustainability information, to perform a review of the first sustainability assurance engagement affected by the self-review threat that is equivalent to an engagement quality control review.
- The public interest entity engages another firm outside of the network to:
 - (i) Evaluate the results of the non-assurance service; or
 - (ii) Re-perform the service,to the extent necessary to enable the other firm to take responsibility for the result of the service.

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Communication with those Charged with Governance

5400.40 A1 Paragraphs R5300.9 and R5300.10 set out requirements with respect to communicating with those charged with governance.

5400.40 A2 Even when not required by the Code, applicable professional standards, laws or regulations, regular communication is encouraged between a firm and those charged with governance of the client regarding relationships and other matters that might, in the firm's opinion, reasonably bear on independence. Such communication enables those charged with governance to:

- (a) Consider the firm's judgments in identifying and evaluating threats;
- (b) Consider how threats have been addressed including the appropriateness of safeguards when they are available and capable of being applied; and
- (c) Take appropriate action.

Such an approach can be particularly helpful with respect to intimidation and familiarity threats.

Network Firms

5400.50 A1 Firms frequently form larger structures with other firms and entities to enhance their ability to provide professional services. Whether these larger structures create a network depends on the particular facts and circumstances. It does not depend on whether the firms and entities are legally separate and distinct. Reference may be made to the Guidelines of Network issued by the Institute from time to time in this regard.

R5400.51 A network firm shall be independent of the sustainability assurance clients of the other firms within the network as required by this Part.

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5400.51 A1 The independence requirements in this Part that apply to a network firm apply to any entity that meets the definition of a network firm.

General Documentation of Independence for Sustainability Assurance Engagements

R5400.60 A firm shall document conclusions regarding compliance with the Independence Standards in this Part, and the substance of any relevant discussions that support those conclusions. In particular:

- (a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and
- (b) When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.

5400.60 A1 Documentation provides evidence of the firm's judgments in forming conclusions regarding compliance with the Independence Standards in this Part. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent.

Mergers and Acquisitions

When a Client Merger Creates a Threat

5400.70 A1 An entity might become a related entity of a sustainability assurance client because of a merger or acquisition. A threat to independence and, therefore, to the ability of a firm to continue a sustainability assurance engagement might be created by previous or current interests or relationships between a firm or network firm and such a related entity.

R5400.71 In the circumstances set out in paragraph 5400.70 A1,

- (a) The firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account any actions taken to

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address the threat, might affect its independence and therefore its ability to continue the sustainability assurance engagement after the effective date of the merger or acquisition; and

- (b) Subject to paragraph R5400.72, the firm shall take steps to end any interests or relationships that are not permitted by the Code by the effective date of the merger or acquisition.

R5400.72 As an exception to paragraph R5400.71(b), if the interest or relationship cannot reasonably be ended by the effective date of the merger or acquisition, the firm shall:

- (a) Evaluate the threat that is created by the interest or relationship; and
- (b) Discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be ended by the effective date and the evaluation of the level of the threat.

5400.72 A1 In some circumstances, it might not be reasonably possible to end an interest or relationship creating a threat by the effective date of the merger or acquisition. This might be because the firm provides a non-assurance service to the related entity, which the entity is not able to transition in an orderly manner to another provider by that date.

5400.72 A2 Factors that are relevant in evaluating the level of a threat created by mergers and acquisitions when there are interests and relationships that cannot reasonably be ended include:

- The nature and significance of the interest or relationship.
- The nature and significance of the related entity relationship (for example, whether the related entity is a subsidiary or parent).
- The length of time until the interest or relationship can reasonably be ended.

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R5400.73 If, following the discussion set out in paragraph R5400.72(b), those charged with governance request the firm to continue the sustainability assurance engagement, the firm shall do so only if:

- (a) The interest or relationship will be ended as soon as reasonably possible but no later than six months after the effective date of the merger or acquisition;
- (b) Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted by Section 5600 and its subsections, will not be a member of the engagement team for the sustainability assurance engagement or the individual responsible for the engagement quality control review; and
- (c) Transitional measures will be applied, as necessary, and discussed with those charged with governance.

5400.73 A1 Examples of such transitional measures include:

- Having a sustainability assurance provider review the sustainability assurance or non- assurance work as appropriate.
- Having a sustainability assurance provider, who is not a member of the firm expressing the opinion on the sustainability information, perform a review that is equivalent to an engagement quality control review.
- Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.

R5400.74 The firm might have completed a significant amount of work on the sustainability assurance engagement prior to the effective date of the merger or acquisition and might be able to complete the remaining assurance procedures within a short period of time. In such circumstances, if those charged

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with governance request the firm to complete the sustainability assurance engagement while continuing with an interest or relationship identified in paragraph 5400.70 A1, the firm shall only do so if it:

- (a) Has evaluated the level of the threat and discussed the results with those charged with governance;
- (b) Complies with the requirements of paragraph R5400.73(b) to (c); and
- (c) Ceases to perform the sustainability assurance engagement no later than the date that the sustainability assurance report is issued.

If Objectivity Remains Compromised

R5400.75 Even if all the requirements of paragraphs R5400.71 to R5400.74 could be met, the firm shall determine whether the circumstances identified in paragraph 5400.70 A1 create a threat that cannot be addressed such that objectivity would be compromised. If so, the firm shall cease to perform the sustainability assurance engagement.

Documentation

R5400.76 The firm shall document:

- (a) Any interests or relationships identified in paragraph 5400.70 A1 that will not be ended by the effective date of the merger or acquisition and the reasons why they will not be ended;
- (b) The transitional measures applied;
- (c) The results of the discussion with those charged with governance; and
- (d) The reasons why the previous and current interests and relationships do not create a threat such that objectivity would be compromised.

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Breach of an Independence Provision for Sustainability Assurance Engagements

When a Firm Identifies a Breach

R5400.80 If a firm concludes that a breach of an independence requirement in this Part has occurred, the firm shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;
- (b) Consider whether any legal or regulatory requirements apply to the breach and, if so:
 - (i) Comply with those requirements;
- (c) Promptly communicate the breach in accordance with its policies and procedures to:
 - (i) The engagement leader;
 - (ii) Those with responsibility for the policies and procedures relating to independence;
 - (iii) Other relevant personnel in the firm and, where appropriate, the network; and
 - (iv) Those subject to the independence requirements in this Part who need to take appropriate action;
- (d) Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue a sustainability assurance report; and
- (e) Depending on the significance of the breach, determine:
 - (i) Whether to end the sustainability assurance engagement; or
 - (ii) Whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances.

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In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue a sustainability assurance report.

5400.80 A1 A breach of an independence provision of this Part might occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained.. It might be necessary to end the sustainability assurance engagement because of the breach.

5400.80 A2 The significance and impact of a breach on the firm's objectivity and ability to issue a sustainability assurance report will depend on factors such as:

- The nature and duration of the breach.
- The number and nature of any previous breaches with respect to the current sustainability assurance engagement.
- Whether a sustainability assurance team member had knowledge of the interest or relationship that created the breach.
- Whether the individual who created the breach is a sustainability assurance team member or another individual for whom there are independence requirements.
- If the breach relates to a sustainability assurance team member, the role of that individual.
- If the breach was created by providing a professional service, the impact of that service, if any, on the records underlying, or data comprising, the sustainability information on which the firm will express an opinion.
- The extent of the self-interest, advocacy, intimidation or other threats created by the breach. 5400.80 A3

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Depending upon the significance of the breach, examples of actions that the firm might consider to address the breach satisfactorily include:

- Removing the relevant individual from the sustainability assurance team.
- Using different individuals to conduct an additional review of the affected assurance work or to re-perform that work to the extent necessary.
- Recommending that the sustainability assurance client engage another firm to review or re-perform the affected assurance work to the extent necessary.
- If the breach relates to a non-assurance service that affects the records underlying, or data comprising, the sustainability information on which the firm will express an opinion, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.

R5400.81 If the firm determines that action cannot be taken to address the consequences of the breach satisfactorily, the firm shall inform those charged with governance as soon as possible and take the steps necessary to end the sustainability assurance engagement in compliance with any applicable legal or regulatory requirements. Where ending the engagement is not permitted by laws or regulations, the firm shall comply with any reporting or disclosure requirements.

R5400.82 If the firm determines that action can be taken to address the consequences of the breach satisfactorily, the firm shall discuss with those charged with governance:

- (a) The significance of the breach, including its nature and duration;
- (b) How the breach occurred and how it was identified;

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- (c) The action proposed or taken and why the action will satisfactorily address the consequences of the breach and enable the firm to issue a sustainability assurance report;
- (d) The conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion; and
- (e) Any steps proposed or taken by the firm to reduce or avoid the risk of further breaches occurring.

Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.

Communication of Breaches to Those Charged with Governance

5400.83 A1 Paragraphs R5300.9 and R5300.10 set out requirements with respect to communicating with those charged with governance.

R5400.84 With respect to breaches, the firm shall communicate in writing to those charged with governance:

- (a) All matters discussed in accordance with paragraph R5400.82 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach; and
- (b) A description of:
 - (i) The firm's policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained; and
 - (ii) Any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring.

R5400.85 If those charged with governance do not concur that the action proposed by the firm in accordance with paragraph R5400.80(e)(ii) satisfactorily addresses the consequences of

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the breach, the firm shall take the steps necessary to end the sustainability assurance engagement in accordance with paragraph R5400.81.

Breaches Before the Previous Sustainability Assurance Report Was Issued

R5400.86 If the breach occurred prior to the issuance of the previous sustainability assurance report, the firm shall comply with the independence provisions of this Part in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue a sustainability assurance report in the current period.

R5400.87 The firm shall also:

- (a) Consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued sustainability assurance reports, and the possibility of withdrawing such reports; and
- (b) Discuss the matter with those charged with governance.

Documentation

R5400.88 In complying with the requirements in paragraphs R5400.80 to R5400.87, the firm shall document:

- (a) The breach;
- (b) The actions taken;
- (c) The key decisions made;
- (d) All the matters discussed with those charged with governance; and
- (e) Any discussions with a professional or regulatory body or oversight authority.

R5400.89 If the firm continues with the sustainability assurance engagement, it shall document:

- (a) The conclusion that, in the firm's professional judgment, objectivity has not been compromised; and

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- (b) The rationale for why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue a sustainability assurance report.

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SECTION 5410

FEES

Introduction

- 5410.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5410.2 Section 5330 sets out application material relevant to applying the conceptual framework where the level and nature of fee and other remuneration arrangements might create a self-interest threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence arising from fees charged to sustainability assurance clients.

Requirements and Application Material

General

- 5410.3 A1 Fees for professional services are usually negotiated with and paid by a sustainability assurance client and might create threats to independence. This practice is generally recognized and accepted by intended users of sustainability information.
- 5410.3 A4 If the firm also performs the audit engagement for the same client, the audit fees and fees for the sustainability assurance engagement are a matter for the firm and the client to agree. If the sustainability assurance engagement is a separate engagement, the provisions in this Part apply, in addition to the relevant provisions in Part 4A that apply to the separate audit engagement.

Fees Paid by a Sustainability Assurance Client

- 5410.4 A1 When fees are negotiated with and paid by a sustainability assurance client, this creates a self-interest threat and might create an intimidation threat to independence.

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- 5410.4 A2 The application of the conceptual framework requires that before a firm or network firm accepts a sustainability assurance engagement, or any other engagement for a sustainability assurance client, the firm determines whether the threats to independence created by the fees proposed to the client are at an acceptable level. The application of the conceptual framework also requires the firm to re- evaluate such threats when facts and circumstances change during the engagement period for the sustainability assurance engagement.
- 5410.4 A3 Factors that are relevant in evaluating the level of threats created when fees for a sustainability assurance engagement, or any other engagement, are paid by the sustainability assurance client include:
- The level of the fees and the extent to which they have regard to the resources required, taking into account the firm's commercial and market priorities.
 - Any linkage between fees for the sustainability assurance engagement and those for services other than the sustainability assurance engagement and the relative size of both elements.
 - The extent of any dependency between the level of the fee for, and the outcome of, the service.
 - Whether the fee is for services to be provided by the firm or a network firm.
 - The level of the fee in the context of the service to be provided by the firm or a network firm.
 - The operating structure and the compensation arrangements of the firm and network firms.
 - The significance of the client, or a third party referring the client, to the firm, network firm, engagement leader or office.

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- The nature of the client, for example whether the client is a public interest entity.
- The relationship of the client to the related entities to which the services other than the sustainability assurance engagement are provided, for example when the related entity is a sister entity.
- The involvement of those charged with governance in appointing the firm providing the sustainability assurance service and agreeing fees, and the apparent emphasis they and client management place on the quality of the sustainability assurance engagement and the overall level of the fees.
- Whether the level of the fee is set by an independent third party, such as a regulatory body.
- Whether the quality of the firm's sustainability assurance work is subject to the review of the Institute .

5410.4 A5 The requirements and application material that follow identify circumstances which might need to be further evaluated when determining whether the threats are at an acceptable level. For those circumstances, application material includes examples of additional factors that might be relevant in evaluating the threats.

Level of Sustainability Assurance Fees

5410.5 A1 Determining the fees to be charged to a sustainability assurance client, whether for the sustainability assurance engagement or other services, is a business decision of the firm taking into account the facts and circumstances relevant to that specific engagement, including the requirements of technical and professional standards.

5410.5 A2 Factors that are relevant in evaluating the level of self-interest and intimidation threats created by the level of the sustainability assurance fee paid by the sustainability assurance client include:

- The firm's commercial rationale for the sustainability

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assurance fee.

- Whether undue pressure has been, or is being, applied by the client to reduce the sustainability assurance fee.

5410.5 A3 Examples of actions that might be safeguards to address such threats include:

- Having an appropriate reviewer who does not take part in the sustainability assurance engagement assess the reasonableness of the fee proposed, having regard to the scope and complexity of the engagement.
- Having an appropriate reviewer who did not take part in the sustainability assurance engagement review the work performed.

Impact of Other Services Provided to a Sustainability Assurance Client

R5410.6 Subject to paragraph R5410.7, a firm shall not allow the sustainability assurance fee to be influenced by the provision of services other than the sustainability assurance engagement to a sustainability assurance client by the firm or a network firm.

5410.6 A1 The sustainability assurance fee ordinarily reflects a combination of matters. However, the provision of other services to a sustainability assurance client is not an appropriate consideration in determining the sustainability assurance fee.

R5410.7 As an exception to paragraph R5410.6, when determining the sustainability assurance fee, the firm may take into consideration the cost savings achieved as a result of experience derived from the provision of services other than the sustainability assurance engagement to a sustainability assurance client.

Contingent Fees

5410.8 A1 Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an

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intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.

R5410.9 A firm shall not charge directly or indirectly a contingent fee for a sustainability assurance engagement.

Total Fees – Proportion of Fees for Services Other than Sustainability Assurance to Sustainability Assurance Fee

5410.11 A0 Where a firm performs both an audit engagement and a sustainability assurance engagement for a sustainability assurance client, paragraphs 410.11 A1 to 410.11 A3 in Part 4A apply in the context of the fees charged by the firm and network firms to the sustainability assurance client. Where the firm is not engaged to perform an audit engagement for the client, paragraphs 5410.11 A1 to A3 apply.

5410.11 A1 The level of the self-interest threat might be impacted when a large proportion of fees charged by the firm or network firms to a sustainability assurance client is generated by providing services other than the sustainability assurance engagement to the client, due to concerns about the potential loss of either the sustainability assurance engagement or other services. Such circumstances might also create an intimidation threat. A further consideration is a perception that the firm or network firm focuses on the non-sustainability assurance relationship, which might create a threat to the sustainability assurance provider's independence.

5410.11 A2 Factors that are relevant in evaluating the level of such threats include:

- The ratio of fees for services other than the sustainability assurance engagement to the sustainability assurance fee.
- The length of time during which a large proportion of fees for services other than the sustainability assurance engagement to the sustainability assurance fee has existed.

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- The nature, scope and purposes of the services other than the sustainability assurance engagement, including:
 - Whether they are recurring services.
 - Whether law or regulation mandates the services to be performed by the firm.

5410.11 A3 Examples of actions that might be safeguards to address such self-interest or intimidation threats include:

- Having an appropriate reviewer who was not involved in the sustainability assurance engagement or the service other than the sustainability assurance engagement review the relevant sustainability assurance work.
- Reducing the extent of services other than the sustainability assurance engagement provided to the sustainability assurance client.

Total Fees – Overdue Fees

5410.12 A1 The level of the self-interest threat might be impacted if fees payable by a sustainability assurance client for the sustainability assurance engagement or services other than the sustainability assurance engagement are overdue during the period of the sustainability assurance engagement.

5410.12 A2 It is generally expected that the firm will obtain payment of such fees before the sustainability assurance report is issued.

5410.12 A3 Factors that are relevant in evaluating the level of such a self-interest threat include:

- The significance of the overdue fees to the firm.
- The length of time the fees have been overdue.
- The firm's assessment of the ability and willingness of the sustainability assurance client to pay the overdue fees.

5410.12 A4 Examples of actions that might be safeguards to address such a threat include:

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- Obtaining partial payment of overdue fees.
- Having an appropriate reviewer who did not take part in the sustainability assurance engagement review the sustainability assurance work.

R5410.13 When a significant part of the fees due from a sustainability assurance client remains unpaid for a long time, the firm shall determine:

- (a) Whether the overdue fees might be equivalent to a loan to the client, in which case the requirements and application material set out in Section 5511 are applicable; and
- (b) Whether it is appropriate for the firm to be re-appointed or continue the sustainability assurance engagement.

SECTION 5411

COMPENSATION AND EVALUATION POLICIES

Introduction

- 5411.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5411.2 A firm's evaluation or compensation policies might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 5411.3 A1 When a sustainability assurance team member for a particular sustainability assurance client is evaluated on or compensated for selling non-assurance services to that sustainability assurance client, the level of the self-interest threat will depend on:
- (a) What proportion of the compensation or evaluation is based on the sale of such services;
 - (b) The role of the individual on the sustainability assurance team; and
 - (c) Whether the sale of such non-assurance services influences promotion decisions.
- 5411.3 A2 Examples of actions that might eliminate such a self-interest threat include:
- Revising the compensation plan or evaluation process for that individual.
 - Removing that individual from the sustainability assurance team.

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5411.3 A3 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the sustainability assurance team member.

R5411.4 A firm shall not evaluate or compensate a key sustainability assurance leader based on that leader's success in selling non-assurance services to the leader's sustainability assurance client. This requirement does not preclude normal profit-sharing arrangements between leaders of a firm.

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SECTION 5420

GIFTS AND HOSPITALITY

Introduction

- 5420.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5420.2 Accepting gifts and hospitality from a sustainability assurance client might create a self-interest, familiarity or intimidation threat. This section sets out a specific requirement and application material relevant to applying the conceptual framework in such circumstances.

Requirement and Application Material

- R5420.3** A firm, network firm or a sustainability assurance team member shall not accept gifts and hospitality from a sustainability assurance client, unless the value is trivial and inconsequential.
- 5420.3 A1 Where a firm, network firm or sustainability assurance team member is offering or accepting an inducement to or from a sustainability assurance client, the requirements and application material set out in Section 5340 apply and non-compliance with these requirements might create threats to independence.
- 5420.3 A2 The requirements set out in Section 5340 relating to offering or accepting inducements do not allow a firm, network firm or sustainability assurance team member to accept gifts and hospitality where the intent is to improperly influence behavior even if the value is trivial and inconsequential.

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SECTION 5430

ACTUAL OR THREATENED LITIGATION

Introduction

- 5430.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5430.2 When litigation with a sustainability assurance client occurs, or appears likely, self-interest and intimidation threats are created. This section sets out specific application material relevant to applying the conceptual framework in such circumstances.

Application Material

General

- 5430.3 A1 The relationship between client management and sustainability assurance team members must be characterized by complete candor and full disclosure regarding all aspects of a client's operations. Adversarial positions might result from actual or threatened litigation between a sustainability assurance client and the firm, a network firm or a sustainability assurance team member. Such adversarial positions might affect management's willingness to make complete disclosures and create self-interest and intimidation threats.
- 5430.3 A2 Factors that are relevant in evaluating the level of such threats include:
- The materiality of the litigation.
 - Whether the litigation relates to a prior sustainability assurance engagement.
- 5430.3 A3 If the litigation involves a sustainability assurance team member, an example of an action that might eliminate such self-interest and intimidation threats is removing that individual from the sustainability assurance team.

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- 5430.3 A4 An example of an action that might be a safeguard to address such self-interest and intimidation threats is to have an appropriate reviewer review the work performed.

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SECTION 5510

FINANCIAL INTERESTS

Introduction

- 5510.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5510.2 Holding a financial interest in a sustainability assurance client might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 5510.3 A1 A financial interest might be held directly or indirectly through an intermediary such as a collective investment vehicle, an estate or a trust. When a beneficial owner has control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be direct. Conversely, when a beneficial owner has no control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be indirect.
- 5510.3 A2 This section contains references to the “materiality” of a financial interest. In determining whether such an interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.
- 5510.3 A3 Factors that are relevant in evaluating the level of a self-interest threat created by holding a financial interest in a sustainability assurance client include:
- The role of the individual holding the financial interest.
 - Whether the financial interest is direct or indirect.
 - The materiality of the financial interest.

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Financial Interests in a Sustainability Assurance Client Held by the Firm, a Network Firm, Sustainability Assurance Team Members and Others

R5510.4 Subject to paragraph R5510.5, a direct financial interest or a material indirect financial interest in the sustainability assurance client shall not be held by:

- (a) The firm or a network firm;
- (b) A sustainability assurance team member, or any of that individual's immediate family;
- (c) Any other leader in the office in which an engagement leader practices in connection with the sustainability assurance engagement, or any of that other leader's immediate family; or
- (d) Any other leader or managerial employee who provides services other than sustainability assurance to the sustainability assurance client, except for any whose involvement is minimal, or any of that individual's immediate family.

5510.4 A1 The office in which the engagement leader practices in connection with a sustainability assurance engagement is not necessarily the office to which that engagement leader is assigned. When the engagement leader is located in a different office from that of the other sustainability assurance team members, professional judgment is needed to determine the office in which the engagement leader practices in connection with the engagement.

R5510.5 As an exception to paragraph R5510.4, an immediate family member identified in subparagraphs R5510.4(c) or (d) may hold a direct or material indirect financial interest in a sustainability assurance client, provided that:

- (a) The family member received the financial interest because of employment rights, for example through pension or share option plans, and, when necessary,

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the firm addresses the threat created by the financial interest; and

- (b) The family member disposes of or forfeits the financial interest as soon as practicable when the family member has or obtains the right to do so, or in the case of a stock option, when the family member obtains the right to exercise the option.

Financial Interests in an Entity Controlling a Sustainability Assurance Client

R5510.6 When an entity has a controlling interest in a sustainability assurance client and the client is material to the entity, neither the firm, nor a network firm, nor a sustainability assurance team member, nor any of that individual's immediate family shall hold a direct or material indirect financial interest in that entity.

Financial Interests in a Sustainability Assurance Client Held as Trustee

R5510.7 Paragraph R5510.4 shall also apply to a financial interest in a sustainability assurance client held in a trust for which the firm, network firm or individual acts as trustee, unless:

- (a) None of the following is a beneficiary of the trust: the trustee, the sustainability assurance team member or any of that individual's immediate family, the firm or a network firm;
- (b) The interest in the sustainability assurance client held by the trust is not material to the trust;
- (c) The trust is not able to exercise significant influence over the sustainability assurance client; and
- (d) None of the following can significantly influence any investment decision involving a financial interest in the sustainability assurance client: the trustee, the sustainability assurance team member or any of that individual's immediate family, the firm or a network firm.

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Financial Interests in Common with the Sustainability Assurance Client

- R5510.8** (a) A firm, or a network firm, or a sustainability assurance team member, or any of that individual's immediate family shall not hold a financial interest in an entity when a sustainability assurance client also has a financial interest in that entity, unless:
- (i) The financial interests are immaterial to the firm, the network firm, the sustainability assurance team member and that individual's immediate family member and the sustainability assurance client, as applicable; or
 - (ii) The sustainability assurance client cannot exercise significant influence over the entity.
- (b) Before an individual who has a financial interest described in paragraph R5510.8(a) can become a sustainability assurance team member, the individual or that individual's immediate family member shall either:
- (i) Dispose of the interest; or
 - (ii) Dispose of enough of the interest so that the remaining interest is no longer material.

Financial Interests in a Sustainability Assurance Client Received Unintentionally

- R5510.9** If a firm, a network firm or a leader or employee of the firm or a network firm, or any of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in a sustainability assurance client by way of an inheritance, gift, as a result of a merger or in similar circumstances and the interest would not otherwise be permitted to be held under this section, then:
- (a) If the interest is received by the firm or a network firm, or a sustainability assurance team member or any of that individual's immediate family, the financial interest shall be disposed of immediately, or enough of an

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indirect financial interest shall be disposed of so that the remaining interest is no longer material; or

- (b) (i) If the interest is received by an individual who is not a sustainability assurance team member, or by any of that individual's immediate family, the financial interest shall be disposed of as soon as possible, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; and
- (ii) Pending the disposal of the financial interest, when necessary the firm shall address the threat created.

Financial Interests – Other Circumstances

Immediate Family

- 5510.10 A1 A self-interest, familiarity, or intimidation threat might be created if a sustainability assurance team member, or any of that individual's immediate family, or the firm or a network firm has a financial interest in an entity when a director or officer or controlling owner of the sustainability assurance client is also known to have a financial interest in that entity.
- 5510.10 A2 Factors that are relevant in evaluating the level of such threats include:
 - The role of the individual on the sustainability assurance team.
 - Whether ownership of the entity is closely or widely held.
 - Whether the interest allows the investor to control or significantly influence the entity.
 - The materiality of the financial interest.
- 5510.10 A3 An example of an action that might eliminate such a self-interest, familiarity, or intimidation threat is removing the sustainability assurance team member with the financial interest from the sustainability assurance team.

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- 5510.10 A4 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the sustainability assurance team member.

Close Family

- 5510.10 A5 A self-interest threat might be created if a sustainability assurance team member knows that a close family member has a direct financial interest or a material indirect financial interest in the sustainability assurance client.

- 5510.10 A6 Factors that are relevant in evaluating the level of such a threat include:

- The nature of the relationship between the sustainability assurance team member and the close family member.
- Whether the financial interest is direct or indirect.
- The materiality of the financial interest to the close family member. 5510.10 A7 Examples of actions that might eliminate such a self-interest threat include:
- Having the close family member dispose, as soon as practicable, of all of the financial interest or dispose of enough of an indirect financial interest so that the remaining interest is no longer material.
- Removing the individual from the sustainability assurance team.

- 5510.10 A8 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the sustainability assurance team member.

Other Individuals

- 5510.10 A9 A self-interest threat might be created if a sustainability assurance team member knows that a financial interest in the sustainability assurance client is held by individuals such as:

- Leaders and professional employees of the firm or network firm, apart from those who are specifically not

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permitted to hold such financial interests by paragraph R5510.4, or their immediate family members.

- Individuals with a close personal relationship with a sustainability assurance team member. 5510.10 A10 Factors that are relevant in evaluating the level of such a threat include:
- The firm's organizational, operating and reporting structure.
- The nature of the relationship between the individual and the sustainability assurance team member.

5510.10 A11 An example of an action that might eliminate such a self-interest threat is removing the sustainability assurance team member with the personal relationship from the sustainability assurance team.

5510.10 A12 Examples of actions that might be safeguards to address such a self-interest threat include:

- Excluding the sustainability assurance team member from any significant decision-making concerning the sustainability assurance engagement.
- Having an appropriate reviewer review the work of the sustainability assurance team member.

Retirement Benefit Plan of a Firm or Network Firm

5510.10 A13 A self-interest threat might be created if a retirement benefit plan of a firm or a network firm holds a direct or material indirect financial interest in a sustainability assurance client.

SECTION 5511

LOANS AND GUARANTEES

Introduction

- 5511.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5511.2 A loan or a guarantee of a loan with a sustainability assurance client might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 5511.3 A1 This section contains references to the “materiality” of a loan or guarantee. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

Loans and Guarantees with a Sustainability Assurance Client

- R5511.4** A firm, a network firm, a sustainability assurance team member, or any of that individual’s immediate family shall not make or guarantee a loan to a sustainability assurance client unless the loan or guarantee is immaterial to:
- (a) The firm, the network firm or the individual making the loan or guarantee, as applicable; and
 - (b) The client.

Loans and Guarantees with a Sustainability Assurance Client that is a Bank or Similar Institution

- R5511.5** A firm, a network firm, a sustainability assurance team member, or any of that individual’s immediate family shall not accept a loan, or a guarantee of a loan, from a sustainability assurance client that is a bank or a similar institution unless

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the loan or guarantee is made under normal lending procedures, terms and conditions.

- 5511.5 A1 Examples of loans include mortgages, bank overdrafts, car loans, and credit card balances.
- 5511.5 A2 Even if a firm or network firm receives a loan from a sustainability assurance client that is a bank or similar institution under normal lending procedures, terms and conditions, the loan might create a self-interest threat if it is material to the sustainability assurance client or firm receiving the loan.
- 5511.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having the work reviewed by an appropriate reviewer, who is not a sustainability assurance team member, from a network firm that is not a beneficiary of the loan.

Deposits or Brokerage Accounts

- R5511.6** A firm, a network firm, a sustainability assurance team member, or any of that individual's immediate family shall not have deposits or a brokerage account with a sustainability assurance client that is a bank, broker or similar institution, unless the deposit or account is held under normal commercial terms.

Loans and Guarantees with a Sustainability Assurance Client that is Not a Bank or Similar Institution

- R5511.7** A firm, a network firm, a sustainability assurance team member, or any of that individual's immediate family shall not accept a loan from, or have a borrowing guaranteed by, a sustainability assurance client that is not a bank or similar institution, unless the loan or guarantee is immaterial to:
- (a) The firm, the network firm, or the individual receiving the loan or guarantee, as applicable; and
 - (b) The client.

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SECTION 5520

BUSINESS RELATIONSHIPS

Introduction

- 5520.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5520.2 A close business relationship with a sustainability assurance client or its management might create a self-interest or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 5520.3 A1 This section contains references to the “materiality” of a financial interest and the “significance” of a business relationship. In determining whether such a financial interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.
- 5520.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:
- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
 - Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products of the client and to market the package with reference to both parties.
- 5520.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement

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under which the firm or a network firm licenses products or solutions to or from a client.

Firm, Network Firm, Sustainability Assurance Team Member or Immediate Family Business Relationships with a Sustainability Assurance Client

R5520.4 A firm, a network firm or a sustainability assurance team member shall not have a close business relationship with a sustainability assurance client or its management unless any financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm, the network firm or the sustainability assurance team member, as applicable.

5520.4 A1 A self-interest or intimidation threat might be created if there is a close business relationship between the sustainability assurance client or its management and the immediate family of a sustainability assurance team member.

Common Interests in Closely-Held Entities

R5520.5 A firm, a network firm, a sustainability assurance team member, or any of that individual's immediate family shall not have a business relationship involving the holding of an interest in a closely-held entity when a sustainability assurance client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:

- (a) The business relationship is insignificant to the firm, the network firm, or the individual as applicable, and the client;
- (b) The financial interest is immaterial to the investor or group of investors; and
- (c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.

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Buying Goods or Services

- 5520.6 A1 The purchase of goods and services, from a sustainability assurance client by a firm, a network firm, a sustainability assurance team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.
- 5520.6 A2 Examples of actions that might eliminate such a self-interest threat include:
- Eliminating or reducing the magnitude of the transaction.
 - Removing the individual from the sustainability assurance team.

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SECTION 5521

FAMILY AND PERSONAL RELATIONSHIPS

Introduction

- 5521.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5521.2 Family or personal relationships with client personnel might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 5521.3 A1 A self-interest, familiarity or intimidation threat might be created by family and personal relationships between a sustainability assurance team member and a director or officer or, depending on their role, certain employees of the sustainability assurance client.
- 5521.3 A2 Factors that are relevant in evaluating the level of such threats include:
- The individual's responsibilities on the sustainability assurance team.
 - The role of the family member or other individual within the client, and the closeness of the relationship.

Immediate Family of a Sustainability Assurance Team Member

- 5521.4 A1 A self-interest, familiarity or intimidation threat is created when an immediate family member of a sustainability assurance team member is an employee in a position to exert significant influence over the client's sustainability information on which the firm will express an opinion.

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5521.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The position held by the immediate family member.
- The role of the sustainability assurance team member.

5521.4 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the sustainability assurance team.

5521.4 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the sustainability assurance team so that the sustainability assurance team member does not deal with matters that are within the responsibility of the immediate family member.

R5521.5 An individual shall not participate as a sustainability assurance team member when any of that individual's immediate family:

- (a) Is a director or officer of the sustainability assurance client;
- (b) Is an employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information; or
- (c) Was in such position during any period covered by the engagement or the reporting period for the engagement.

Close Family of a Sustainability Assurance Team Member

5521.6 A1 A self-interest, familiarity or intimidation threat is created when a close family member of a sustainability assurance team member is:

- (a) A director or officer of the sustainability assurance client; or

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- (b) An employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information.

5521.6 A2 Factors that are relevant in evaluating the level of such threats include:

- The nature of the relationship between the sustainability assurance team member and the close family member.
- The position held by the close family member.
- The role of the sustainability assurance team member.

5521.6 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the sustainability assurance team.

5521.6 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the sustainability assurance team so that the sustainability assurance team member does not deal with matters that are within the responsibility of the close family member.

Other Close Relationships of a Sustainability Assurance Team Member

R5521.7 A sustainability assurance team member shall consult in accordance with firm policies and procedures if the sustainability assurance team member has a close relationship with an individual who is not an immediate or close family member, but who is:

- (a) A director or officer of the sustainability assurance client; or
- (b) An employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information.

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- 5521.7 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such a relationship include:
- The nature of the relationship between the individual and the sustainability assurance team member.
 - The position the individual holds with the client.
 - The role of the sustainability assurance team member.
- 5521.7 A2 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the sustainability assurance team.
- 5521.7 A3 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the sustainability assurance team so that the sustainability assurance team member does not deal with matters that are within the responsibility of the individual with whom the sustainability assurance team member has a close relationship.

Relationships of Leaders and Employees of the Firm

- R5521.8** Leaders and employees of the firm shall consult in accordance with firm policies and procedures if they are aware of a personal or family relationship between:
- (a) A leader or employee of the firm or network firm who is not a sustainability assurance team member; and
 - (b) A director or officer of the sustainability assurance client or an employee of the sustainability assurance client in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information.
- 5521.8 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such a relationship include:
- The nature of the relationship between the leader or

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employee of the firm and the director or officer or employee of the client.

- The degree of interaction of the leader or employee of the firm with the sustainability assurance team.
- The position of the leader or employee within the firm.
- The position the individual holds with the client.

5521.8 A2 Examples of actions that might be safeguards to address such self-interest, familiarity or intimidation threats include:

- Structuring the leader's or employee's responsibilities to reduce any potential influence over
- the sustainability assurance engagement.
- Having an appropriate reviewer review the relevant sustainability assurance work performed.

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SECTION 5522

RECENT SERVICE WITH A SUSTAINABILITY ASSURANCE CLIENT

Introduction

- 5522.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5522.2 If a sustainability assurance team member has recently served as a director or officer, or employee of the sustainability assurance client, a self-interest, self-review or familiarity threat might be created. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

Service During Period Covered by the Sustainability Assurance Report

- R5522.3 The sustainability assurance team shall not include an individual who, during the period covered by the sustainability assurance report:
- (a) Had served as a director or officer of the sustainability assurance client; or
 - (b) Was an employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information.

Service Prior to Period Covered by the Sustainability Assurance Report

- 5522.4 A1 A self-interest, self-review or familiarity threat might be created if, before the period covered by the sustainability assurance report, a sustainability assurance team member:
- (a) Had served as a director or officer of the sustainability assurance client; or
 - (b) Was an employee in a position to exert significant influence over the preparation of the client's

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sustainability information on which the firm will express an opinion, or the records underlying that information.

For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current sustainability assurance engagement.

5522.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The position the individual held with the client.
- The length of time since the individual left the client.
- The role of the sustainability assurance team member.

5522.4 A3 An example of an action that might be a safeguard to address such a self-interest, self-review or familiarity threat is having an appropriate reviewer review the work performed by the sustainability assurance team member.

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SECTION 5523

SERVING AS A DIRECTOR OR OFFICER OF A SUSTAINABILITY ASSURANCE CLIENT

Introduction

- 5523.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5523.2 Serving as a director or officer of a sustainability assurance client creates self-review and self-interest threats. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

Service as Director or Officer

- R5523.3 A leader or employee of the firm or a network firm shall not serve as a director or officer of a sustainability assurance client of the firm.

Service as Company Secretary

- R5523.4 A leader or employee of the firm or a network firm shall not serve as Company Secretary for a sustainability assurance client of the firm, unless:
- (a) This practice is specifically permitted under local law, professional rules or practice;
 - (b) Management makes all relevant decisions; and
 - (c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.
- 5523.4 A1 Duties of Company Secretary might range from: administrative duties (such as personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with

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regulations or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity. Therefore, a threat is created if a leader or employee of the firm or a network firm serves as Company Secretary for a sustainability assurance client. (More information on providing non-assurance services to a sustainability assurance client is set out in Section 5600, *Provision of Non-assurance Services to a Sustainability Assurance Client*.)

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SECTION 5524

EMPLOYMENT WITH A SUSTAINABILITY ASSURANCE CLIENT

Introduction

- 5524.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5524.2 Employment relationships with a sustainability assurance client might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material All Sustainability Assurance Clients

- 5524.3 A1 A familiarity or intimidation threat might be created if any of the following individuals have been a sustainability assurance team member or leader of the firm or a network firm:
- A director or officer of the sustainability assurance client.
 - An employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information.

Former Leader or Sustainability Assurance Team Member Restrictions

- R5524.4** The firm shall ensure that no significant connection remains between the firm or a network firm and:
- (a) A former leader who has joined a sustainability assurance client of the firm; or
 - (b) A former sustainability assurance team member who has joined the sustainability assurance client,
- If either has joined the sustainability assurance client as:
- (i) A director or officer; or

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- (ii) An employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information.

A significant connection remains between the firm or a network firm and the individual, unless:

- (a) The individual is not entitled to any benefits or payments from the firm or network firm that are not made in accordance with fixed pre-determined arrangements;
- (b) Any amount owed to the individual is not material to the firm or the network firm; and
- (c) The individual does not continue to participate or appear to participate in the firm's or the network firm's business or professional activities.

5524.4 A1 Even if the requirements of paragraph R5524.4 are met, a familiarity or intimidation threat might still be created.

5524.4 A2 A familiarity or intimidation threat might also be created if a former leader of the firm or network firm has joined an entity in one of the positions described in paragraph 5524.3 A1 and the entity subsequently becomes a sustainability assurance client of the firm.

5524.4 A3 Factors that are relevant in evaluating the level of such threats include:

- The position the individual has taken at the client.
- Any involvement the individual will have with the sustainability assurance team.
- The length of time since the individual was a sustainability assurance team member or leader of the firm or network firm.
- The former position of the individual within the sustainability assurance team, firm or network firm. An example is whether the individual was responsible for

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maintaining regular contact with the client's management or those charged with governance.

5524.4 A4 Examples of actions that might be safeguards to address such familiarity or intimidation threats include:

- Modifying the plan for the sustainability assurance engagement.
- Assigning to the sustainability assurance team individuals who have sufficient experience relative to the individual who has joined the client.
- Having an appropriate reviewer review the work of the former sustainability assurance team member.

Sustainability Assurance Team Members Entering Employment with a Client

R5524.5 A firm or network firm shall have policies and procedures that require sustainability assurance team members to notify the firm or network firm when entering employment negotiations with a sustainability assurance client.

5524.5 A1 A self-interest threat is created when a sustainability assurance team member participates in the sustainability assurance engagement while knowing that the sustainability assurance team member will, or might, join the client at some time in the future.

5524.5 A2 An example of an action that might eliminate such a self-interest threat is removing the individual from the sustainability assurance team.

5524.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review any significant judgments made by that individual while on the team.

Sustainability Assurance Clients that are Public Interest Entities

Key Sustainability Assurance Leaders

R5524.6 Subject to paragraph R5524.8, if an individual who was a key sustainability assurance leader with respect to a sustainability

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assurance client that is a public interest entity joins the client as:

- (a) A director or officer; or
- (b) An employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information,

independence is compromised unless, subsequent to the individual ceasing to be a key sustainability assurance leader:

- (i) The sustainability assurance client has issued assured sustainability information covering a period of not less than twelve months; and
- (ii) The individual was not a sustainability assurance team member with respect to the assurance of that sustainability information.

Chief Executive or Equivalent of the Firm

R5524.7 Subject to paragraph R5524.8, if an individual who was the Chief Executive or equivalent of the firm joins a sustainability assurance client that is a public interest entity as:

- (a) A director or officer; or
- (b) An employee in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion, or the records underlying that information,

independence is compromised, unless twelve months have passed since the individual was the Chief Executive or equivalent of the firm.

Business Combinations

R5524.8 As an exception to paragraphs R5524.6 and R5524.7, independence is not compromised if the circumstances set out in those paragraphs arise as a result of a business combination and:

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- (a) The position was not taken in contemplation of the business combination;
- (b) Any benefits or payments due to the former key sustainability assurance leader or Chief Executive from the firm or a network firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the key sustainability assurance leader or Chief Executive is not material to the firm or network firm as applicable;
- (c) The former key sustainability assurance leader or Chief Executive does not continue to participate or appear to participate in the firm's or network firm's business or professional activities; and
- (d) The firm discusses the former key sustainability assurance leader's or Chief Executive's position held with the sustainability assurance client with those charged with governance.

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SECTION 5525

TEMPORARY PERSONNEL ASSIGNMENTS

Introduction

- 5525.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5525.2 The loan of personnel to a sustainability assurance client might create a self-review, advocacy or familiarity threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 5525.3 A1 Examples of actions that might be safeguards to address threats created by the loan of personnel by a firm or a network firm to a sustainability assurance client include:
- Conducting an additional review of the work performed by the loaned personnel might address a self-review threat.
 - Not including the loaned personnel as a sustainability assurance team member might address a familiarity or advocacy threat.
 - Not giving the loaned personnel sustainability assurance responsibility for any function or activity that the personnel performed during the loaned personnel assignment might address a self-review threat.
- 5525.3 A2 When familiarity and advocacy threats are created by the loan of personnel by a firm or a network firm to a sustainability assurance client, such that the firm or the network firm becomes too closely aligned with the views and interests of management, safeguards are often not available.

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- R5525.4** A firm or network firm shall not loan personnel to a sustainability assurance client unless the firm or network firm is satisfied that:
- (a) Such assistance is provided only for a short period of time;
 - (b) Such personnel will not assume management responsibilities and the sustainability assurance client will be responsible for directing and supervising the activities of the personnel;
 - (c) Any threat to the independence of the firm or network firm arising from the professional services undertaken by such personnel is eliminated or safeguards are applied to reduce such threat to an acceptable level; and
 - (d) Such personnel will not undertake or be involved in professional services that the firm or network firm is prohibited from performing by the Code.

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SECTION 5600

PROVISION OF NON-ASSURANCE SERVICES TO A SUSTAINABILITY ASSURANCE CLIENT

Introduction

- 5600.1 Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence.
- 5600.2 Firms and network firms might provide a range of non-assurance services to their sustainability assurance clients, consistent with their expertise. Providing non-assurance services to sustainability assurance clients might create threats to compliance with the fundamental principles and threats to independence.
- 5600.3 This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when providing non-assurance services to sustainability assurance clients. The subsections that follow set out specific requirements and application material that are relevant when a firm or a network firm provides certain types of non- assurance services to sustainability assurance clients and indicate the types of threats that might be created as a result.
- 5600.4 Some subsections include requirements that expressly prohibit a firm or a network firm from providing certain services to a sustainability assurance client because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an acceptable level.
- 5600.5 New business practices, the developing sustainability landscape, the evolution of financial markets and sustainability reporting, and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that firms and network firms might provide to a sustainability assurance client. The

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conceptual framework and the general provisions in this section apply when a firm proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.

5600.5a The requirements and application material in this section apply where a firm or a network firm provides non-assurance services to a sustainability assurance client and:

- (a) The results of the services will affect, or there is a risk that they will affect, the sustainability information on which the firm will express an assurance opinion, the records underlying that information, or the internal controls over sustainability reporting; or
- (b) The services might create an advocacy, self-interest, familiarity or intimidation threat.

5600.6 Circumstances involving non-assurance services that might affect the sustainability information on which the firm will express an assurance opinion or the records underlying that information, include where a firm or network firm uses technology to provide a non-assurance service to a sustainability assurance client.

5600.6a Where the firm is also the entity's auditor, the requirements and application material in Section 600 apply with respect to identifying, evaluating and addressing threats to the firm's independence, in relation to the audit engagement, that might be created by the provision of non-assurance services to the audit client. A non-assurance service related to sustainability information that does not affect the accounting records, the internal controls over financial reporting, or the financial statements on which the firm will express an opinion does not create a self-review or advocacy threat to independence for the audit. However, such a service might create threats to independence in relation to performing a sustainability assurance engagement for the same client where the provision of that service affects the sustainability information on which the firm will express an opinion, the records

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underlying that information, or the internal controls over sustainability reporting.

Requirements and Application Material

General

Non-Assurance Services Provisions in Laws or Regulations

5600.7 A1 Paragraphs R5100.6 to 5100.7 A1 set out requirements and application material relating to compliance with the Code. If there are laws and regulations relating to the provision of non-assurance services to sustainability assurance clients that differ from or go beyond those set out in this section, firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions.

Risk of Assuming Management Responsibilities when Providing a Non-Assurance Service

5600.8 A1 When a firm or a network firm provides a non-assurance service to a sustainability assurance client, there is a risk that the firm or network firm will assume a management responsibility unless the firm or network firm is satisfied that the requirements in paragraph R5400.21 have been complied with.

Accepting an Engagement to Provide a Non-Assurance Service

R5600.9 Before a firm or a network firm accepts an engagement to provide a non-assurance service to a sustainability assurance client, the firm shall apply the conceptual framework to identify, evaluate and address any threat to independence that might be created by providing that service.

Identifying and Evaluating Threats

All Sustainability Assurance Clients

5600.10 A1 A description of the categories of threats that might arise when a firm or a network firm provides a non-assurance service to a sustainability assurance client is set out in paragraph 5120.6 A3.

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5600.10 A2 Factors that are relevant in identifying the different threats that might be created by providing a non- assurance service to a sustainability assurance client, and evaluating the level of such threats include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a public interest entity.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- The extent to which the client determines significant matters of judgment. (Ref: Para. R5400.20 to R5400.21).
- Whether the outcome of the service will affect the matters reflected in the sustainability information on which the firm will express an opinion or the records underlying that information, and, if so:
 - The extent to which the outcome of the service will have a material effect on the sustainability information.
 - The degree of subjectivity involved in determining the appropriate amounts, disclosures or treatment for those matters reflected in the sustainability information.
- The nature and extent of the impact of the service, if any, on the systems that generate information that

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forms a significant part of the client's:

- Sustainability information on which the firm will express an opinion or the records underlying that information.
- Internal controls over sustainability reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the sustainability assurance engagement.
- The fee relating to the provision of the non-assurance service.

5600.10 A3 Subsections 5601 to 5610 include examples of additional factors that are relevant in identifying threats to independence created by providing certain non-assurance services and evaluating the level of such threats.

Materiality in relation to sustainability information

5600.11 A1 Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to a sustainability assurance client. Subsections 5601 to 5610 refer to materiality in relation to a sustainability assurance client's sustainability information on which the firm will express an opinion. The concept of materiality in relation to sustainability assurance engagement is addressed in the relevant reporting and assurance frameworks. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the sustainability information needs of users. The applicable reporting and assurance frameworks might include principles or guidance to assist the sustainability assurance client in identifying information that might be material to users.

5600.11 A2 Where the Code expressly prohibits the provision of a non-assurance service to a sustainability assurance client, a firm or a network firm is not permitted to provide that service, regardless of the materiality of the outcome or results of the

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non-assurance service on the sustainability information on which the firm will express an opinion.

Providing advice and recommendations

5600.12 A1 Providing advice and recommendations might create a self-review threat. Whether providing advice and recommendations creates a self-review threat involves making the determination set out in paragraph R5600.15. Where the sustainability assurance client is not a public interest entity and a self-review threat is identified, the firm is required to apply the conceptual framework to evaluate and address the threat. If the sustainability assurance client is a public interest entity, paragraphs R5600.17 and R5600.18 apply.

Multiple non-assurance services provided to the same sustainability assurance client

R5600.13 When a firm or a network firm provides multiple non-assurance services to a sustainability assurance client, the firm shall consider whether, in addition to the threats created by each service individually, the combined effect of such services creates or impacts threats to independence.

5600.13 A1 In addition to paragraph 5600.10 A2, factors that are relevant in a firm's evaluation of the level of threats to independence created where multiple non-assurance services are provided to a sustainability assurance client might include whether:

- The combined effect of providing multiple services increases the level of threat created by each service assessed individually.
- The combined effect of providing multiple services increases the level of any threat arising from the overall relationship with the sustainability assurance client.

5600.13 A2 When the sustainability assurance provider is also the auditor, paragraphs R600.13 and 600.13 A1 in Part 4A apply in relation to multiple non-assurance services provided to the same client.

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Self-review threats

5600.14 A1 When a firm or a network firm provides a non-assurance service to a sustainability assurance client, there might be a risk of the firm carrying out assurance procedures on its own or the network firm's work, thereby giving rise to a self-review threat. A self-review threat is the threat that a firm or a network firm will not appropriately evaluate the results of a previous judgment made or an activity performed by an individual within the firm or network firm as part of a non-assurance service on which the sustainability assurance team will rely when forming a judgment as part of a sustainability assurance engagement.

R5600.15 Before providing a non-assurance service to a sustainability assurance client, a firm or a network firm shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that:

- (a) The results of the service will form part of or affect the sustainability information on which the firm will express an opinion, the records underlying that information, or the internal controls over sustainability reporting; and
- (b) In the course of performing assurance work on the sustainability information on which the firm will express an opinion, the sustainability assurance team will evaluate or rely on any judgments made or activities performed by the firm or network firm when providing the service.

Sustainability Assurance Clients that are Public Interest Entities

5600.16 A1 When the sustainability assurance client is a public interest entity, stakeholders have heightened expectations regarding the firm's independence. These heightened expectations are relevant to the reasonable and informed third party test used to evaluate a self-review threat created by providing a non-assurance service to a sustainability assurance client that is a public interest entity.

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- 5600.16 A2 Where the provision of a non-assurance service to a sustainability assurance client that is a public interest entity creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an acceptable level.

Self-review threats

- R5600.17** A firm or a network firm shall not provide a non-assurance service to a sustainability assurance client that is a public interest entity if the provision of that service might create a self-review threat in relation to the assurance work on the sustainability information on which the firm will express an opinion. (Ref: Para. 5600.14 A1 and R5600.15).

Providing advice and recommendations

- R5600.18** As an exception to paragraph R5600.17, a firm or a network firm may provide advice and recommendations to a sustainability assurance client that is a public interest entity in relation to information or matters arising in the course of a sustainability assurance engagement provided that the firm:
- (a) Does not assume a management responsibility (Ref: Para. R5400.20 and R5400.21); and
 - (b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to independence that might be created by the provision of that advice.
- 5600.18 A1 Examples of advice and recommendations that might be provided in relation to information or matters arising in the course of a sustainability assurance engagement include:
- Advising on sustainability reporting standards or policies and sustainability information disclosure requirements.
 - Advising on the appropriateness of controls related to sustainability information and the methods used in determining or establishing the sustainability information to be reported.

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- Proposing an adjustment to sustainability information arising from the sustainability assurance engagement findings.
- Discussing findings on internal controls over sustainability reporting and processes and recommending improvements.

Addressing Threats

All Sustainability Assurance Clients

- 5600.19 A1 Paragraphs R5120.10 to 5120.10 A2 include a requirement and application material that are relevant when addressing threats to independence, including a description of safeguards.
- 5600.19 A2 Threats to independence created by providing a non-assurance service or multiple services to a sustainability assurance client vary depending on the facts and circumstances of the sustainability assurance engagement and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.
- 5600.19 A3 Examples of actions that might be safeguards to address such threats include:
- Using professionals who are not sustainability assurance team members to perform the service.
 - Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or service performed.
- 5600.19 A4 Safeguards might not be available to reduce the threats created by providing a non-assurance service to a sustainability assurance client to an acceptable level. In such a situation, the application of the conceptual framework requires the firm or network firm to:
- (a) Adjust the scope of the proposed service to eliminate the circumstances that are creating the threats;

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- (b) Decline or end the service that creates the threats that cannot be eliminated or reduced to an acceptable level;
or
- (c) End the sustainability assurance engagement.

Communication with Those Charged With Governance Regarding Non-Assurance Services

All Sustainability Assurance Clients

5600.20 A1 Paragraphs 5400.40 A1 and 5400.40 A2 are relevant to a firm's communication with those charged with governance in relation to the provision of non-assurance services.

Sustainability Assurance Clients that are Public Interest Entities

5600.21 A1 Paragraphs R5600.22 to R5600.24 require a firm to communicate with those charged with governance of a public interest entity before the firm or network firm provides non-assurance services to entities within the corporate structure of which the public interest entity forms part that might create threats to the firm's independence from the public interest entity. The purpose of the communication is to enable those charged with governance of the public interest entity to have effective oversight of the independence of the firm that assures the sustainability information of that public interest entity.

5600.21 A2 To facilitate compliance with such requirements, a firm might agree with those charged with governance of the public interest entity a process that addresses when and with whom the firm is to communicate. Such a process might:

- Establish the procedure for the provision of information about a proposed non-assurance service which might be on an individual engagement basis, under a general policy, or on any other agreed basis.
- Identify the entities to which the process would apply, which might include other public interest entities within the corporate structure.

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- Identify any services that can be provided to the entities identified in paragraph R5600.22 without specific approval of those charged with governance if they agree as a general policy that these services are not prohibited under this section and would not create threats to the firm's independence or, if any such threats are created, they would be at an acceptable level.
- Establish how those charged with governance of multiple public interest entities within the same corporate structure have determined that authority for approving services is to be allocated.
- Establish a procedure to be followed where the provision of information necessary for those charged with governance to evaluate whether a proposed service might create a threat to the firm's independence is prohibited or limited by professional standards, laws or regulations, or might result in the disclosure of sensitive or confidential information.
- Specify how any issues not covered by the process might be resolved.

Sustainability Assurance Clients that are Public Interest Entities

R5600.22 Before a firm that undertakes assurance work on the sustainability information of a public interest entity or a network firm accepts an engagement to provide a non-assurance service to:

- (A) That public interest entity;
- (B) Any entity that controls, directly or indirectly, that public interest entity; or
- (C) Any entity that is controlled directly or indirectly by that public interest entity,

the firm shall, unless already addressed when establishing a process agreed with those charged with governance:

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- (a) Inform those charged with governance of the public interest entity that the firm has determined that the provision of the service:
 - (i) Is not prohibited; and
 - (ii) Will not create a threat to the firm's independence as sustainability assurance provider of the public interest entity or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and
- (b) Provide those charged with governance of the public interest entity with information to enable them to make an informed assessment about the impact of the provision of the service on the firm's independence.

5600.22 A1 Examples of information that might be provided to those charged with governance of the public interest entity in relation to a particular non-assurance service include:

- The nature and scope of the service to be provided.
- The basis and amount of the proposed fee.
- Where the firm has identified any threats to independence that might be created by the provision of the proposed service, the basis for the firm's assessment that the threats are at an acceptable level or, if not, the actions the firm or network firm will take to eliminate or reduce any threats to independence to an acceptable level.
- Whether the combined effect of providing multiple services creates threats to independence or changes the level of previously identified threats.

R5600.23 A firm or a network firm shall not provide a non-assurance service to any of the entities referred to in paragraph R5600.22 unless those charged with governance of the public interest entity have concurred either under a process agreed with those charged with governance or in relation to a specific service with:

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- (a) The firm's conclusion that the provision of the service will not create a threat to the firm's independence in providing the sustainability assurance service to the public interest entity, or that any identified threat is at an acceptable level or, if not, will be eliminated, or reduced to an acceptable level; and
- (b) The provision of that service.

R5600.24 As an exception to paragraphs R5600.22 and R5600.23, where a firm is prohibited by applicable professional standards, laws or regulations from providing information about the proposed non- assurance service to those charged with governance of the public interest entity, or where the provision of such information would result in disclosure of sensitive or confidential information, the firm may provide the proposed service provided that:

- (a) The firm provides such information as it is able without breaching its legal or professional obligations;
- (b) The firm informs those charged with governance of the public interest entity that the provision of the service will not create a threat to the firm's independence from the public interest entity, or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and
- (c) Those charged with governance do not disagree with the firm's conclusion in (b).

R5600.25 The firm or the network firm, having taken into account any matters raised by those charged with governance of the sustainability assurance client that is a public interest entity or by the entity referred to in paragraph R5600.22 that is the recipient of the proposed service, shall decline the non-assurance service or the firm shall end the sustainability assurance engagement if:

- (a) The firm or the network firm is not permitted to provide any information to those charged with governance of the sustainability assurance client that is a public

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interest entity, unless such a situation is addressed in a process agreed in advance with those charged with governance; or

- (b) Those charged with governance of a sustainability assurance client that is a public interest entity disagree with the firm's conclusion that the provision of the service will not create a threat to the firm's independence from the client or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level.

Sustainability Assurance Client that Later Becomes a Public Interest Entity

R5600.26 A non-assurance service provided, either currently or previously, by a firm or a network firm to a sustainability assurance client compromises the firm's independence when the client becomes a public interest entity unless:

- (a) The previous non-assurance service complies with the provisions of this section that relate to sustainability assurance clients that are not public interest entities;
- (b) Non-assurance services currently in progress that are not permitted under this section for sustainability assurance clients that are public interest entities are ended before or, if that is not possible, as soon as practicable after, the client becomes a public interest entity; and
- (c) The firm and those charged with governance of the client that becomes a public interest entity agree and take further actions to address any threats to independence that are not at an acceptable level.

5600.26 A1 Examples of actions that the firm might recommend to the sustainability assurance client include engaging another firm to:

- Review or re-perform the affected sustainability assurance work to the extent necessary.
- Evaluate the results of the non-assurance service or re-

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perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.

Considerations for Certain Related Entities

R5600.27 This section includes requirements that prohibit firms and network firms from providing certain non- assurance services to sustainability assurance clients. As an exception to those requirements and the requirement in paragraph R5400.20, a firm or a network firm may assume management responsibilities or provide certain non-assurance services that would otherwise be prohibited to the following related entities of the client on whose sustainability information the firm will express an opinion:

- (a) An entity that has direct or indirect control over the client;
- (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or
- (c) An entity which is under common control with the client, provided that all of the following conditions are met:
 - (i) The firm or a network firm does not express an opinion on the sustainability information of the related entity;
 - (ii) The firm or a network firm does not assume a management responsibility, directly or indirectly, for the entity on whose sustainability information the firm will express an opinion;
 - (iii) The services do not create a self-review threat; and
 - (iv) The firm addresses other threats created by providing such services that are not at an acceptable level.

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Documentation

5600.28 A1 Documentation of the firm's conclusions regarding compliance with this section in accordance with paragraphs R5400.60 and 5400.60 A1 might include:

- Key elements of the firm's understanding of the nature of the non-assurance service to be provided and whether and how the service might impact the sustainability information on which the firm will express an opinion.
- The nature of any threat to independence that is created by providing the service to the sustainability assurance client, including whether the results of the service will be subject to sustainability assurance procedures.
- The extent of management's involvement in the provision and oversight of the proposed non- assurance service.
- Any safeguards that are applied, or other actions taken to address a threat to independence.
- The firm's rationale for determining that the service is not prohibited and that any identified threat to independence is at an acceptable level.
- In relation to the provision of a proposed non-assurance service to the entities referred to in paragraph R5600.22, the steps taken to comply with paragraphs R5600.22 to R5600.24.

SUBSECTION 5601 – SUSTAINABILITY DATA AND INFORMATION SERVICES

Introduction

5601.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.6a to R5600.27 are relevant to applying the conceptual framework when providing

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sustainability data and information services for the preparation or maintenance of sustainability data, records or information to a sustainability assurance client.

Requirements and Application Material

General

5601.2 A1 Management is responsible for the preparation and presentation of the sustainability information in accordance with the applicable sustainability reporting framework. These responsibilities include:

- Determining sustainability reporting policies and the reporting treatment in accordance with those policies.
- Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction, event or other matter included in the sustainability information.
- Originating or changing sustainability data entries or records.
- Determining or approving sustainability information classifications.

Paragraph R5400.20 prohibits a firm or a network firm from assuming a management responsibility.

Description of Service

5601.3 A1 Sustainability data and information services comprise a broad range of services including:

- Preparing sustainability data records or sustainability information that is reported.
- Recording data, events or other matters included in the sustainability information.
- Resolving sustainability information inaccuracies.
- Converting existing sustainability information from one sustainability reporting framework to another.

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- Accounting and bookkeeping services that might affect the sustainability information on which the firm expresses an opinion.

Potential Threats Arising from the Provision of Sustainability Data and Information Services

All Sustainability Assurance Clients

- 5601.4 A1 Providing sustainability data and information services to a sustainability assurance client creates a self-review threat when there is a risk that the results of the services will affect the sustainability information on which the firm will express an opinion, or the sustainability data or information records underlying that information.

Sustainability Assurance Clients that are Not Public Interest Entities

- R5601.5** A firm or a network firm shall not provide to a sustainability assurance client that is not a public interest entity sustainability data and information services that might affect the sustainability information on which the firm expresses an opinion, unless:

- (a) The services are of a routine or mechanical nature; and
- (b) The firm addresses any threats that are not at an acceptable level.

- 5601.5 A1 Sustainability data and information services that are routine or mechanical:

- (a) Involve information, data or material in relation to which the client has made any judgments or decisions that might be necessary; and
- (b) Require little or no professional judgment.

- 5601.5 A2 Sustainability data and information services can either be manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include the activities performed by, and the output of, the technology, and whether the technology provides an

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automated service that is based on or requires the expertise or judgment of the firm or network firm.

5601.5 A3 Examples of services, whether manual or automated, that might be regarded as routine or mechanical include:

- Preparing calculations or reports based on client or third party-originated data for approval by the client.
- Recording recurring data which are easily determinable from source documents, where the client has determined or approved the appropriate classification.
- Posting data coded by the client or received from third parties to the sustainability information records.
- Preparing sustainability information to be reported based on information in the client-approved records and preparing related notes based on client-approved records.
- Compiling and presenting factual sustainability data from client or third-party identified sources for comparative purposes.

The firm or a network firm may provide such services to sustainability assurance clients that are not public interest entities provided that the firm or network firm complies with the requirements of paragraph R5400.21 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in paragraph R5601.5(b).

5601.5 A4 Examples of actions that might be safeguards to address a self-review threat created when providing sustainability data and information services of a routine or mechanical nature to a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service.
- Having an appropriate reviewer who was not involved in

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providing the service review the sustainability assurance work or service performed.

Sustainability Assurance Clients that are Public Interest Entities

R5601.6 A firm or a network firm shall not provide sustainability data and information services that might affect the sustainability information on which the firm expresses an opinion to a sustainability assurance client that is a public interest entity.

SUBSECTION 5602 – ADMINISTRATIVE SERVICES

Introduction

5602.1 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing administrative services.

Application Material

Description of Service

5602.2 A1 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations.

5602.2 A2 Examples of administrative services include:

- Word processing or document formatting.
- Preparing administrative or statutory forms for client approval.
- Submitting such forms as instructed by the client.
- Monitoring statutory filing dates and advising a sustainability assurance client of those dates.

Potential Threats Arising from the Provision of Administrative Services

All Sustainability Assurance Clients

5602.3 A1 Providing administrative services to a sustainability assurance client does not usually create a threat when such services are clerical in nature and require little to no professional judgment.

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SUBSECTION 5603 – VALUATIONS AND ADVISORY SERVICES ON FORWARD-LOOKING INFORMATION

Introduction

5603.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing valuations or advisory services on forward-looking information to a sustainability assurance client.

Requirements and Application Material

Description of Service

5603.2 A1 Valuations and advisory services on forward-looking information, including forecasting, include the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques and the combination of both to compute a certain value, or range of values, for an asset, a liability or for the whole or part of an entity. For such services, the values might be non-monetary, for example, forecasting estimates of materials reserves or the amounts of hazardous substances produced by a manufacturing process.

5603.2 A2 If a firm or a network firm is requested to perform a valuation or an advisory service on forward-looking information to assist a sustainability assurance client with its tax reporting obligations or for tax planning purposes and the results of the service have no effect on the sustainability information on which the firm will express an opinion, or the records underlying that information, other than through entries related to tax, the requirements and application material set out in paragraphs 5604.17 A1 to 5604.19 A1, relating to such services, apply.

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Potential Threats Arising from the Provision of Valuations and Advisory Services on Forward-looking Information

All Sustainability Assurance Clients

- 5603.3 A1 Providing a valuation or an advisory service on forward-looking information to a sustainability assurance client might create a self-review threat when there is a risk that the results of the service will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such a service might also create an advocacy threat.
- 5603.3 A2 Factors that are relevant in identifying self-review or advocacy threats created by providing a valuation or an advisory service on forward-looking information to a sustainability assurance client, and evaluating the level of such threats include:
- The use and purpose of the results of the service or its inclusion in a report.
 - Whether the results of the service will be made public.
 - The extent to which the service methodology is supported by law or regulation, other precedent or established practice.
 - The extent of the client's involvement in determining and approving the service methodology and other significant matters of judgment.
 - The degree of subjectivity inherent in the item for the service involving standard or established methodologies.
 - Whether the service will have a material effect on the sustainability information.
 - The extent of the disclosures related to the item covered by the service in the sustainability information.
 - The volatility of the values involved as a result of dependence on future events.

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When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5603.5 applies.

Sustainability Assurance Clients that are Not Public Interest Entities

5603.3 A3 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing a valuation or an advisory service on forward-looking information to a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or service performed might address a self-review threat.

R5603.4 A firm or a network firm shall not provide a valuation or an advisory service on forward-looking information to a sustainability assurance client that is not a public interest entity if:

- (a) The service involves a significant degree of subjectivity; and
- (b) The service will have a material effect on the sustainability information on which the firm will express an opinion.

5603.4 A1 Certain valuations and advisory services on forward-looking information do not involve a significant degree of subjectivity. This is likely to be the case when the underlying assumptions are established by law or regulation or when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation or an advisory service on forward-looking information performed by two or more parties are not likely to be materially different.

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Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

R5603.5 A firm or a network firm shall not provide a valuation or an advisory service on forward-looking information to a sustainability assurance client that is a public interest entity if the provision of the service might create a self-review threat. (Ref: Para. R5600.15 and R5600.17).

Advocacy Threats

5603.5 A1 An example of an action that might be a safeguard to address an advocacy threat created by providing a valuation or an advisory service on forward-looking information to a sustainability assurance client that is a public interest entity is using professionals who are not sustainability assurance team members to perform the service.

SUBSECTION 5604 – TAX SERVICES

Introduction

5604.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing a tax service to a sustainability assurance client.

Requirements and Application Material

Description of Service

5604.2 A1 Tax services comprise a broad range of services. This subsection deals specifically with:

- Tax return preparation.
- Tax calculations for the purpose of preparing accounting entries or sustainability information.
- Tax advisory services.
- Tax planning services.

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- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

5604.2 A2 It is possible to consider tax services under broad headings, such as tax planning or compliance. However, such services are often interrelated in practice and might be combined with other types of non-assurance services provided by the firm such as corporate finance services. It is, therefore, impracticable to categorize generically the threats to which specific tax services give rise.

5604.2 A3 While tax services are generally relevant to financial information and accounting entries, such services can also be relevant to sustainability and, where they are, might affect the sustainability information on which the firm will express an opinion or the records underlying that information.

Potential Threats Arising from the Provision of Tax Services

5604.3 A1 Providing tax services to a sustainability assurance client might create a self-review threat when there is a risk that the results of the services will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such services might also create an advocacy threat.

5604.3 A2 Factors that are relevant in identifying self-review or advocacy threats created by providing any tax service to a sustainability assurance client, and evaluating the level of such threats include:

- The particular characteristics of the engagement.
- The level of tax expertise of the client's employees.
- The system by which the tax authorities assess and administer the tax in question and the role of the firm or network firm in that process.
- The complexity of the relevant tax regime and the degree of judgment necessary in applying it.

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All Sustainability Assurance Clients

R5604.4 A firm or a network firm shall not provide a tax service or recommend a transaction to a sustainability assurance client if the service or transaction relates to marketing, planning, or opining in favor of a tax treatment that was initially recommended, directly or indirectly, by the firm or network firm, and a significant purpose of the tax treatment or transaction is tax evasion.

5604.4 A1 Unless the tax treatment has a basis in applicable tax law or regulation that the firm is confident is likely to prevail, providing the non-assurance service described in paragraph R5604.4 creates self-interest, self-review and advocacy threats that cannot be eliminated and safeguards are not capable of being applied to reduce such threats to an acceptable level.

A. Tax Return Preparation

Description of Service

5604.5 A1 Tax return preparation services include:

- Assisting clients with their tax reporting obligations by drafting and compiling information, including the amount of tax due (usually on standardized forms) required to be submitted to the applicable tax authorities.
- Advising on the tax return treatment of past transactions.
- Responding on behalf of the sustainability assurance client to the tax authorities' requests for additional information and analysis (for example, providing explanations of and technical support for the approach being taken).

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Potential Threats Arising from the Provision of Tax Return Preparation Services

All Sustainability Assurance Clients

5604.6 A1 Providing tax return preparation services does not usually create a threat because:

- (a) Tax return preparation services are based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice; and
- (b) Tax returns are subject to whatever review or approval process the tax authority considers appropriate.

B. Tax Calculations That Affect Sustainability Information

Description of Service

5604.7 A1 Tax calculation services involve the preparation of calculations of current and deferred tax liabilities or assets for the purpose of preparing accounting entries supporting tax assets or liabilities in the financial statements of the sustainability assurance client. In some cases, those services might also affect the sustainability information of the client.

Potential Threats Arising from the Provision of Tax Calculation Services

All Sustainability Assurance Clients

5604.8 A1 Preparing tax calculations of current and deferred tax liabilities (or assets) for a sustainability assurance client for the purpose of preparing accounting entries that support such balances creates a self-review threat where the results of those calculations affect the sustainability information on which the firm expresses an opinion.

Sustainability Assurance Clients that are Not Public Interest Entities

5604.9 A1 In addition to the factors in paragraph 5604.3 A2, a factor that is relevant in evaluating the level of self-review threat created when preparing such calculations for a sustainability

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assurance client is whether the calculation might have a material effect on the sustainability information on which the firm will express an opinion.

5604.9 A2 Examples of actions that might be safeguards to address such a self-review threat when the sustainability assurance client is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or service performed.

Sustainability Assurance Clients that are Public Interest Entities

R5604.10 A firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for a sustainability assurance client that is a public interest entity if the results of the services will affect the sustainability information on which the firm will express an opinion. (Ref: Para. R5600.15 and R5600.17).

C. Tax Advisory and Tax Planning Services

Description of Service

5604.11 A1 Tax advisory and tax planning services comprise a broad range of services, such as advising the sustainability assurance client how to structure its affairs in a tax efficient manner or advising on the application of a tax law or regulation.

Potential Threats Arising from the Provision of Tax Advisory and Tax Planning Services

All Sustainability Assurance Clients

5604.12 A1 Providing tax advisory and tax planning services to a sustainability assurance client might create a self-review threat when there is a risk that the results of the services will affect the sustainability information on which the firm will

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express an opinion or the records underlying that information. Such services might also create an advocacy threat.

5604.12 A2 Providing tax advisory and tax planning services will not create a self-review threat if such services:

- (a) Are supported by a tax authority or other precedent;
- (b) Are based on an established practice (being a practice that has been commonly used and has not been challenged by the relevant tax authority); or
- (c) Have a basis in tax law that the firm is confident is likely to prevail.

5604.12 A3 In addition to paragraph 5604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by providing tax advisory and tax planning services to sustainability assurance clients, and evaluating the level of such threats include:

- The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the sustainability information on which the firm will express an opinion.
- Whether the tax treatment is supported by a ruling or has otherwise been cleared by the tax authority before the preparation of the sustainability information on which the firm will express an opinion.
- The extent to which the outcome of the tax advice might have a material effect on the sustainability information on which the firm will express an opinion.

When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5604.15 applies.

When Effectiveness of Tax Advice Is Dependent on a Particular Accounting Treatment or Presentation

R5604.13 A firm or a network firm shall not provide tax advisory and tax planning services to a sustainability assurance client when:

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- (a) The effectiveness of the tax advice depends on a particular treatment or presentation in the sustainability information on which the firm will express an opinion; and
- (b) The sustainability assurance team has doubt as to the appropriateness of the related treatment or presentation under the relevant sustainability reporting framework.

Sustainability Assurance Clients that are Not Public Interest Entities

5604.14 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing tax advisory and tax planning services to a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer, who was not involved in providing the service, review the sustainability assurance work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

R5604.15 A firm or a network firm shall not provide tax advisory and tax planning services to a sustainability assurance client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R5600.15, R5600.17).

Advocacy Threats

5604.15 A1 Examples of actions that might be safeguards to address an advocacy threat created by providing tax advisory and tax planning services to a sustainability assurance client that is a public interest entity include:

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- Using professionals who are not sustainability assurance team members to perform the service.
- Obtaining pre-clearance from the tax authorities.

D. Tax Services Involving Valuations

Potential Threats Arising from the Provision of Tax Services Involving Valuations

Description of Service

5604.16 A1 The provision of tax services involving valuations might arise in a range of circumstances including:

- Merger and acquisition transactions.
- Group restructurings and corporate reorganizations.
- Transfer pricing studies.
- Stock-based compensation arrangements.

Potential Threats Arising from the Provision of Tax Services Involving Valuations

All Sustainability Assurance Clients

5604.17 A1 Providing a valuation for tax purposes to a sustainability assurance client might create a self-review threat when there is a risk that the results of the service will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such a service might also create an advocacy threat.

5604.17 A2 When a firm or a network firm performs a valuation for tax purposes to assist a sustainability assurance client with its tax reporting obligations or for tax planning purposes, the result of the valuation might:

- (a) Have no effect on the sustainability information on which the firm will express an opinion, or the records underlying that information, other than through accounting entries related to tax. In such situations, the requirements and application material set out in this subsection apply.

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- (b) Affect the sustainability information on which the firm will express an opinion, or the records underlying that information, in ways not limited to accounting entries related to tax, for example, if the valuation leads to a revaluation of assets. In such situations, the requirements and application material set out in subsection 5603 relating to valuation services apply.

5604.17 A3 Performing a valuation for tax purposes for a sustainability assurance client will not create a self- review threat if:

- (a) The underlying assumptions are either established by law or regulation, or are widely accepted; or
- (b) The techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority.

Sustainability Assurance Clients that are Not Public Interest Entities

5604.18 A1 A firm or a network firm might perform a valuation for tax purposes for a sustainability assurance client that is not a public interest entity where the result of the valuation only affects the sustainability information on which the firm will express an opinion, or the records underlying that information, through adjustments related to tax. This would not usually create threats if the effect on the sustainability information is immaterial or the valuation, as incorporated in a tax return or other filing, is subject to external review by a tax authority or similar regulatory authority.

5604.18 A2 If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the sustainability information on which the firm expresses an opinion, in addition to paragraph 5604.3 A2, the following factors are relevant in identifying self-review or advocacy threats created by providing those services to a sustainability assurance client that is not a public interest entity, and evaluating the level of such threats:

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- The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice.
- The degree of subjectivity inherent in the valuation.
- The reliability and extent of the underlying data.

5604.18 A3 Examples of actions that might be safeguards to address such threats for a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

R5604.19 A firm or a network firm shall not perform a valuation for tax purposes for a sustainability assurance client that is a public interest entity if the provision of that service might create a self-review threat. (Ref: Para. R5600.15, R5600.17, 5604.17 A3).

Advocacy Threats

5604.19 A1 Examples of actions that might be safeguards to address an advocacy threat created by providing a valuation for tax purposes for a sustainability assurance client that is a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service.

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E. Assistance in the Resolution of Tax Disputes

Description of Service

5604.20 A1 A non-assurance service to provide assistance to a sustainability assurance client in the resolution of tax disputes might arise from a tax authority's consideration of tax calculations and treatments. Such a service might include, for example, providing assistance when the tax authorities have notified the client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding before a tribunal or court.

Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes

All Sustainability Assurance Clients

5604.21 A1 Providing assistance in the resolution of a tax dispute to a sustainability assurance client might create a self-review threat when there is a risk that the results of the service will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such a service might also create an advocacy threat.

5604.22 A1 In addition to those identified in paragraph 5604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by assisting a sustainability assurance client in the resolution of tax disputes, and evaluating the level of such threats include:

- The role management plays in the resolution of the dispute.
- The extent to which the outcome of the dispute will have a material effect on the sustainability information on which the firm will express an opinion.
- Whether the firm or network firm provided the advice that is the subject of the tax dispute.

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- The extent to which the matter is supported by tax law or regulation, other precedent, or established practice.
- Whether the proceedings are conducted in public.

When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5604.24 applies.

Sustainability Assurance Clients that are Not Public Interest Entities

5604.23 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by assisting a sustainability assurance client that is not a public interest entity in the resolution of tax disputes include:

- Using professionals who are not sustainability assurance team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or the service performed might address a self-review threat.

Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

R5604.24 A firm or a network firm shall not provide assistance in the resolution of tax disputes to a sustainability assurance client that is a public interest entity if the provision of that assistance might create a self-review threat. (Ref: Para. R5600.15 and R5600.17).

Advocacy Threats

5604.24 A1 An example of an action that might be a safeguard to address an advocacy threat for a sustainability assurance client that is a public interest entity is using professionals who are not sustainability assurance team members to perform the service.

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Resolution of Tax Matters Including Acting as an Advocate

R5604.25 A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to a sustainability assurance client if:

- (a) The services involve acting as an advocate for the sustainability assurance client before a court in the resolution of a tax matter; and
- (b) The amounts involved are material to the sustainability information on which the firm will express an opinion.

5604.27 A1 Paragraphs R5604.25a does not preclude a firm or a network firm from having a continuing advisory role in relation to the matter that is being heard before a court, for example:

- Responding to specific requests for information.
- Providing factual accounts or testimony about the work performed.
- Assisting the client in analyzing the tax issues related to the matter.

5604.27 A2 For the purpose of this subsection “court” does not include a Tribunal.

SUBSECTION 5605 – INTERNAL AUDIT SERVICES

Risk of Assuming Management Responsibility When Providing an Internal Audit Service

Introduction

5605.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing an internal audit service to a sustainability assurance client.

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Requirements and Application Material

Description of Service

5605.2 A1 Internal audit services comprise a broad range of activities and might involve assisting the sustainability assurance client in the performance of one or more aspects of its internal audit activities. Internal audit activities might include:

- Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements to them.
- Examining financial and operating information relevant to sustainability by:
 - Reviewing the means used to identify, measure, classify and report that financial and operating information.
 - Inquiring specifically into individual items including detailed testing of transactions, balances and procedures.
- Reviewing the economy, efficiency and effectiveness of operating activities relevant to sustainability including non-financial activities of an entity.
- Reviewing compliance with:
 - Laws, regulations and other external requirements.
 - Management policies, directives and other internal requirements.

5605.2 A2 The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of those charged with governance as well as the needs and expectations of management. They might involve matters that are operational in nature that will be subject to consideration in relation to the assurance of sustainability information.

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- R5605.3** Paragraph R5400.20 precludes a firm or a network firm from assuming a management responsibility. When providing an internal audit service to a sustainability assurance client, the firm shall be satisfied that:
- (a) The client designates an appropriate and competent resource, who reports to those charged with governance to:
 - (i) Be responsible at all times for internal audit activities; and
 - (ii) Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control;
 - (b) The client reviews, assesses and approves the scope, risk and frequency of the internal audit services;
 - (c) The client evaluates the adequacy of the internal audit services and the findings resulting from their performance;
 - (d) The client evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
 - (e) The client reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.

Potential Threats Arising from the Provision of Internal Audit Services

Sustainability Assurance Clients that are Public Interest Entities

- R5605.6** A firm or a network firm shall not provide internal audit services to a sustainability assurance client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R5600.15 and R5600.17).

SUBSECTION 5606 – INFORMATION TECHNOLOGY SYSTEMS SERVICES

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Introduction

5606.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing an information technology (IT) systems service to a sustainability assurance client.

Requirements and Application Material

Description of Service

5606.2 A1 IT systems services comprise a broad range of services including:

- Designing or developing hardware or software IT systems.
- Implementing IT systems, including installation, configuration, interfacing, or customization.
- Operating, maintaining, monitoring, updating or upgrading IT systems.
- Collecting or storing data or managing (directly or indirectly) the hosting of data.

5606.2 A2 The IT systems might:

- (a) Aggregate source data;
- (b) Form part of the internal control over sustainability reporting; or
- (c) Generate information that affects the sustainability information records or sustainability information reported, including related disclosures.

However, the IT systems might also involve matters that are unrelated to the sustainability assurance client's records underlying the sustainability information or the internal control over sustainability reporting.

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Risk of Assuming Management Responsibility When Providing an IT Systems Service

R5606.3 Paragraph R5400.20 precludes a firm or a network firm from assuming a management responsibility. When providing IT systems services to a sustainability assurance client, the firm or network firm shall be satisfied that:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (b) The client, through a competent individual (or individuals), preferably within senior management, makes all management decisions that are the proper responsibility of management with respect to the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the IT systems;
- (c) The client evaluates the adequacy and results of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the IT system; and
- (d) The client is responsible for operating the IT system and for the data it generates and uses.

5606.3 A1 Examples of IT systems services that result in the assumption of a management responsibility include where a firm or a network firm:

- Stores data or manages (directly or indirectly) the hosting of data on behalf of the sustainability assurance client. Such services include:
 - Acting as the only access to a financial or non-financial information system of the sustainability assurance client.
 - Taking custody of or storing the sustainability assurance client's data or records such that the sustainability assurance client's data or records

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are otherwise incomplete.

- Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the sustainability assurance client's data or records.
- Operates, maintains, or monitors the sustainability assurance client's IT systems, network or website.

5606.3 A2 The collection, receipt, transmission and retention of data provided by a sustainability assurance client in the course of a sustainability assurance engagement or to enable the provision of a permissible service to that client does not result in an assumption of management responsibility.

Potential Threats Arising from the Provision of IT Systems Services

Sustainability Assurance Clients

5606.4 A1 Providing IT systems services to a sustainability assurance client might create a self-review threat when there is a risk that the results of the services will affect the assurance of the sustainability information on which the firm will express an opinion.

5606.4 A2 Factors that are relevant in identifying a self-review threat created by providing an IT systems service to a sustainability assurance client, and evaluating the level of such a threat include:

- The nature of the service.
- The nature of the client's IT systems and the extent to which the IT systems service impacts or interacts with the client's sustainability information on which the firm will express an opinion, the records underlying that information, or internal controls over sustainability reporting.
- The degree of reliance that will be placed on the particular IT systems as part of the sustainability assurance engagement.

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When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5606.6 applies.

- 5606.4 A3 Examples of IT systems services that create a self-review threat when they form part of or affect a sustainability assurance client's sustainability information records or system of internal control over sustainability reporting include:
- Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
 - Supporting a sustainability assurance client's IT systems, including network and software applications.
 - Implementing sustainability information management systems or sustainability information reporting software, whether or not it was developed by the firm or a network firm.

Sustainability Assurance Clients that are Not Public Interest Entities

- 5606.5 A1 An example of an action that might be a safeguard to address a self-review threat created by the provision of an IT systems service to a sustainability assurance client that is not a public interest entity is using professionals who are not sustainability assurance team members to perform the service.

Sustainability Assurance Clients that are Public Interest Entities

- R5606.6** A firm or a network firm shall not provide IT systems services to a sustainability assurance client that is a public interest entity if the provision of such services might create a self-review threat (Ref: Para. R5600.15 and R5600.17).

SUBSECTION 5607 – LITIGATION SUPPORT SERVICES

Introduction

- 5607.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to

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applying the conceptual framework when providing a litigation support service to a sustainability assurance client.

Requirements and Application Material

Description of Service

5607.2 A1 Litigation support services might include activities such as:

- Assisting with document management and retrieval.
- Acting as a witness, including an expert witness.
- Calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute.
- Forensic or investigative services.

Potential Threats Arising from the Provision of Litigation Support Services

All Sustainability Assurance Clients

5607.3 A1 Providing litigation support services to a sustainability assurance client might create a self-review threat when there is a risk that the results of the services will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such services might also create an advocacy threat.

5607.4 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing litigation support services to a sustainability assurance client, and evaluating the level of such threats include:

- The legal and regulatory environment in which the service is provided.
- The nature and characteristics of the service.
- The extent to which the outcome of the litigation support service might involve estimating, or might affect the estimation of, damages or other amounts that might have a material effect on the sustainability information on which the firm will express an opinion.

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When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5607.6 applies.

- 5607.4 A2 If a firm or a network firm provides a litigation support service to a sustainability assurance client and the service might involve estimating, or might affect the estimation of, damages or other amounts that affect the sustainability information on which the firm will express an opinion, the requirements and application material set out in Subsection 5603 related to valuation services apply.

Sustainability Assurance Clients that are Not Public Interest Entities

- 5607.5 A1 An example of an action that might be a safeguard to address a self-review or advocacy threat created by providing a litigation support service to a sustainability assurance client that is not a public interest entity is using a professional who was not a sustainability assurance team member to perform the service.

Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

- R5607.6** A firm or a network firm shall not provide litigation support services to a sustainability assurance client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R5600.15 and R5600.17).

Acting as a Witness

Sustainability Assurance Clients that are Public Interest Entities

- 5607.6 A1 An example of a service that is prohibited because it might create a self-review threat is providing advice in connection with a legal proceeding where there is a risk that the outcome of the service affects the quantification of any provision or other amount in the sustainability information on which the firm will express an opinion.

Advocacy Threats

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- 5607.6 A2 An example of an action that might be a safeguard to address an advocacy threat created by providing a litigation support service to a sustainability assurance client that is a public interest entity is using a professional who was not a sustainability assurance team member to perform the service.

Acting as a Witness

Sustainability Assurance Clients

- 5607.7 A1 A professional within the firm or the network firm might give evidence to a tribunal or court as a witness of fact or as an expert witness.
- (a) A witness of fact is an individual who gives evidence to a tribunal or court based on his or her direct knowledge of facts or events.
 - (b) An expert witness is an individual who gives evidence, including opinions on matters, to a tribunal or court based on that individual's expertise.
- 5607.7 A2 A threat to independence is not created when an individual, in relation to a matter that involves a sustainability assurance client, acts as a witness of fact and in the course of doing so provides an opinion within the individual's area of expertise in response to a question asked in the course of giving factual evidence.
- 5607.7 A3 The advocacy threat created when acting as an expert witness on behalf of a sustainability assurance client is at an acceptable level if a firm or a network firm is:
- (a) Appointed by a tribunal or court to act as an expert witness in a matter involving a client; or
 - (b) Engaged to advise or act as an expert witness in relation to a class action (or an equivalent group representative action) provided that:
 - (i) The firm's sustainability assurance clients constitute less than 20% of the members of the

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class or group (in number and in value);

- (ii) No sustainability assurance client is designated to lead the class or group; and
- (iii) No sustainability assurance client is authorized by the class or group to determine the nature and scope of the services to be provided by the firm or the terms on which such services are to be provided.

Sustainability Assurance Clients that are Not Public Interest Entities

5607.8 A1 An example of an action that might be a safeguard to address an advocacy threat for a sustainability assurance client that is not a public interest entity is using a professional to perform the service who is not, and has not been, a sustainability assurance team member.

R5607.9 A firm or a network firm, or an individual within a firm or a network firm, shall not act for a sustainability assurance client that is a public interest entity as an expert witness in a matter unless the circumstances set out in paragraph 5607.7 A3 apply.

SUBSECTION 5608 – LEGAL SERVICES

All Sustainability Assurance Clients

5608.3 A1 Providing legal services to a sustainability assurance client might create a self-review threat when there is a risk that the results of the services will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such services might also create an advocacy threat.

A. Providing Legal Advice

Description of Service

5608.4 A1 Providing legal advice might include a wide and diversified range of service areas including both corporate and commercial services to sustainability assurance clients, such as:

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- Contract support.
- Supporting a sustainability assurance client in executing a transaction.
- Mergers and acquisitions.
- Supporting and assisting a sustainability assurance client's internal legal department.
- Legal due diligence and restructuring.

Potential Threats Arising from Providing Legal Advice

All Sustainability Assurance Clients

5608.5 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing legal advice to a sustainability assurance client, and evaluating the level of such threats include:

- The materiality of the specific matter in relation to the client's sustainability information reported.
- The complexity of the legal matter and the degree of judgment necessary to provide the service.

When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5608.7 applies.

5608.5 A2 Examples of legal advice that might create a self-review threat include:

- Estimating a potential loss arising from a lawsuit that will be disclosed in the sustainability information on which the firm will express an opinion.
- Interpreting provisions in contracts that might affect information disclosed in the sustainability information on which the firm will express an opinion.

5608.5 A3 Negotiating on behalf of a sustainability assurance client might create an advocacy threat or might result in the firm or network firm assuming a management responsibility.

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Sustainability Assurance Clients that are Not Public Interest Entities

5608.6 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing legal advice to a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service might address a self-review or advocacy threat.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or the service performed might address a self-review threat.

Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

R5608.7 A firm or a network firm shall not provide legal advice to a sustainability assurance client that is a public interest entity if the provision of such a service might create a self-review threat. (Ref: Para. R5600.15 and R5600.17).

Advocacy Threats

5608.8 A1 The considerations in paragraphs 5608.5 A1 and 5608.5 A3 to 5608.6 A1 are also relevant to evaluating and addressing advocacy threats that might be created by providing legal advice to a sustainability assurance client that is a public interest entity.

B. Acting as General Counsel

All Sustainability Assurance Clients

R5608.9 An engagement leader or employee of the firm or the network firm shall not serve as General Counsel of a sustainability assurance client.

5608.9 A1 The position of General Counsel is usually a senior management position with broad responsibility for the legal affairs of a company.

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C. Acting in an Advocacy Role

R5608.10 A firm or a network firm shall not act in an advocacy role for a sustainability assurance client in resolving a dispute or litigation when the amounts or the information involved are material to the sustainability information on which the firm will express an opinion.

5608.10 A1 Examples of actions that might be safeguards to address a self-review or advocacy threat created when acting in an advocacy role for a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or the service performed.

SUBSECTION 5609 – RECRUITING SERVICES

Introduction

5609.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing a recruiting service to a sustainability assurance client.

Requirements and Application Material

Description of Service

5609.2 A1 Recruiting services might include activities such as:

- Developing a job description.
- Developing a process for identifying and selecting potential candidates.
- Searching for or seeking out candidates.
- Screening potential candidates for the role by:
 - Reviewing the professional qualifications or

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competence of applicants and determining their suitability for the position.

- Undertaking reference checks of prospective candidates.
- Interviewing and selecting suitable candidates and advising on candidates' competence.
- Determining employment terms and negotiating details, such as salary, hours and other compensation.

Risk of Assuming Management Responsibility When Providing a Recruiting Service

R5609.3 Paragraph R5400.20 precludes a firm or a network firm from assuming a management responsibility. When providing a recruiting service to a sustainability assurance client, the firm shall be satisfied that:

- (a) The client assigns the responsibility to make all management decisions with respect to hiring the candidate for the position to a competent employee, preferably within senior management; and
- (b) The client makes all management decisions with respect to the hiring process, including:
 - Determining the suitability of prospective candidates and selecting suitable candidates for the position.
 - Determining employment terms and negotiating details, such as salary, hours and other compensation.

Potential Threats Arising from Providing Recruiting Services

All Sustainability Assurance Clients

5609.4 A1 Providing recruiting services to a sustainability assurance client might create a self-interest, familiarity or intimidation threat.

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- 5609.4 A2 Providing the following services does not usually create a threat as long as individuals within the firm or the network firm do not assume a management responsibility:
- Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the position.
 - Interviewing candidates and advising on a candidate's competence for sustainability reporting, administrative or control positions.
- 5609.4 A3 Factors that are relevant in identifying self-interest, familiarity or intimidation threats created by providing recruiting services to a sustainability assurance client, and evaluating the level of such threats include:
- The nature of the requested assistance.
 - The role of the individual to be recruited.
 - Any conflicts of interest or relationships that might exist between the candidates and the firm providing the advice or service.
- 5609.4 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is using professionals who are not sustainability assurance team members to perform the service.

Recruiting Services that are Prohibited

- R5609.5** When providing recruiting services to a sustainability assurance client, the firm or the network firm shall not act as a negotiator on the client's behalf.
- R5609.6** A firm or a network firm shall not provide a recruiting service to a sustainability assurance client if the service relates to:
- (a) Searching for or seeking out candidates;
 - (b) Undertaking reference checks of prospective candidates;
 - (c) Recommending the person to be appointed; or

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- (d) Advising on the terms of employment, remuneration or related benefits of a particular candidate, with respect to the following positions:
 - (i) director or officer of the entity; or
 - (ii) A member of senior management in a position to exert significant influence over the preparation of the client's sustainability information on which the firm will express an opinion or the records underlying that information.

SUBSECTION 5610 – CORPORATE FINANCE SERVICES

Introduction

5610.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 5600.1 to 5600.28 A1 are relevant to applying the conceptual framework when providing a corporate finance service to a sustainability assurance client.

Requirements and Application Material

Description of Service

- 5610.2 A1 Examples of corporate finance services include:
- Assisting a sustainability assurance client in developing corporate strategies.
 - Identifying possible targets for the sustainability assurance client to acquire.
 - Advising on the potential purchase or disposal price of an asset.
 - Assisting in finance raising transactions.
 - Providing structuring advice.
 - Providing advice on the structuring of a corporate finance transaction or on financing arrangements.

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Potential Threats Arising from the Provision of Corporate Finance Services

All Sustainability Assurance Clients

5610.3 A1 Providing corporate finance services to a sustainability assurance client might create a self-review threat when there is a risk that the results of the services will affect the sustainability information on which the firm will express an opinion or the records underlying that information. Such services might also create an advocacy threat.

5610.4 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing corporate finance services to a sustainability assurance client, and evaluating the level of such threats include:

- The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the sustainability information on which the firm will express an opinion.
- The extent to which:
 - The outcome of the corporate finance advice will directly affect amounts recorded in the sustainability information on which the firm will express an opinion.
 - The outcome of the corporate finance service might have a material effect on the sustainability information on which the firm will express an opinion.

When a self-review threat for a sustainability assurance client that is a public interest entity has been identified, paragraph R5610.8 applies.

Corporate Finance Services that are Prohibited

R5610.5 A firm or a network firm shall not provide corporate finance services that involve promoting, dealing in, or underwriting the shares, debt or other financial instruments issued by the

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sustainability assurance client or providing advice on investment in such shares, debt or other financial instruments.

R5610.6 A firm or a network firm shall not provide advice in relation to corporate finance services to a sustainability assurance client where:

- (a) The effectiveness of such advice depends on a particular method of measurement or presentation in the sustainability information on which the firm will express an opinion; and
- (b) The sustainability assurance team has doubt as to the appropriateness of the related method of measurement or presentation under the relevant financial or sustainability reporting framework.

Sustainability Assurance Clients that are Not Public Interest Entities

5610.7 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing corporate finance services to a sustainability assurance client that is not a public interest entity include:

- Using professionals who are not sustainability assurance team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the sustainability assurance work or service performed might address a self-review threat.

Sustainability Assurance Clients that are Public Interest Entities

Self-review Threats

R5610.8 A firm or a network firm shall not provide corporate finance services to a sustainability assurance client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R5600.15 and R5600.17).

Advocacy Threats

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- 5610.8 A1 An example of an action that might be a safeguard to address advocacy threats created by providing corporate finance services to a sustainability assurance client that is a public interest entity is using professionals who are not sustainability assurance team members to perform the service.

GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS

In the *Code of Ethics for Chartered accountants (including Independence Standards)*, the singular shall be construed as including the plural as well as the reverse, and the terms below have the following meanings assigned to them.

In this Glossary, explanations of defined terms are shown in regular font; italics are used for explanations of described terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms. References are also provided to terms described in the Code.

Act	The Chartered Accountants Act, 1949
Acceptable level	A level at which a chartered accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.
Advertising	The communication to the public of information as to the services or skills provided by chartered accountants in practice with a view to procuring professional business.
Another Practitioner	A firm, other than the sustainability assurance provider's firm, that performs work that the sustainability assurance provider intends to use for the purposes of the sustainability assurance engagement, and the sustainability assurance provider is unable to be sufficiently and appropriately involved in that work. <i>An individual from another practitioner who performs the work is neither a member of the engagement team nor a practitioner's expert.</i>
Appropriate reviewer	<i>An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided. Such an individual might be a chartered accountant.</i> <i>This term is described in paragraph 300.8 A4.</i>
Assurance	The responsible party that is the person (or persons) who:

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client	(a) In a direct reporting engagement, is responsible for the subject matter; or (b) In an assertion-based engagement, is responsible for the subject matter information and might be responsible for the subject matter.
Assurance engagement	An engagement in which a chartered accountant in practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. (For guidance on assurance engagements, see the Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board. The Framework for Assurance Engagements describes the elements and objectives of an assurance engagement and identifies engagements to which Standards on Auditing (SAs), Standards on Review Engagements (SREs) and Standards on Assurance Engagements (SAEs) apply.) In Part 4B, the term 'assurance engagement' addresses assurance engagements other than audit engagements or review engagements.
Assurance team	(a) All members of the engagement team for the assurance engagement; (b) All others within, or engaged by, the firm who can directly influence the outcome of the assurance engagement, including: (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement; (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and

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- (iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.

Audit	<i>In Part 4A, the term “audit” applies equally to “review.”</i>
Audit client	An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, in accordance with paragraphs R400.22 and R400.23, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. (See also paragraph R400.27.) <i>In Part 4A, the term “audit client” applies equally to “review client.”</i>
Audit engagement	A reasonable assurance engagement in which a chartered accountant in practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with <i>Standards on Auditing</i>. This includes a Statutory Audit, which is an audit required by legislation or other regulation. <i>In Part 4A, the term “audit engagement” applies equally to “review engagement.”</i> <i>In Section 360, “Audit” or “Audit engagement” shall mean a reasonable assurance engagement in which a chartered accountant in practice expresses an opinion whether financial statements give a true and fair view in accordance with an applicable financial reporting framework.</i>
Audit report	<i>In Part 4A, the term “audit report” applies equally to “review report.”</i>
Audit team	(a) All members of the engagement team for the audit engagement; (b) All others within, or engaged by, the firm who can directly

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influence the outcome of the audit engagement, including:

- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry- specific issues, transactions or events for the engagement; and
 - (iii) Those who provide quality control review for the engagement including those who perform the engagement quality control review for the engagement; and
- (c) Any other individuals within a network firm who can directly influence the outcome of the audit engagement.

In Part 4A, the term "audit team" applies equally to "review team."

Close family	A parent, child or sibling who is not an immediate family member.
Chartered Accountant	An individual who is a member of the Institute of Chartered Accountants of India. In Part 1, the term "chartered accountant" refers to individual chartered accountants in service and to chartered accountants in practice and their firms. In Part 2, the term "chartered accountant" refers to chartered accountants in service. In Parts 3, 4A and 4B, the term "chartered accountant" refers to chartered accountants in practice and their firms.
Chartered Accountant in	A chartered accountant working in areas such as commerce, industry, service, the public sector, education, the not-for-profit

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service	sector, or in regulatory or professional bodies, who might be an employee, consultant, partner, director (executive or non-executive), owner-manager or volunteer. Member of the Institute of Chartered Accountants of India who is in practice in terms of section 2 of The Chartered Accountants Act, 1949.
Chartered Accountant in practice	The term “chartered accountant in practice” is also used to refer to a firm of chartered accountants in practice.
Chartered accountant being a key managerial personnel in service	Chartered Accountant being a key managerial personnel in service are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization’s human, financial, technological, physical and intangible resources. <i>This term is described in paragraph 260.11 A1.</i>
Conceptual framework	<i>This term is described in Section 120.</i>
Confidential information	Any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.
Contingent fee	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.
Cooling-off period	<i>This term is described in paragraph R540.5 for the purposes of paragraphs R540.11 to R540.19.</i>
Council	The Governing body of the Institute constituted under the Act for the management of the affairs of the Institute and for discharging the functions assigned to it under the Act.
Direct financial interest	A financial interest: (a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis

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by others); or

- (b) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.

Director or officer	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title. In case of a Company, as defined under Sections 2(34) and 2(59) of the Companies Act, 2013.
Eligible audit engagement	<i>This term is described in paragraph 800.2 for the purposes of Section 800</i>
Eligible assurance engagement	<i>This term is described in paragraph 990.2 for the purposes of Section 990.</i>
Engagement leader	An individual, appointed by the firm, who is responsible for the sustainability assurance engagement and its performance, and for the sustainability assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. "Engagement leader" should be read as referring to its public sector equivalent where relevant. <i>In the case of audit and review engagements, see the definition of "engagement partner."</i>
Engagement partner	The partner or other person ¹ in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
Engagement period (Audit and Review)	The engagement period starts when the audit team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature,

¹ Such other person should be a member of the Institute of Chartered Accountants of India holding Certificate of Practice

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Engagements)	it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report. Where the audit client is a statutory audit client under Companies Act, 2013, the engagement period shall be determined in accordance with the provisions contained in the Companies Act, 2013
Engagement period (Assurance Engagements Other than Audit and Review Engagements)	The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.
Engagement period (Sustainability Assurance Engagements Addressed in Part 5)	The engagement period starts when the sustainability assurance team begins to perform the sustainability assurance engagement. The engagement period ends when the sustainability assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final sustainability assurance report.
Engagement quality control review	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.
Engagement team	All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding external experts and internal auditors who provide direct assistance on the engagement. <i>In Part 4A, the term “engagement team” refers to individuals performing audit or review procedures on the audit or review engagement, respectively. This term is further described in paragraph 400.9.</i>

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SA 220 (Revised) provides further guidance on the definition of engagement team in the context of an audit of financial statements.

SA 620 defines an auditor's expert as an individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. SA 620 deals with the auditor's responsibilities relating to the work of such experts.

SA 610 (Revised) deals with the auditor's responsibilities if using the work of internal auditors, including using internal auditors to provide direct assistance on the audit engagement

In Part 4B, the term "engagement team" refers to individuals performing assurance procedures on the assurance engagement.

Existing accountant	A s chartered accountant in practice currently holding an audit appointment or carrying out accounting, tax, consulting or similar professional services for a client.
External expert	An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the chartered accountant in obtaining sufficient appropriate evidence.
Existing practitioner	An individual or an entity currently holding an appointment to perform a sustainability assurance engagement or carrying out other professional services for a sustainability assurance client.
Financial interest	An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.
Financial statements	A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the

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changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.

Financial statements on which the firm will express an opinion

In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.

Firm

A sole practitioner, partnership including limited liability partnership or any such entity of chartered accountants, as may be permitted by law;

Paragraphs 400.4 and 900.3 explain how the word “firm” is used to address the responsibility of chartered accountants and firms for compliance with Parts 4A and 4B, respectively.

Fundamental principles

This term is described in paragraph 110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:

Integrity *R111.1*

Objectivity *R112.1*

Professional competence and due care *R113.1*

Confidentiality *R114.1 to R114.3*

Professional behaviour *R115.1*

General purpose framework

A reporting framework designed to meet the common information needs of a wide range of users. The framework may be a fair presentation framework or a compliance framework.

The term “fair presentation framework” is used to refer to a

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reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the reported information, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the reported information. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgments in (a) or (b) above.

In Part 5, general purpose framework refers to general purpose sustainability reporting frameworks.

Group Entity	“Group Entity” refers to the holding company, subsidiaries, associates and joint ventures of the listed entity.
Historical financial information	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
Immediate family	A spouse (or equivalent) or dependent.
Independence	Independence comprises: (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism. (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable

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and informed third party would be likely to conclude that a firm's, or an audit or assurance team member's, integrity, objectivity or professional skepticism has been compromised.

As set out in paragraphs 400.5 and 900.4, references to an individual or firm being "independent" mean that the individual or firm has complied with Parts 4A and 4B, as applicable.

Indirect financial interest	A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.
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Inducement	An object, situation, or action that is used as a means to influence another individual's behaviour, but not necessarily with the intent to improperly influence that individual's behaviour.
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Inducements can range from minor acts of hospitality between business colleagues (chartered accountants in service), or between chartered accountants and existing or prospective clients (for chartered accountants in practice), to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:

- *Gifts.*
- *Hospitality.*
- *Entertainment.*
- *Political or charitable donations.*
- *Appeals to friendship and loyalty.*
- *Employment or other commercial opportunities.*
- *Preferential treatment, rights or privileges*

Institute	The Institute of Chartered Accountants of India constituted under the provisions of The Chartered Accountants Act, 1949.
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Key audit partner	The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if
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any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" might include, for example, engagement partners responsible for significant subsidiaries or divisions.

Key sustainability assurance leader The engagement leader, the individual responsible for the engagement quality control review, and other leaders, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the sustainability assurance engagement. Depending upon the circumstances and the role of the individuals on the sustainability assurance engagement, "other leaders" might include, for example, engagement leaders for certain group components in a group sustainability assurance engagement such as significant subsidiaries or divisions.

A sustainability assurance leader performing assurance work at a value chain component is not, as a result of that role, a key sustainability assurance leader for purposes of the group sustainability assurance engagement.

Leader Any individual with authority to bind a firm with respect to the performance of a professional service.

Listed entity An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

Material Subsidiary For the purpose of Section 360, the term "Material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

May *This term is used in the Code to denote permission to take a particular action in certain circumstances, including as an exception to a requirement. It is not used to denote possibility.*

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Might	<i>This term is used in the Code to denote the possibility of a matter arising, an event occurring or a course of action being taken. The term does not ascribe any particular level of possibility or likelihood when used in conjunction with a threat, as the evaluation of the level of a threat depends on the facts and circumstances of any particular matter, event or course of action.</i>
Network firm	<i>A firm or entity that belongs to a network in accordance with the networking guidelines issued by ICAI</i>
Non-compliance with laws and regulations (Chartered accountants in Service)	<i>Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</i> <i>(a) The chartered accountant's employing organization;</i> <i>(b) Those charged with governance of the employing organization;</i> <i>(c) Management of the employing organization; or</i> <i>(d) Other individuals working for or under the direction of the employing organization.</i> <i>This term is described in paragraph 260.5 A1.</i>
Non-compliance with laws and regulations (Chartered accountants in Practice)	<i>Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</i> <i>(a) A client;</i> <i>(b) Those charged with governance of a client;</i> <i>(c) Management of a client; or</i> <i>(d) Other individuals working for or under the direction of a client.</i> <i>This term is described in paragraph 360.5 A1.</i>
Office	<i>A distinct sub-group, whether organized on geographical or</i>

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	practice lines.
Predecessor accountant	A chartered accountant in practice being the immediately preceding accountant who has held same or similar assignment comprising same /similar scope of work .
Professional activity	An activity requiring accountancy or related skills undertaken by a chartered accountant, including accounting, auditing, tax, management consulting, and financial management.
Professional Judgment	<i>Professional Judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular professional activities, and the interests and relationships involved.</i> <i>This term is described in paragraph 120.5 A4.</i>
Professional services	Professional activities performed for clients.
Proposed accountant	A chartered accountant in practice who is considering accepting an audit appointment or an engagement to perform accounting, tax, consulting or similar professional services for a prospective client (or in some cases, an existing client).
Proposed practitioners	A sustainability assurance provider who is considering accepting an appointment to perform a sustainability assurance engagement or carry out other professional services for a prospective sustainability assurance client (or in some cases, an existing sustainability assurance client).
Public interest entity	(a) A listed entity; or (b) An entity one of whose main functions is to take deposits from the public; or (c) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) Having borrowings of ₹500 crores of rupees or more (to be assessed at both the beginning and end of the year)".

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For purpose of this definition, it may be noted that Banks and Insurance Companies are to be considered as Public Interest Entities.

Other entities might also be considered by the Firms to be public interest entities, as set out in paragraph 400.13 and 400.14.

Reasonable and informed third party	<i>The reasonable and informed third party test is a consideration by the chartered accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.</i>
Reasonable and informed third party test	

These terms are described in paragraph 120.5 A9.

Related entity	An entity that has any of the following relationships with the client: (a) An entity that has direct or indirect control over the client if the client is material to such entity; (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; (c) An entity over which the client has direct or indirect control; (d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and (e) An entity which is under common control with the client (a
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“sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity.

Relative Relative as defined in sub-section (77) of section 2 of Companies Act, 2013 read with rule 4 of the Companies (Specification of definitions details) Rules, 2014 is reproduced below:

“Relative“, with reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;*
- (ii) they are husband and wife; or*
- (iii) one person is related to the other in such manner as may be prescribed*

List of relatives in terms of clause (77) of section 2.- A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

(1) Father:

Provided that the term —Father includes step-father.

(2) Mother:

Provided that the term —Mother includes the step-mother.

(3) Son:

Provided that the term —Son includes the step-son.

(4) Son’s wife.

(5) Daughter.

(6) Daughter’s husband.

(7) Brother:

Provided that the term —Brother includes the step-brother;

(8) Sister:

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Provided that the term —Sister includes the step-sister.

Reporting boundary	Activities, operations, relationships or resources to be included in the entity's sustainability information.
Review client	An entity in respect of which a firm conducts a review engagement.
Review engagement	An assurance engagement, conducted in accordance with <i>Standards on Review Engagements</i> or equivalent, in which a chartered accountant in practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant's attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.
Review team	(a) All members of the engagement team for the review engagement; and (b) All others within or engaged by, the firm who can directly influence the outcome of the review engagement, including: (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent); (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the

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	engagement; and
	(c) Any other individuals within a network firm who can directly influence the outcome of the review engagement.
Safeguards	<i>Safeguards are actions, individually or in combination, that the chartered accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.</i> <i>This term is described in paragraph 120.10 A2.</i>
Special purpose financial statements	Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.
Substantial harm	<i>This term is described in paragraphs 260.5 A3 and 360.5 A3.</i>
Sustainability assurance client	An entity in respect of which a firm conducts a sustainability assurance engagement. When the client is a listed entity, sustainability assurance client will always include its related entities. When the sustainability assurance client is not a listed entity, sustainability assurance client includes those related entities over which the client has direct or indirect control. (See also paragraph R5400.27.)
Sustainability assurance engagement	An engagement in which a sustainability assurance provider aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information. A sustainability assurance engagement can be either a: • Reasonable assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation, including presentation and

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disclosure, of the underlying subject matter against applicable criteria; or

Limited assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the sustainability information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly more than inconsequential.

Sustainability assurance provider	The individual(s) conducting a sustainability assurance engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm). It also refers to sustainability assurance practitioner or "Assessment or Assurance Provider".
Sustainability assurance team	(a) All members of the engagement team for the sustainability assurance engagement; (b) All others within, or engaged by, the firm who can directly influence the outcome of the sustainability assurance engagement, including: (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement leader in connection with the performance of the sustainability assurance engagement, including those at all successively senior levels above the engagement leader through to the

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individual who is the firm's Chief Executive;

- (ii) Those who provide consultation regarding technical or industry- specific issues, transactions or events for the engagement; and
- (iii) Those who provide quality control, for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.

(c) Any other individuals within a network firm who can directly influence the outcome of the sustainability assurance engagement.

Sustainability
information

Information about sustainability matters.

Sustainability matters are environmental, social, governance or other sustainability-related matters as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting sustainability information.

Sustainability information includes information that may be:

- *Expressed in financial or non-financial terms.*
- *Historical or forward-looking.*
- *Prepared for internal purposes or for mandatory or voluntary disclosure.*
- *Obtained from an entity or its value chain.*
- *Related to the quantitative or qualitative evaluation of an entity's past or expected performance over the short, medium or long term.*
- *Described in an entity's governance structure, policies, plans, goals, commitments or representations.*
- *About the effects (including risks and opportunities) of environmental, social, governance or other sustainability-related matters on an entity's business model, activities, services or products.*

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About the effects of an entity's business model, activities, services or products on the environment, society or economy.

Those charged with governance	The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities, those charged with governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner- manager.
Threats	<i>This term is described in paragraph 120.6 A3 and includes the following categories:</i> <i>Self interest</i> 120.6 A3(a) <i>Self-review</i> 120.6 A3(b) <i>Advocacy</i> 120.6 A3(c) <i>Familiarity</i> 120.6 A3(d) <i>Intimidation</i> 120.6 A3(e)
Time-on period	<i>This term is described in paragraph R540.5.</i>

LISTS OF ABBREVIATIONS AND STANDARDS REFERRED TO IN THE CODE

LIST OF ABBREVIATIONS

Abbreviation	Explanation
Assurance Framework	Framework for Assurance Engagements
AASB	Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
SAs	Standards on Auditing issued by AASB
SAEs	Standards on Assurance Engagements issued by AASB
SREs	Standards on Review Engagements issued by AASB

LIST OF STANDARDS REFERRED TO IN THE CODE

Standard	Full Title
SA 220	Quality Control For An Audit Of Financial Statements
SA 320	Materiality In Planning and Performing an Audit
SA 610 (Revised)	Using the Work of Internal Auditors
SA 620	Using the Work of an Auditor's Expert
SQC 1	Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements
SRE 2400 (Revised)	Engagements to Review Historical Financial Statements