



IESBA Update: Substantive Revisions to the IESBA Code Since 2018 (Including Sustainability & Technology)

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The background of the slide features a collage of paper cutouts. Several human head silhouettes are visible, some containing question marks and one containing a lightbulb icon, symbolizing thought, inquiry, and ideas.

Agenda

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- About IESBA and Substantive Revisions to the IESBA Code Since 2018
 - 2024 Revisions to the IESBA Code Relating to Sustainability
 - Sustainability Reporting Revisions to the IESBA Code
 - International Ethics Standards for Sustainability Assurance (IESSA)
 - Technology Revisions to the IESBA Code and the Technology Working Group
 - IESBA's Focus on Adoption & Implementation (A&I)
 - Questions & Answers

About IESBA and Substantive Revisions to the IESBA Code Since 2018

About IESBA

AN INDEPENDENT GLOBAL STANDARD-SETTING BOARD



IESBA's mission is to serve the public interest by setting high-quality global ethics and independence standards as a cornerstone to:

- ethical behavior in business and organizations; and
- public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets, and economies worldwide

The Board is comprised of:

- An independent Chair
- **16** members with diverse professional backgrounds from **14 jurisdictions** around the world

IESBA Code Has Global Footprint

ABOUT IESBA

Used or adopted in legislation or by regulators, jurisdictional standard setters or professional accountancy organizations:

- >130 jurisdictions for the 2009 or later edition
- ~100 jurisdictions for the 2018 or later edition
- 17 of G20 jurisdictions

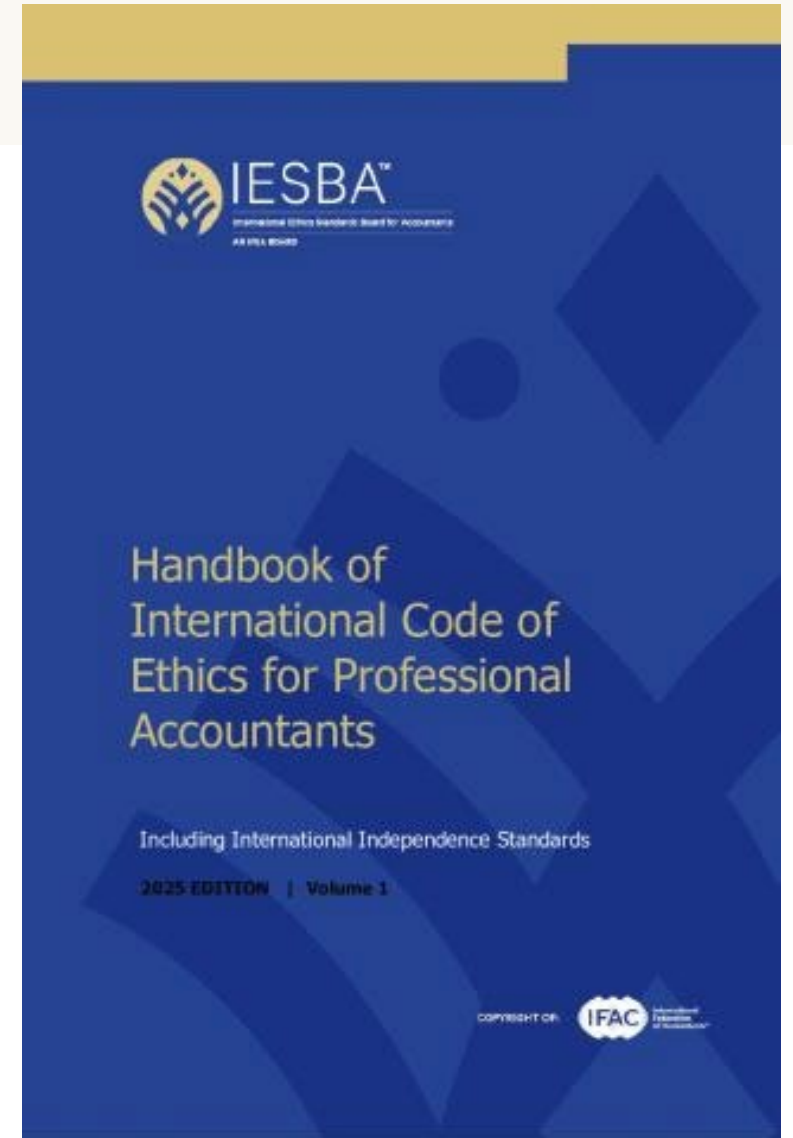
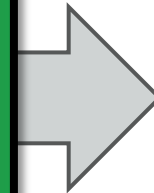
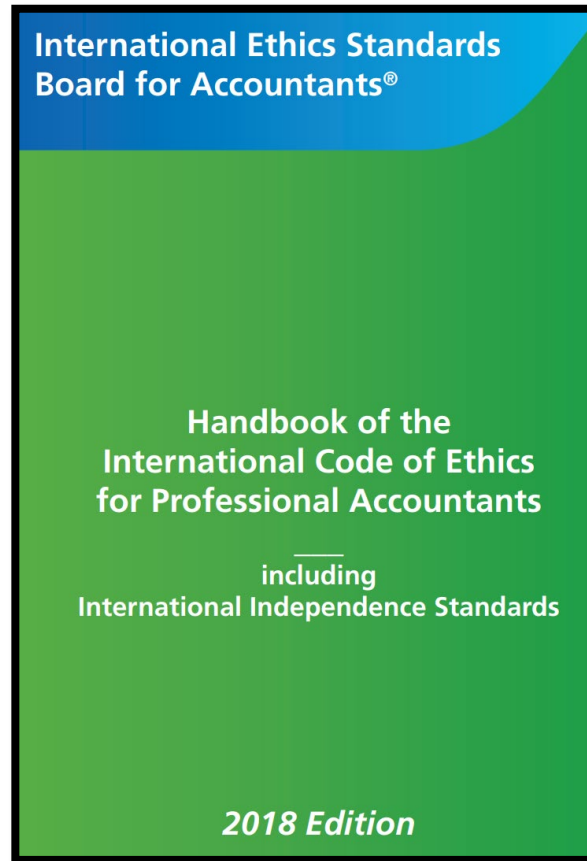
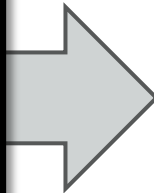
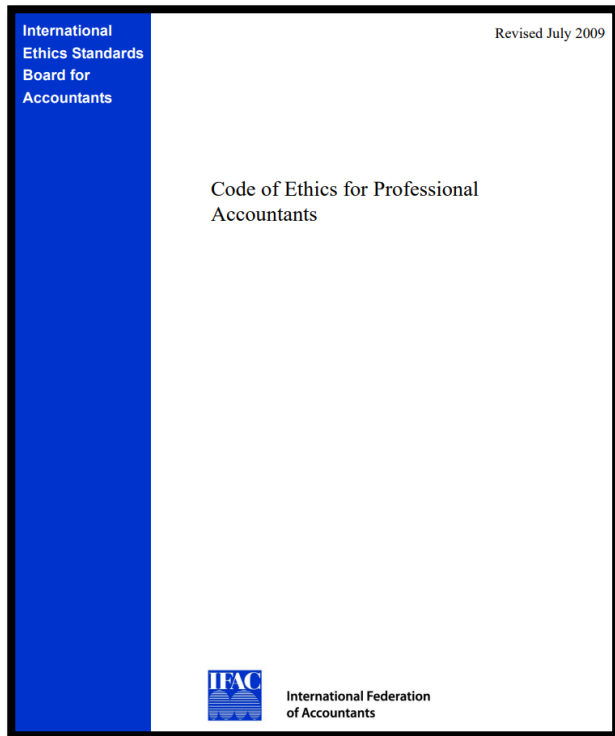
Adopted by the largest 37 international networks of firms (Forum of Firms) for transnational audits

Translated in about 40 languages, including all major UN languages

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16 Years of Change to the IESBA Code



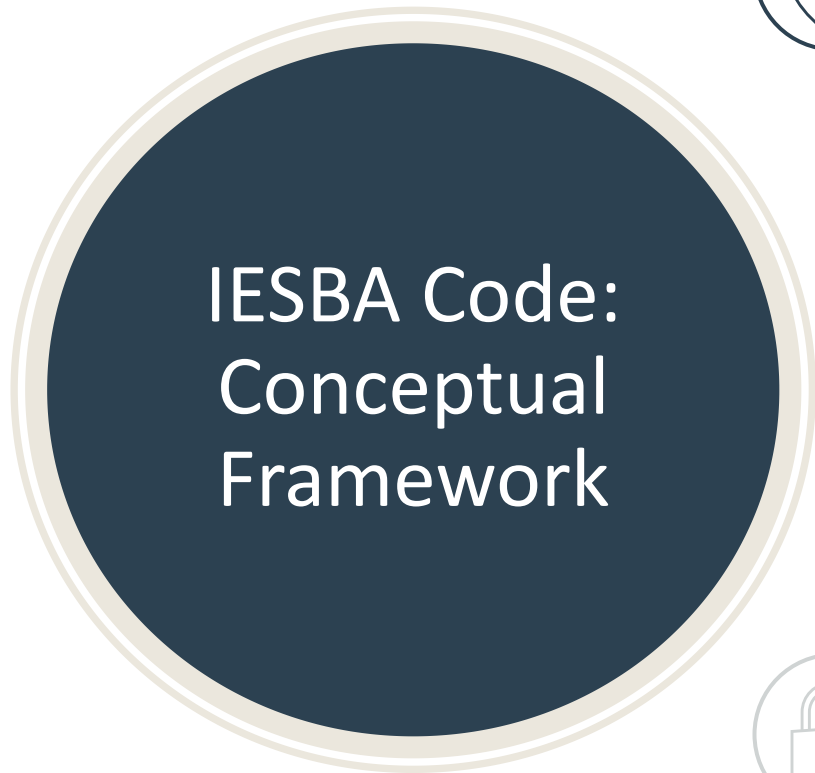
2018 IESBA Code

Revised and Restructured Code

- Packages all substantive advances in ethics and independence from **four years (2016-2019)**
 - Significant enhancements to the Conceptual Framework
 - Enhanced safeguards provisions better aligned to threats (Effective 2019)
 - NOCLAR (effective 2017)
 - Strengthened Long Association provisions (Effective 2018 with exception for mandatory 5-year cooling-off period, expiring 2023)
 - Strengthened provisions regarding Inducements (Effective 2019)
 - Strengthened provisions re Preparing or Presenting Information (Effective 2019)
 - Provisions addressing Pressure to Breach FPs (Effective 2019)
 - Applicability of relevant PAIB provisions to PAPPs clarified
 - New guidance re professional judgment and professional skepticism

**SIGNIFICANT
UP-
GRADES** 

Fundamental Principles to Navigate Ethical Dilemmas



Integrity



Objectivity



Professional Competence & Due Care



Professional Behavior

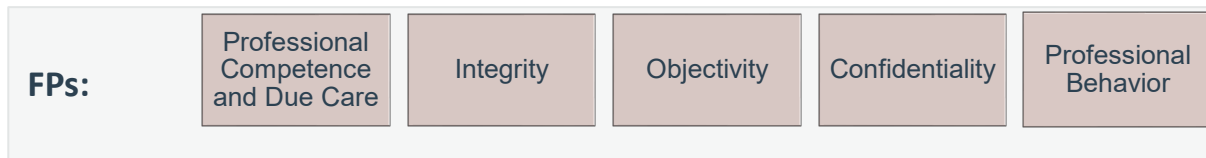
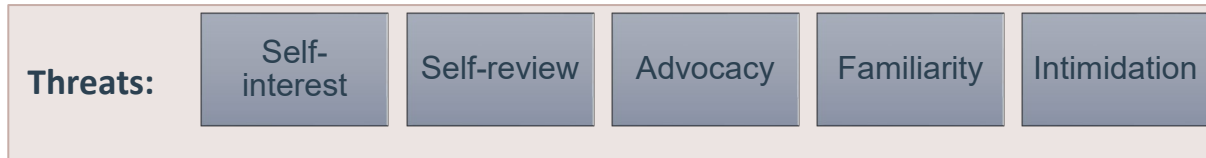


Confidentiality

International Independence Standards for Audits, Reviews and Other Assurance Engagements

Application of the Conceptual Framework

- Apply the conceptual framework (CF) to **identify**, **evaluate** and **address** threats to the fundamental principles (FPs):



- To apply the conceptual framework, PAs shall:
 - Have an inquiring mind
 - Exercise professional judgment
 - Use reasonable and informed third party test (RITP)

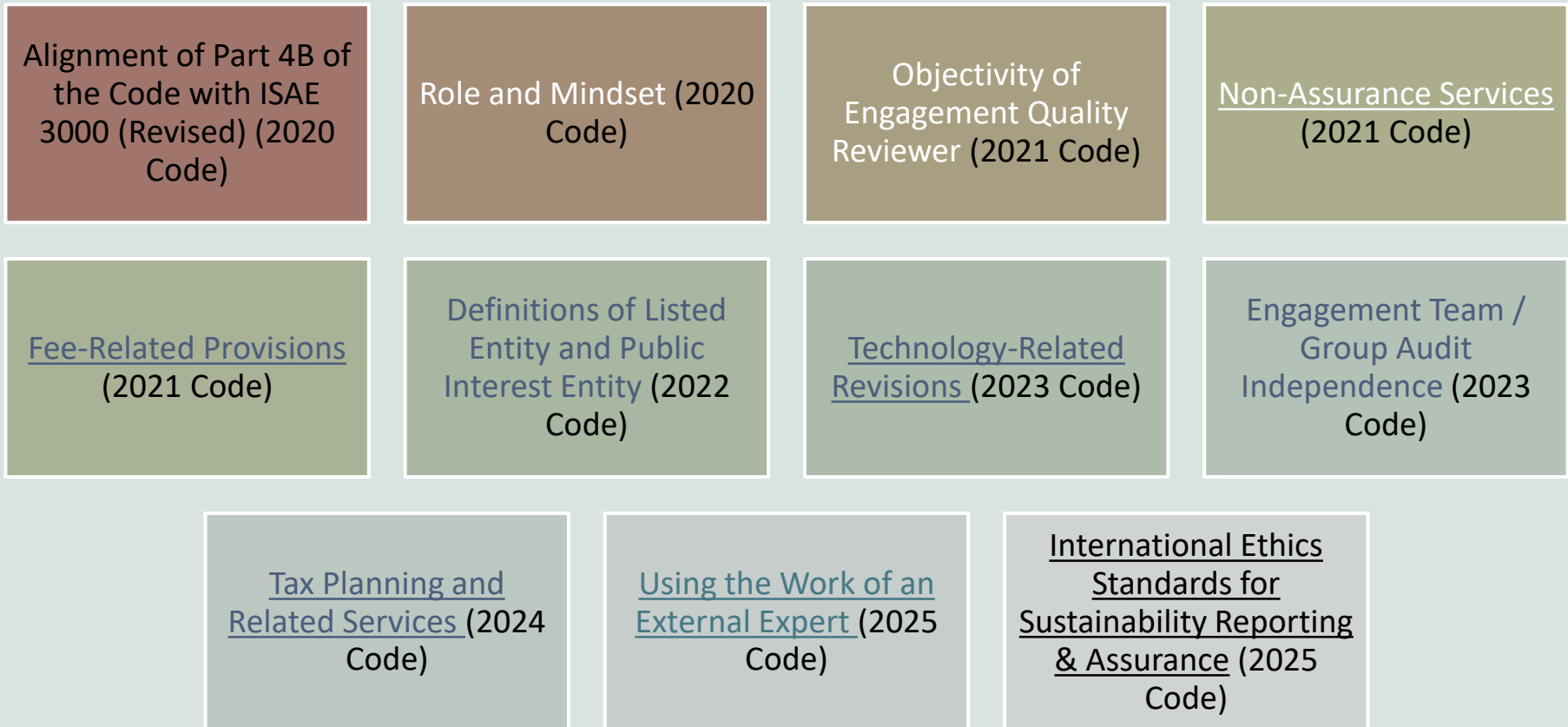


Note: Additional requirements and application material relevant to the conceptual framework are in the other parts of the Code

Substantive Revisions to the IESBA Code Since 2018

Transformation of the IESBA Code

Substantive Changes Since the Restructured Code (2020 - 2025)



NAS, Fees & PIE Revisions

Non-Assurance Services and Fees

Builds on 2018 NAS revisions; responsive not only to regulatory calls for strengthened independence standards with respect to NAS and Fees, but also reflects:

- Heightened stakeholder expectations especially for audits of public interest entities
- Changes in local laws and regulations and firm policies regarding auditor independence

Informed by extensive research and stakeholder input, including global roundtables

Issued in April 2021; effective December 2022

Definitions of Listed Entity and Public Interest Entity

- Response to stakeholders' comments about clarity of definition of "listed entity" and need to re-examine the PIE categories
- One of the three inter-connected projects (NAS and Fees) that aim to significantly strengthen the International Independence standards
- Issued in April 2022; effective December 2024



Download the Final Pronouncement webinars from our website, LinkedIn or YouTube Channel

NAS – Overview of Key Revisions

STRENGTHENING INTERNATIONAL INDEPENDENCE STANDARDS



- ✔ Meaningfully **limit** NAS to PIE audit clients
 - Future-proof through **Self Review Threat (SRT) prohibition** vs “blacklist”
- ✔ Significantly enhance **consistent application** and **enforcement** – materiality eliminated regarding NAS for PIEs
- ✔ Enable and promote **more robust engagement between auditors and Those Charged With Governance (TCWG)** regarding NAS and fees for PIEs
 - Covers cases where NAS provided to **parent entities**

Replaces Section 600; conforming/ consequential revisions to Sections 400, 525, 900 and 950

Fees – Overview of Key Revisions

STRENGTHENING INTERNATIONAL INDEPENDENCE STANDARDS



- ✓ Stimulate greater **transparency** about fees for PIEs
- ✓ Limit undue **fee dependency** on PIE audit clients
- ✓ Steer threat assessments and actions regarding NAS & Fees through **comprehensive guidance**

Replaces Section 410; conforming/consequential revisions to Sections 120, 270, 320, 330, 400 and 905

Engagement Teams – Group Audits (ET-GA)

ADDRESS INDEPENDENCE CONSIDERATIONS FOR FIRMS AND INDIVIDUALS INVOLVED IN GROUP AUDITS



- ✔ Establish new defined terms and revise a number of existing terms.
- ✔ Clarify and enhance the independence principles that apply to group audits (both as individuals involved and firms engaged).
- ✔ More explicitly set out the process to address a breach of an independence provision at a component auditor firm.
- ✔ Align a number of provisions in the Code to conform to changes in the IAASB's Quality Management standards.

Tax Planning and Related Services

SECTION 280 AND 380

- First global ethics standard on tax planning
 - Significant advancement in the public interest
- Sets a global benchmark to drive consistent ethical behavior with respect to tax planning
- Clear and robust principles and comprehensive guidance for navigating tax planning ethical dilemmas
- Raises bar of ethical behavior among PAs
 - Given lack of comprehensive, authoritative global provisions addressing ethical behavior in tax planning today

Effective for tax planning activities beginning after June 30, 2025



2024 Revisions to the IESBA Code Related to Sustainability

Why Ethics Matters to Sustainability Reporting and Assurance?



Confluence of factors for the “perfect storm”

Quality of sustainability information heavily dependent on mindset & conduct of preparers as ‘first line of defense’

Independent assurance is fundamental to credible disclosures

Ethics is the foundation to trustworthy sustainability reporting and assurance

Global Sustainability Reporting, Assurance, & Ethics Ecosystem



IESBA Contributes to Global Coherent Sustainability Disclosures Framework

- Sustainability reporting-related revisions to the Code
- New *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* ('IESSA')
- New ethics standard on *Using the Work of an External Expert*

Effective from December 2026



Sustainability Reporting Revisions to the IESBA Code

Ethics for Sustainability Reporting

ENHANCED ETHICS PROVISIONS (PARTS 1, 2, & 3 OF THE IESBA CODE OF ETHICS)

OBJECTIVES OF IESBA'S SUSTAINABILITY REPORTING REVISIONS

Reinforcing the first line of defense against “greenwashing” and other corporate malfeasance

Truthful, high-quality corporate sustainability disclosures



Builds on pre-existing robust ethical framework



Enhances existing ethics provisions in IESBA Code to be fit-for-purpose for sustainability reporting



For PROFESSIONAL ACCOUNTANTS



FRAMEWORK NEUTRAL



International Ethics Standards for Sustainability Assurance (IESSA)

International Ethics Standards for Sustainability Assurance (IESSA)

GLOBAL BASELINE STANDARDS FOR SUSTAINABILITY ASSURANCE



IAASB and IESBA Unveil New Standards and Guidance to Strengthen Sustainability Reporting and Assurance

New Global Frameworks Elevate Trust and Transparency Across Reporting Ecosystem



 ISSA 5000

 Global Ethics Sustainability Standards

Calls from IOSCO, FSB, and PIOB

Complemented by IESBA's Standard on Using the Work of an External Expert

Close Coordination between IAASB and IESBA

Key Characteristics of IESSA



Equivalent to Ethics and Independence Standards for Audit



Profession-Agnostic (for All Practitioners)



Standalone (New Part 5 of IESBA Code)



Framework-Neutral

NEW PART 5 OF THE IESBA CODE OF ETHICS

For Professional Accountants

PART 1	Complying with the Code, the Fundamental Principles, and the Conceptual Framework	(All Professional Accountants) Section 100–199
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PART 2
Professional Accountants in Business (PAIBs) Part 2 is also applicable to individual PAPPs when performing professional activities pursuant to their relationship with the firm
Section 200–299

PART 3	Professional Accountants in Public Practice (PAPPs)	Section 300–399
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PART 4A
International Independence Standards Independence for Audits and Reviews
Section 400–899

PART 4B
International Independence Standards Independence for Assurance Engagements other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5
Section 900–999

NEW
For All Sustainability Assurance Practitioners
PART 5
International Ethics Standards for Sustainability Assurance (including international Independence Standards) (IESSA) For Sustainability Assurance Engagements Scoped to Part 5
Section 5100–5600

Which Engagements Does the IESSA Apply to?

SCOPE OF ETHICS AND INDEPENDENCE STANDARDS



Ethics (Sections 5100-5390)

Apply to:

- All sustainability assurance engagements (SAEs); and
- Any other professional service provided to the same sustainability assurance client

International Independence Standards (IIS) (Sections 5400-5600)

Apply only to SAEs:

- On sustainability information reported in accordance with a general purpose framework; and
- Which is:
 - Required by law or regulation; or
 - Publicly disclosed to support decision-making by investors or other users

SAEs Outside the Scope of the IIS in IESSA

SAEs not covered by the IIS in Part 5 are subject to the IIS in Part 4B of the IESBA Code:

- Practitioners who are professional accountants must continue to apply Part 4B
- Practitioners who are not professional accountants are encouraged to comply with Part 4B

Approach to IIS in IESSA

Relationships, interests and circumstances that might create threats to independence in context of an audit engagement might also create threats in context of SAE

Equivalent to independence standards applicable to audit engagements (Part 4A), but addressing sustainability-specific issues, including:

- Definition of sustainability information and other **sustainability-related terms**
 - Determination of a Public Interest Entity (PIE) for SAE
- **Group sustainability assurance engagements and value chain components (VCCs)**
- Using the work of **another practitioner**
- Non-assurance services – **Sustainability Data & Forward-Looking Information**
- Issues arising **when a firm performs both engagements:**
 - Fees from the same client
 - Long association with the client

When is the Effective Date of the IESSA?

EARLY ADOPTION IS PERMITTED AND ENCOURAGED



The IESSA will be effective for SAEs on sustainability information for periods beginning on or after **December 15, 2026**, or as at a specific date on or after **December 15, 2026**

There is a **longer effective date** for independence provisions applicable when assurance work is performed at a VCC – **July 1, 2028**

- Provided that certain conditions are met
- Additional time to facilitate implementation and to enable IESBA to monitor implementation and evolution of assurance practice

External Experts

PRINCIPLES-BASED ETHICAL FRAMEWORK

Global Ethical
Framework for Using
the Work of External
Experts

Definitions Introduced for “Expert” and “Expertise”

- Distinguish the work of experts from the work of other individuals or organizations providing information for general use

Evaluating Whether to Use Work of An External Expert

- Focused on external expert’s competence, capabilities and objectivity (CCO)
- Work of expert cannot be used if they do not meet CCO requirements

External Experts in Audit or Assurance Engagements

- Additional objectivity requirements to evaluate interests, relationships and circumstances based on independence attributes (financial interests, business relationships, etc.)

Potential Threats When Using Work of External Expert

- Provisions to guide identifying, evaluating and addressing potential threats to compliance with the fundamental principles

Technology Revisions to the IESBA Code and the Technology Working Group

Technology Related Revisions

GUIDING ETHICAL MINDSET AND BEHAVIOR OF PAS IN DEALING WITH CHANGES BROUGHT BY TECHNOLOGY



Draws attention to the **competence, confidentiality, & leadership** imperatives of the digital age

Considers ethical threats from **use of technology & complexity** when exercising professional judgment

Addresses the ethical dimension of **using output of technology**

Strengthens **auditor independence** for technology-related services & business relationships

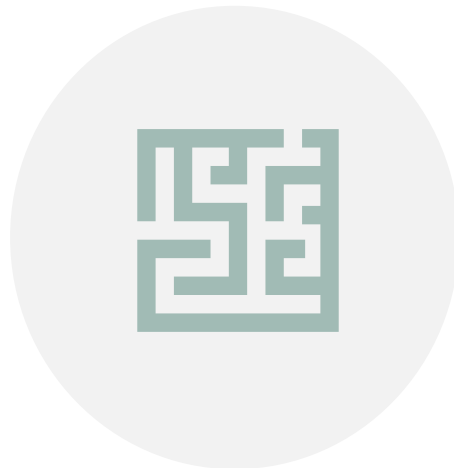
Applies to assurance on **non-financial information** (e.g. ESG disclosures)

Effective December 2024

Technology Resources from IESBA



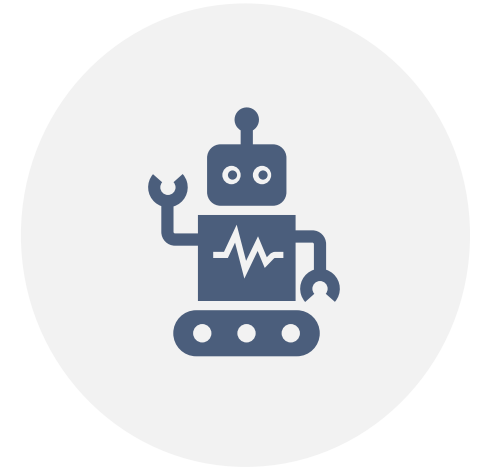
**PHASE 1 FACT FINDING
REPORT (2019-2021)**



**PHASE 2 FACT FINDING
REPORT (2021-2022)**



**TECHNOLOGY FOCUS
PAGE (RELATED
RESOURCES)**



**EXPLORING THE IESBA
CODE – ARTIFICIAL
INTELLIGENCE AND
TECHNOLOGY
LANDSCAPE**

Technology Working Group

OBJECTIVES AND KEY DELIVERABLES

Terms of Reference

- Awareness, adoption, implementation of tech revisions
- Awareness of ethical issues and challenges



2026 TWG Work Plan



Non-Authoritative Material



Communication



Environmental Scanning



Podcast: Decoding Ethics



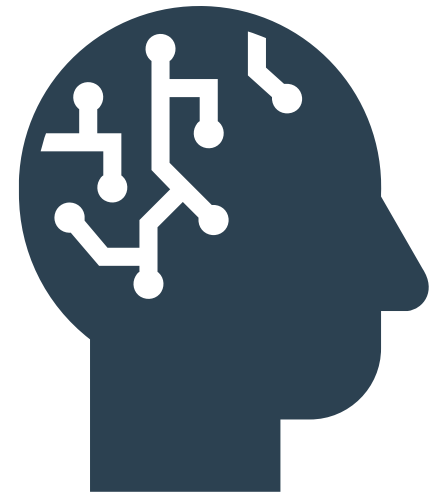
Board Education



IAASB-IESBA Coordination

Ethical Considerations when Using Artificial Intelligence

- Bias and discrimination
- Safety concerns (disturbing content, mis/ dis-information, etc.)
- Plagiarism, intellectual property theft, copyright infringement,
- Privacy concerns
- Potential lack of accountability



Increased need for being alert, having an inquiring mind, applying professional skepticism and being aware of bias

Building and Using AI Ethically

- Understand the data going into the model, how the model operates, and the potential unintended consequences of operating the model
- Be comfortable with the inputs and the control structure monitoring the system and its output in order to reasonably rely on the technology
- Utilize a “human in the loop” approach to ensure human expert oversight of, and accountability for, the AI system
- Have the ability and competence to ask the “right” questions so that appropriate and fit-for-purpose AI is procured or developed is important
 - ❑ Can be achieved by the PA keeping current and educating themselves on relevant practical guidance and “best practices” specific to their role
 - ❑ Examples include the World Economic Forum’s “toolkits” for [C-suite executives](#) and [Board of Directors](#)

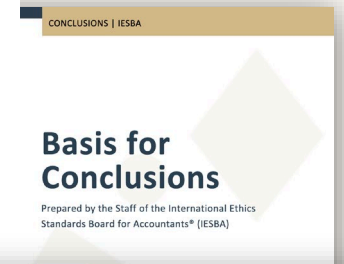


[Click here to read more](#)

IESBA's Focus on A&I

IESBA Prioritizes Adoption and Implementation Support

- A&I Working Group – 5 Board members, with Staff support
- Comprehensive A&I plan with 3 pillars
 - Advocacy and engagement | Capacity building through collaboration | Monitoring progress
- Phase 1 focused on A&I for Sustainability standards:
 - Jurisdictional prioritization and profiles
 - Partnership Framework
- Various resources developed or under development
- Active implementation monitoring mechanism for IESSA
- Close coordination with IFAC & IAASB





Questions & Comments



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