Shri Ashish Swaroop Bhatnagar
Secretary to the Ethical Standards Board Committee
The Institute of Chartered Accountants of India (ICAI)
ICAI Bhawan, Indraprastha Marg
New Delhi, 110 002

25 November 2025

Dear Mr. Bhatnagar,

Subject: Exposure Drafts of the 13th Edition of ICAI Code of Ethics

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Institute of Chartered Accountants of India (ICAI) Exposure Drafts of the 13th Edition of ICAI Code of Ethics.

Led by investors responsible for assets under management of >US$90 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

Alignment with the IESBA Code and international practice

We welcome ICAI's decision to revise Volume I of the Code to reflect changes made in convergence with the IESBA Code of Ethics, 2024 edition, and to incorporate the new sustainability ethics and independence provisions issued subsequently by IESBA. This alignment is important for global investors who compare companies and assurance providers across markets.

We also welcome that the proposed Volume 1 amends the definition of Public Interest Entity (PIE) to include "An entity one of whose main functions is to take deposits from the public", aligning with R400.22 (b) in the IESBA Code.

New Chapter 5: Ethics Standards for Sustainability Assurance

Investors need high-quality, reliable and timely sustainability-related financial reporting from their investee companies to inform capital allocation and stewardship decisions. They expect sustainability reporting to be prepared with the same rigour, discipline, and ethical safeguards that underpin financial statements, and for assurance providers to apply robust independence and quality standards. We explained this in an *Investor Viewpoint on the Assurance of Sustainability Reporting*, published in July 2024.[1] We therefore welcome ICAI's integration of the new IESBA sustainability ethics and independence provisions, which will support trust in corporate disclosures.

We welcome in particular that the Code confirms that the International Independence Standards in Part 5 apply to both reasonable and limited sustainability assurance engagements (para. 5400.3(a)). This is consistent with IESBA's approach and reflects investors' view that independence expectations should not be weaker for limited assurance

[1] ICGN Investor Viewpoint – The assurance of sustainability reporting, July 2024

engagements on sustainability information. At the same time, we note that the proposal for prohibitions on non-assurance services for listed sustainability assurance clients appear to go beyond the international standards set by IESBA. We agree that independence and quality of the assurance provided should be the critical guiding factor in determining the appropriate provider for assurance. While we generally believe that the balance of non-assurance and assurance services is a clear area of focus in assessment of independence and must be appropriately protected, we encourage careful consideration to ensure that the rules do not create unintended barriers to provision of such assurance, in the developing phase of the market for sustainability assurance, particularly in the context of global companies who may operate across jurisdictions.

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

We welcome the ICAI's proposed changes to the sections relating to NOCLAR, which largely align with the IESBA 2024 Code of Ethics, in particular:

- The earlier ₹250 crore net-worth threshold (which historically limited the practical application of NOCLAR within listed entities) has been removed, so NOCLAR now applies to all listed entities rather than a sub-set by size.
- The definition of "listed entity" for purposes of Section 360 is expressly extended to include material subsidiaries, so NOCLAR obligations extend to material subsidiaries of listed parents in audit engagements.
- The Code is updated to reflect IESBA's "imminent breach" concept (permission to disclose to an authority in exceptional cases to prevent or mitigate substantial harm), consistent with the 2024 IESBA text.

ICAI continues to "switch NOCLAR on" only for listed entities (and, under the new proposal, their material subsidiaries) and for members in service employed by listed entities. That remains narrower than IESBA, where Sections 260 and 360 apply to professional accountants generally. We do however note that in the ICAI's proposal, the definition of "listed entity" for purposes of Section 360 is expressly extended to include material subsidiaries, so NOCLAR obligations extend to material subsidiaries of listed parents in audit engagements.

This narrower scope could be problematic from an investor perspective because serious non-compliance at significant unlisted entities (including large private companies or key value-chain entities) would not necessarily benefit from the same structured NOCLAR response, potentially weakening protections for shareholders and other stakeholders.

Comparatively, other international markets, such as the UK and the US, have established the IESBA Code as a baseline with extra overlay from auditing standards and legal and litigation context. For example, in both jurisdictions, NOCLAR applies across the board to members, and is not limited only to listed entities or PIEs.

Structure of Volumes

We understand that:

- Volume I contains the Code of Ethics converged with the 2024 IESBA Code, including the new Part 5 on sustainability assurance;
- Volume II contains provisions based on domestic laws, regulations, and guidelines; and

- Volume III brings together the Guidelines on Ethical Issues, 2025, and related guidance formerly included in Volume II, with the existing Case Law Referencer to be published separately.

Internationally, there is no single model for how these materials are packaged: IESBA publishes a single integrated Code; in the UK, IESBA-based professional body codes of ethics (ICAEW) sit alongside the FRC Ethical Standard and separate guidance; in the United States, the AICPA Code of Professional Conduct provides the core ethics framework, complemented by SEC and PCAOB independence rules and separate interpretative material.

We therefore do not take a view on the optimal format. From an investor perspective, the key benefit of ICAI's approach is that it clearly distinguishes the IESBA-converged material in Volume I from domestic legal and regulatory guidance in Volumes II and III, which should help users understand where Indian requirements track IESBA and where they go beyond it.

Thank you again for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact Ayan Tewari (policy@icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson

Chief Executive Officer, ICGN