

30 April 2024

Mr Ken Siong
Program and Senior Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York 10017 USA

Submitted via IESBA website

Dear Mr Siong,

IESBA Exposure Draft Proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

The Institute of Public Accountants Group (IPA) welcomes the opportunity to comment on IESBA's Exposure Draft Proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* IESSA and Other Revisions to the Code Relating to Sustainability Assurance and Reporting. IPA commends the IESBA for developing the Exposure Draft under a relatively compressed timeframe.

The IPA Group is generally supportive of the proposals contained in the Exposure Draft. Our comments on the Request for Specific Comments contained in the Explanatory Memorandum accompanying the Exposure Draft are in the Attachment.

If you have any queries concerning our comments or require further information, please do not hesitate to contact Erik Hopp at erik.hopp@publicaccountants.org.au.

Yours sincerely



Vicki Stylianou
Group Executive, Advocacy & Policy
Institute of Public Accountants

About the IPA Group

The IPA Group is a peak professional accounting association with over 50,000 members and students in over 100 countries. The Group consists of the IPA in Australia and the IFA in the UK. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. In 2023, the IPA celebrated its centenary year and looks forward to contributing to the future prosperity of our members and the profession.

Attachment

IPA Group Comments on Request for Specific Comments – IESBA Exposure Draft Proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA)* and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

General Comment

The IPA Group (IPA) is generally supportive of the proposals contained in the Exposure Draft subject to the below comments.

Request for Specific Comments

Main Objectives of the IESSA

1. Do you agree that the proposals in Chapter 1 of the ED are:
 - (a) Equivalent to the ethics and independence standards for audit engagements in the extant Code? [See paragraphs 19 and 20 of this document]
 - (b) Profession-agnostic and framework-neutral?

IPA agrees that the drafting has achieved these two main objectives of the IESSA.

2. Do you agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics?

IPA believes the proposals in Chapter 1 of the Exposure Draft are generally responsive to the public interest.

Definition of Sustainability Information

3. Do you support the definition of "sustainability information" in Chapter 2 of the ED?

IPA supports having a definition for "sustainability information" to facilitate a consistent application of the IESSA by all users. The proposed definition in IESSA appears reasonable. IPA encourages IESBA to continue working with related international standard-setters with the view to ensuring the definition used in IESSA is broadly consistent with definitions used by those standard-setters.

Scope of Proposed IESSA in Part 5

4. The IESBA is proposing that the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients. Do you agree with the proposed scope for the ethics standards in Part 5?

IPA supports the proposed scope for the ethics standards in Part 5 of IESSA.

5. **The IESBA is proposing that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. Do you agree with the proposed criteria for such engagements in paragraph 5400.3a?**

IPA supports the proposed application of international independence standards in Part 5 of IESSA analogous to the application of the Part 4A requirements applying to financial statement audits.

Structure of Part 5

6. **Do you support including Section 5270 in Chapter 1 of the ED?**

IPA supports the inclusion of proposed Section 5270 of IESSA.

NOCLAR

7. **Do you support the provisions added in extant Section 360 (paragraphs R360.18a to 360.18a A2 in Chapter 3 of the ED) and in Section 5360 (paragraphs R5360.18a to 5360.18a A2 in Chapter 1 of the ED) for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) NOCLAR to each other?**
8. **Do you support expanding the scope of the extant requirement for PAIBs? (See paragraphs R260.15 and 260.15 A1 in Chapter 3 of the ED)**

IPA supports the NOCLAR provisions to be included in IESSA and the revised provisions to be added to extant sections 360 and 260.

Determination of PIEs

9. **For sustainability assurance engagements addressed by Part 5, do you agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements?**

IPA supports IESBA's first-step 'equivalency' approach to align the independence requirements used for financial statement audits in Part 4A of the Code with the proposed independence requirements for sustainability assurance engagements in Part 5 of the Code.

Group Sustainability Assurance Engagements

10. **The IESBA is proposing that the International Independence Standards in Part 5 specifically address the independence considerations applicable to group sustainability assurance engagements.**
- (a) **Do you support the IIS in Part 5 specifically addressing group sustainability assurance engagements? Considering how practice might develop with respect to group sustainability assurance engagements, what practical issues or challenges do you anticipate regarding the application of proposed Section 5405?**
- (b) **If you support addressing group sustainability assurance engagements in the IIS in Part 5**
- (i) **Do you support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement (see Section 5405)?**
- (ii) **Do you agree with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firms regarding the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement? [See paragraph 88 of this document]**
- (iii) **Do you agree with the proposed defined terms in the context of group sustainability assurance engagements (for example, "group sustainability assurance engagement" and "component")?**

IPA supports in principle the international independence standards addressing group sustainability engagements for professional accountants in practice. IPA encourages IESBA to continue working with the IAASB with the view to developing supporting materials to assist a consistent application and understanding of these complex requirements. Given the likely complexity of applying these requirements in practice, IPA also suggests this may be an area of focus for IESBA to consider post-implementation feedback from sustainability assurance practitioners.

Further, we note that these requirements may be problematic for non-PAs. It is unclear what standards or guidance will be used by non-PAs that are not subject to applying ISSB reporting standards and/or IAASB assurance standards such as ISA 600 *Special Considerations – Audits of Group Financial Standards (including the Work of Component Auditors)*.

Using the Work of Another Practitioner

- 11. Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner plans to use the work of another practitioner who is not under the former’s direction, supervision and review but who carries out assurance work at a sustainability assurance client. Do you agree with the proposed independence provisions set out in Section 5406?**

IPA generally supports the requirements surrounding using the work of another practitioner. IPA expects that these requirements are likely to be challenging to apply in practice and sustainability assurance providers would benefit from IESBA developing supporting materials, including practical examples, to facilitate consistent application.

Assurance at, or With Respect to, a Value Chain Entity

- 12. Do you support the proposed definition of “value chain” in the context of sustainability assurance engagements?**

IPA supports the proposed definition of “value chain” in the context of sustainability assurance engagements.

- 13. Do you support the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity?**
- 14. Where a firm uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity but retains sole responsibility for the assurance report on the sustainability information of the sustainability assurance client:**
- (a) Do you agree that certain interests, relationships or circumstances between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm’s independence?**
 - (b) If yes, do you support the approach and guidance proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships or circumstances with a value chain entity in Section 5700? What other guidance, if any, might Part 5 provide?**

IPA supports the proposed provisions contained in Section 5407. Sustainability assurance providers would benefit from IESBA developing supporting materials, including practical examples, to illustrate how these provisions would work in practice.

Providing NAS to Sustainability Assurance Clients

15. The International Independence Standards in Part 5 set out requirements and application material addressing the provision of NAS by a sustainability assurance practitioner to a sustainability assurance client. Do you agree with the provisions in Section 5600 (for example, the “self-review threat prohibition,” determination of materiality as a factor, and communication with TCWG)?
16. Subsections 5601 to 5610 address specific types of NAS. (a) Do you agree with the coverage of such services and the provisions in the Subsections? (b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

IPA generally supports the approach taken by IESBA on providing non-assurance services to sustainability assurance clients.

Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements for the Same Client

17. Do you agree with, or have other views regarding, the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client’s financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client)?

IPA generally agrees with the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client’s financial statements.

Other Matters

18. Do you believe that the additional guidance from a sustainability assurance perspective (including sustainability-specific examples of matters such as threats) in Chapter 1 of the ED is adequate and clear? If not, what suggestions for improvement do you have?

Refer to responses at questions 10, 11, 13 and 14 for areas where IPA believes additional guidance is needed.

19. Are there any other matters you would like to raise concerning the remaining proposals in Chapters 1 to 3 of the ED?

IPA generally supports the Proposed Revised Glossary (Chapter 2) and the Proposed Consequential and Conforming Amendments to the IESBA Code (Chapter 3)

Sustainability Reporting Scope of Sustainability Reporting Revisions and Responsiveness to the Public Interest

20. Do you have any views on how the IESBA could approach its new strategic work stream on expanding the scope of the Code to all preparers of sustainability information?

IPA acknowledges the comments provided in paragraphs 133 to 135 of the Explanatory Memorandum to the IESBA IESSA and have no further comments to make at this time.

21. Do you agree that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics?

IPA agrees that the proposals in Chapter 4 are responsive to the public interest. IPA supports the proposed amendments to Parts 1 to 3 of the IESBA Code contained in Chapter 4.

Proposed Revisions to the Extant Code

- 22. Do you agree that the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective, including:**
- (a) Proposed revisions to Section 220?**
 - (b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information?**
 - (c) Other proposed revisions?**

IPA generally supports the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED. The proposed revisions appear to be clear and adequate from a sustainability reporting perspective.

- 23. Are there any other matters you would like to raise concerning the proposals in Chapter 4 of the ED?**

IPA does not have any other matters to raise concerning the proposals in Chapter 4.

Effective Date

- 24. Do you support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISSA 5000 on the assumption that the IESBA will approve the final pronouncement by December 2024?**

IPA supports the IESBA proposal to align the effective date of IESSA with the effective date of ISSA 5000 on the assumption that IESBA will approve the final pronouncement by December 2024.