61, rue Henri Regnault
92075 Paris La Défense
Cedex
France
Tél : +33 (0)1 49 97 60 00
Fax : +33 (0)1 49 97 60 01
www.mazars.com

International Ethics Standard Board for Accountants
529 Fifth Avenue
New York
NY 10017

Email: paul.winrow@mazars.co.uk

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Dear IESBA Board Members

Consultation on Proposed *International Ethics Standard for Sustainability Assurance*

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services. Operating in over 100 countries and territories around the world, we draw on the expertise of more than 50,000 professionals – 33,000+ in the Mazars integrated partnership and 17,000+ via the Mazars North America Alliance.

General comments

We welcome the opportunity to comment on the IESBA's proposed International Ethics Standard for Sustainability Assurance (IESSA), a key part of the regulatory landscape underpinning high quality sustainability reporting, alongside the IAASB's assurance standard (ISSA 5000) and quality management standard (ISQM 1) and reporting standards issued by, among others, the IFRS Foundation and the European Union. There are, however, some inconsistencies in definitions and terminology used in the IESSA with other international standards (notably those issued by the IAASB) and, notwithstanding the need for the Code to be framework neutral, we urge the two standard setting Boards to work together to ensure maximum consistency.

We support the IESBA's attempts to create a profession-agnostic ethical standard for providers of sustainability assurance and welcome the progress that has been made in developing the IESSA, which provides a strong foundation for ethical standards in the public interest. As noted in paragraph 18 of the explanatory memorandum this new standard should be "*comprehensive, scalable, clear, implementable, globally operable and enforceable for all sustainability assurance practitioners*". While we are supportive of the general direction of the IESSA, and that it meets some of the Public Interest Framework characteristics above, we have concerns about the practical implementation of the proposed standard in a number of areas.

While the IESSA is comprehensive in its coverage, we believe that it's length and complexity will make it difficult to implement for sustainability assurance practitioners who are not professional accountants, and question whether the extensive use of predominantly audit-related language in the proposed Section 5 achieves the objective of being profession agnostic.

We have a number of significant concerns, in particular relating to:

- *Independence when work is performed at a value chain entity* – we do not believe these proposals are implementable in practice. The three options for performing work at value chain entities are unclear and there is a need for clear, realistic examples of when each option might be applicable, along with further clarity on the implications for independence considerations. Full details of our concerns are set out in Questions 13 and 14.
- *Proportion of fees for services other than sustainability assurance* – the extant IESBA code does not consider that assurance engagements and fees give rise to threats to the independence of the auditor (for example, section 600 refers to the provision of "non-assurance services") and therefore we do not agree with the proposals relating to fees where the same firm provides both the audit and sustainability assurance engagement. In our view proposed paragraph 5410.11.A1 should be deleted as the provision of audit and assurance services does not give rise to a threat to independence for either service. If IESBA is concerned about total fees for the two services, this may be more appropriately considered under fee dependency considerations.

Responses to specific matters for comment

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? *[See paragraphs 21 and 22 of this document]***

Response

We agree that, as noted in the explanatory memorandum, it is imperative that, to enable a level playing field for all sustainability assurance providers in the public interest, sustainability assurance engagements should be underpinned by the same ethical standards for behaviour and independence that apply to audits of financial statements.

In this regard, the approach taken by IESBA to incorporate the provisions of the Code covering the fundamental principles, conceptual framework and compliance with the code in the new Part 5 provides an appropriate foundation for ethical standards relating to sustainability assurance engagements.

In reflecting the requirements of Part 1 (Complying with the Code, Fundamental principles and Conceptual Framework) and Part 3 (Professional Accountants in Public Practice) sections of the IESBA Code more or less in their entirety, the proposals in chapter 1 are considered to be equivalent to the ethics and independence standards, subject to comments in specific questions later in this response around Part 4 and the Independence Standards.

By incorporating a new Part 5 of the Code (International Ethics Standards for Sustainability Assurance - IESSA) the IESBA has developed an ethical code which is both profession agnostic, which can be applied by either professional accountants (using extant Parts 1-4) or other assurance practitioners using Part 5 (and referring to other parts for guidance as appropriate). IESSA, having been built on the existing IESBA Code which itself is framework neutral, can be applied to any sustainability reporting or sustainability assurance framework. However, we question whether the use of predominantly audit/accounting language in the proposed Section 5 achieves the objective of being truly profession agnostic. We suggest that the IESBA may wish to consider whether it could provide more clarity for non-accountants around the key concepts (e.g. fundamental principles, threats).

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? *[See paragraph 23 of this document]***

Response

We believe that general purpose sustainability assurance engagements carry the same level of public interest as audits of general-purpose financial statements. As a result, it is imperative that the ethical standards underpinning such assurance engagements should be responsive to the public interest. As IESSA is derived from, and consistent with, the IESBA Code, we believe that the proposals are responsive to the public interest as set out in Paragraph 23 of the explanatory memorandum.

Definition of Sustainability Information

3. **Do you support the definition of "sustainability information" in Chapter 2 of the ED? *[See paragraphs 24 to 26 of this document]***

Response

We agree that the term "sustainability information" should be defined for the purposes of applying IESSA for sustainability assurance engagements and relevant parts of the extant Code for sustainability reporting.

While we appreciate the need for the IESBA Code to be framework neutral, it is imperative that definitions used in international standards are aligned to avoid confusion and unnecessary complexity. Therefore, we urge the IESBA and IAASB to work together to develop a suitable definition of sustainability information that may be used in both IESBA ethical standards and IAASB assurance standards.

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? *[See paragraphs 30 to 36 of this document]***

Response

We agree with the proposed scope for Part 5 of the ethics standard. We agree with the IESBA that it is in the public interest for those providing sustainability assurance services to comply with ethical requirements for all services provided to the same client.

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? *[See paragraphs 38 to 43 of this document]***

Response

We agree with proposal that the independence standards in Part 5 should apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements; that is, engagements over information on which an opinion is reported in accordance with a general purpose framework and is required to be provided in accordance with law or regulation, or is publicly disclosed to support decision making by investors or other stakeholders.

We also agree that Part 4B of the extant Code should apply to other sustainability engagements performed by PAs, and note that the IESBA currently encourages other practitioners who are not PAs to adopt the provisions of 4B when appropriate given that the IESBA cannot define ethical standards for non-PAs performing such engagements. Further we note that the IESBA will consider in its future work plan whether to revise extant Part 4B or develop a Part 4B equivalent in the new Part 5 and urge the IESBA to adopt the latter approach to provide consistency and a level playing field between PAs and non-PA sustainability assurance practitioners.

Structure of Part 5

6. **Do you support including Section 5270 in Chapter 1 of the ED? *[See paragraphs 46 to 48 of this document]***

Response

We support the inclusion of Section 5270 in the new Part 5 as section 270 (*Pressure to breach the fundamental principles)* of the extant code may apply to PAs performing audits of financial statements in certain circumstances. Other than section 270, it is not necessary to include equivalent standards for other sections in Part 2 of the extant Code.

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? *[See paragraphs 56 to 67 of this document]***

Response

We support the new requirements in 5360.18a to consider communicating actual or suspected NOCLAR to the auditor of the sustainability assurance client and the symmetrical requirement being added to extant R360.18 to require auditors of the financial statements to consider communicating with the sustainability assurance practitioner. We also support the decision by the IESBA not to extend the scope of paragraphs R5360.31-33 to sustainability assurance practitioners for the reasons set out in paragraph 67 of the explanatory memorandum, in particular the need to avoid unnecessary complexity.

We note the IESBA concluded not to include a requirement to consider communicating to other sustainability assurance practitioners performing engagements for the same entity, part of the justification for which was that, at least in the UK, large companies usually engage a single assurance practitioner. We recommend that the IESBA carries out further research to confirm whether this is indeed the situation in other jurisdictions. We could envisage a situation where, for example, a different specialist practitioner may be appointed to review a GHG statement and if issues arose during that engagement, it would likely be appropriate to communicate to another assurance practitioner providing assurance on the wider sustainability information. We appreciate, however, that this may be rare.

We welcome the important, and helpful, clarification in R5360.7.A3 that the requirements do not extend to situations where NOCLAR has been committed by entities in the value chain for sustainability engagements.

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) ***[See paragraph 68 of this document]***

Response

We support expanding the scope of the requirements for PAIBs to determine whether disclosure of relevant matters should be made to the entity's sustainability assurance practitioner in addition to the auditor.

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? [See paragraphs 80 to 85 of this document]

Response

Independence standards relating to sustainability assurance engagements should be proportionate and scalable and some of the requirements should apply only to PIEs. Where an entity has been deemed to be a PIE for the purposes of the audit, it would be incongruous if it was not considered to be a PIE for a general-purpose sustainability assurance engagement to which the independence standards apply (see question 5). We therefore agree with the IESBA's proposal that an entity should be deemed to be a PIE for the purposes of a general-purpose sustainability assurance engagements to which the independence standards apply only if it has been determined as such for the purposes of the audit of financial statements.

We note that 5400.13a highlights that a firm may voluntarily determine an entity to be a PIE for the audit of financial statements but that this does not mean another firm performing the sustainability assurance engagement for that entity is required to treat it as a PIE for their engagement. It is not clear, however, if the IESBA requires a firm determining an entity to be a PIE for its audit of financial statements is required also to determine it as a PIE for the sustainability assurance engagement where the same firm performs both engagements. It would be helpful to clarify this position in 5400.13A.

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. [See paragraphs 86 to 92 of this document]

(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?

Response

We support and very much welcome the IESBA addressing group sustainability engagements, in contrast to the IAASB approach to group engagements in its assurance standard. As noted in the explanatory memorandum, it is important that independence is addressed to ensure equivalence with those for audits. We note that the IESBA has included some provisions around communication partly as a result of shortcomings in the assurance standard and these are to be welcomed to support high quality group engagements. We urge the two standards boards to work together to ensure consistency in this important area.

(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)?

Response

We support the consistency of independence provisions between group sustainability engagements and audit engagements, given the public interest in sustainability assurance reflected in our response to question 2.

We do, however, agree with the IESBA that these provisions may present challenges for non-PAs and that there will be a need for education and training to support non-PA assurance practitioners in implementing the code.

(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]

Response

We agree with the proposed requirements regarding communication between the group sustainability assurance firm and component assurance firms regarding ethics and independence provisions.

(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")?

Response

We agree with the proposed definitions provided in the glossary. We welcome the clarification that the definition of the group sustainability assurance client excludes entities within the client's value chain. We note, however, that there are some ongoing debates around differences in definitions used in international financial reporting standards (IFRS) and some sustainability reporting standards, whereby some entities may be regarded as group entities for financial reporting purposes but as part of the value chain in sustainability reporting. The definition may need to be revised depending on the outcome of this debate, although we believe that, as the Code is profession and standards agnostic, the definition as written is appropriate.

Furthermore, we note that there are some minor differences between the IESBA definitions and those included in the latest draft of the IAASB's assurance standard (ISSA 5000) presented at its March 2024 meeting, perhaps reflecting the challenge we mention in the previous paragraph? We urge the IESBA to work closely with the IAASB to ensure full alignment of its definitions. The minor differences we have noted are set out below and it would be helpful to clarify why such differences exist and eliminate them where possible:

- Component – the IAASB draft definition does not include the sentence "This excludes entities within the value chain" which is included in the IESBA definition.
- Group sustainability information – the IAASB draft definition includes additional text to clarify that the information relates to that which is "within the entity's organisational boundary".

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? [See paragraphs 93 to 101 of this document]**

Response

As highlighted in the explanatory memorandum, it would not be appropriate for the assurance provider to directly require another practitioner, who is not under their direction and supervision, to comply with the Code, especially as the other practitioner may have already completed their work. We agree, in principle, with the proposed requirements to make such a practitioner aware of the requirements of the Code and to request confirmation that the practitioner understands and has complied (or will comply) with those provisions, including independence. However, further guidance and clarity would be helpful as to what the IESBA means by the term "relevant ethics, and independence, provisions". Does this mean the full IESBA Code? Or are there only certain aspects of the provisions that might be relevant in some circumstances, in which case some examples would be helpful.

We note the requirement to obtain confirmation that the other practitioner is independent of the entity, within the meaning of the Code. While it might be expected that the other practitioner is aware of the independence requirements where they already apply the IESBA Code, or where Part 5 has been adopted in their jurisdiction for sustainability engagements, and would have established systems and processes to capture the relevant information, there may be jurisdictions where non-PA practitioners are not required to comply with IESBA provisions. In this situation it may be difficult to obtain such confirmations and it would be helpful to provide guidance as to what appropriate confirmation, alternative procedures or evidence may look like in this scenario.

We note that there are some minor inconsistencies between the definition of "another practitioner" between the IESBA Code glossary and the proposed ISSA 5000 presented at the March 2024 IAASB meeting. We urge the IESBA and IAASB to ensure full alignment of the definition of this new term.

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? [See paragraphs 102 and 103 of this document]**

Response

The value chain definition proposed includes a statement that "The value chain does not include components". However, as referred to in question 10(b)(iii) there is an apparent inconsistency between the definition of the value chain in the proposed IESSA with some financial and sustainability reporting frameworks, in particular the treatment of joint ventures which may be considered components in financial reporting terms, but not in certain sustainability reporting standards (notably ESRS) in which case they may form part of the value chain. The IESBA may wish to consider whether additional clarity in the definition, or associated guidance, may be helpful in this regard perhaps by removing the use of "component" and referring to "entities within the organisational boundary" in the definition.

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? [See paragraphs 104 to 110 of this document]**

Response

We have a number of significant concerns around the proposals relating to independence when work is "performed at, or with respect to", value chain entities. A key consideration when assessing the proposals is whether they are implementable in practice, and we do not believe that the proposals pass that test in their current form. We agree that value chain entities are not part of the client's organisational boundary and that the provisions in part 5 relating to group clients are not applicable.

The explanatory memorandum sets out that the value chain is predicated on reporting relating to material entities within the value chain. However, the international sustainability reporting standards currently published (ESRS, IFRS SDS) require information relating to the entity's impacts, risks and opportunities arising in the value chain, rather than information on value chain entities *per se.*

5407.2.A1 sets out three options when the assurance practitioner concludes that assurance work is needed at a value chain entity. We do not envisage situations where assurance work will be performed at a value chain entity of a client for the purposes of that client's assurance engagement. Rather, we believe that the focus should be on "evaluating evidence" in relation to value chain entities, which would lessen the importance and need for practitioners to focus on stringent independence considerations and enabling them to focus more on the reliability of the evidence provided. Our comments on the three options proposed are:

a) *Perform the assurance work at the value chain entity* – it is not clear on what basis the practitioner would perform this work, unless they already happened to be the assurance provider to the value chain entity. Otherwise we do not believe this would be a practical option.
b) *Use the work a sustainability assurance practitioner who separately performs the assurance work at the value chain entity* – although this situation may arise and would operate in a similar manner to component arrangements in a group audit engagement, given the focus of the client's sustainability reporting is on impacts, risks and opportunities in the value chain, generic assurance reports over the value chain entity may not be sufficient for the needs of the assurance practitioner of the client.
c) *Perform the assurance work on the sustainability information of the value chain entity provided by the client without carrying out assurance work at the entity* – this is where we believe the focus should be on "evaluating evidence" relevant to the value chain entity as opposed to performing assurance work on the information provided by the client. It may be possible to satisfy yourself that the information relevant to the entities impacts, risks and opportunities is sufficient and appropriate without performing assurance work on that information.

If these options are retained in the Code, clear, realistic examples of when each option would be applicable, and the impact on independence considerations, would be extremely helpful.

Our comments on the independence considerations relating to options above are:

a) Notwithstanding our comments above regarding the practicality of this option, if the firm provides assurance to the value chain entity, we agree that the firm and members of the sustainability assurance team should be independent of that entity. However, we have serious concerns about the implications for network firms in large, complex group audits especially given the need to be independent from the value chain entity and its relevant related entities (see our comments in question 14).
b) Where a firm uses the work of a sustainability assurance practitioner who performs work at the value entity, we agree with the proposal that the firm should be satisfied that the other assurance practitioner is independent of the value chain entity. We also agree with the pragmatic suggestion that this requirement may be met through a statement of independence in the other practitioner's assurance report or a confirmation from the other practitioner.
c) We agree that the requirement should be only that the firm and members of the sustainability assurance team should be independent of assurance client where this option is adopted.

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?

Response

The IESBA states in the explanatory memorandum that there are interests, relationships or circumstances that might create threats to the firm's independence. However, the IESBA does not provide examples of the sorts of situations it has in mind. In the absence of clear examples, we do not necessarily agree that such interests, relationships or circumstances may create significant threats to the assurance practitioner's independence that warrant particular independence consideration.

The IESBA should set out its concerns more clearly.

(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? [See paragraphs 111 to 114 of this document]

Response

Notwithstanding our comments above, if there were any situations that give rise to threats to independence it is imperative that the provisions of the Code are proportionate and capable of application in in practice. For example, where the sustainability assurance engagement is a large, multi-national entity operating across multiple industries and sectors (e.g. an entity like Shell), it will likely have many thousands of entities in its value chain, many of which may be audited and have sustainability assurance provided by the auditor of the client. In this situation, it would be wholly disproportionate to expect a full independence assessment across the group and its value chain.

We note that the IESBA sets out in the explanatory memorandum that, recognising that the threats will generally be lower, it proposes that such threats be addressed on the "knows or has reason to believe" principle, as set out in R5700.4. It goes on to state that the IESBA does not intend that the application of this basis creates a monitoring obligation on the firm" and there is no expectation that up-to-date databases of the client value chain entities will be required, or that changes to the client's value chain during the period needs to be monitored. This is not clear in the proposed Section 5700 and, to avoid any doubt or differing interpretations across jurisdictions or between regulators, the "knows or has reason to believe" principle and the intentions of the IESBA (set out in the explanatory memorandum) should be made clear in application material supporting R5700.4.

In addition to the explanation required in the previous paragraph, IESBA should provide examples of factors to evaluate threats and potential safeguards to support consistent application of the proposals.

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)? [See paragraphs 115 and 116 of this document]**

Response

We agree with the principle that independence standards for audit and sustainability assurance engagements should be aligned, and therefore support the provisions in Section 5600 regarding non-assurance services to sustainability assurance engagement clients.

16. Subsections 5601 to 5610 address specific types of NAS. [See paragraphs 118 to 120 of this document]

(a) Do you agree with the coverage of such services and the provisions in the Subsections?

Response

We agree with the proposed coverage of non-audit services and the provisions in Section 5601 to 5610. We agree with the IESBA proposal to replace “Accounting and bookkeeping services” with “sustainability data and information services” and to include estimation, forecasting etc. with valuations in the new category “Valuation, Forecasting and similar services”.

(b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

Response

We are not clear of the relevance of much of the content of the Tax Services section to sustainability assurance engagements and suggest that this section could be either removed, or significantly reduced in length and complexity. We appreciate that there may be overarching tax service threats (e.g. relating to tax transactions or schemes which may relate to tax avoidance), however it is not clear in what situations tax advice might be relevant to sustainability information. We recommend that this section be revisited to reduce the length and complexity and to focus on areas where tax services may directly impact on sustainability information (e.g. tax advantages related to green projects and funding).

Similarly, we are not clear that Corporate Finance services as included in the draft IESSA is necessarily directly relevant to the sustainability information. We recommend that this section be reviewed to reduce the length and complexity and provide clearer examples of where corporate finance services may directly impact the sustainability information (e.g. advice relating to Green Bonds).

***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)? [See paragraphs 123 to 131 of this document]

Response

We do not agree with the proposals relating to fees where the same firm provides both the audit and sustainability assurance engagement. 5410.11.A1 refers the sustainability assurance provider to paragraphs 410.11.A1-A3 where they are also the auditor. The paragraphs in 410 refer to “Proportion of fees for service other than audit to audit fee”; however the extant code when considering threats to independence from the provision of other services, in Section 600, refers to provision of “non-Assurance Services” to an audit client. We understand that the extant code does not envisage that the provision of assurance services to an audit client creates a threat to independence and, in that context, we do not agree that the provision of sustainability assurance gives rise to a threat to the auditor’s independence, or vice versa. Indeed, the proposals present a circular argument whereby the audit fee could be considered to be a threat to the independence of the sustainability assurance provider, and that the sustainability fee could be considered a threat to the auditor’s independence, which could end up with an interminable loop of independence considerations. If IESBA is concerned about the total audit and assurance fees, this may be more appropriately considered under fee dependency considerations for the combined audit and sustainability assurance fees. Proposed paragraph 5410.11.A1 should, therefore, be deleted.

As an example, this matter has been discussed extensively in Europe during development of the CSRD and the EU concluded that providing sustainability assurance does not give rise to independence threats and, as a result, excluded the provision of sustainability assurance to an audit client from the 70% fee cap for non-assurance services. Indeed, it is likely that many (probably most) entities would be likely to require their auditor to provide sustainability assurance as the most effective and efficient means of obtaining the assurance they require.

We also have some concerns that the long association proposals may lead to unintended consequences, at least in the short term. Once the sustainability assurance market is fully established, the proposals in IESSA around long association where the sustainability assurance practitioner and auditor are the same, are reasonable.

We believe that transitional provisions would be helpful in the next few years to avoid unintended consequences around assurance quality, negative impacts on sustainability assurance clients, and competition and choice in the assurance market. For example, in a situation where the audit partner is due to rotate off the audit next year but may be best placed to carry out sustainability assurance engagements as they may be the only accredited partner for such services at that time. In such a scenario that partner would not be able to take on the sustainability assurance engagement, even though that may be the best solution for both the client and the quality of the engagement. Such scenarios may be likely in the short term as auditors upskill and become experienced and/or accredited to undertake sustainability assurance engagements.

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?

Response

We do not have any specific improvements to the guidance, other than where provided in response to specific questions.

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

Response

We have no further comments.

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? [See paragraphs 133 to 135 of this document]

Response

We agree with the IESBA decision not to develop profession-agnostic standards for sustainability reporting for use by all preparers of sustainability information at this time, despite the clear benefits of all preparers being subject to robust ethical standards, for the reasons set out in the explanatory memorandum, in particular the challenges around expanding the scope of the Code to non-professional accountants and the time that this might take.

We also agree, in principle, that the IESBA should explore developing profession-agnostic standards for sustainability reporting in the public interest. However, before expending significant time in developing such standards, we suggest that the first stage of any such project should be to assess the feasibility of ensuring their widespread adoption in jurisdictions around the world, without which there would be little benefit in pursuing new standards.

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? [See paragraph 138 of this document]

Response

We agree that the addition of guidance and examples relevant to Professional Accountants in Business when undertaking sustainability reporting meet the public interest framework characteristics as they are coherent with the extant Code, are clear and concise and their implementation is not a challenge as the proposals are merely guidance and examples.

Proposed Revisions to the Extant Code

22. 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? [See paragraphs 139 to 141 of this document]

Response

We support the approach to incorporating further guidance and examples in the application material in Parts 1 to 3 of the extant Code, set out in Chapter 4 of the ED.

With regard to proposed revisions to Section 220 specifically, the additional examples provided are helpful and incorporating R220.7 and associated application material on using the work of others is appropriate to sustainability reporting.

(b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? [See paragraphs 143 to 153 of this document]

Response

We agree with the proposed examples subject to the following comments:

- 220.4.A1 – this example would benefit from the use of the term "greenwashing" to make clear that this is what the example is discussing. Although we appreciate the term "greenwashing" is not clearly defined, it is well understood in concept and, as this content is application material rather than a requirement, we believe it would be appropriate to use the term.
- 220.5.A1 – we believe that listing the sustainability examples consecutively may be beneficial to PAIBs rather than scattering them among the list of bullet points
- 220.4.A3 – in addition to the source, relevance and sufficiency of the data, we believe that the PAIB should also consider its reliability given it is from a third party, and we suggest adding this criterion to the example.
- 320.3.A4 – a cross reference to the example in 300.7.4a would be helpful

(c) Other proposed revisions? [See paragraph 155 of this document]

Response

We agree with the other proposed revisions.

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

Response

We have no further comments.

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?

Response

We support the alignment of the effective date of the final provisions with the effective date of ISSA 5000, on the assumption that both standards are finalised as planned in 2024.

Request for General Comments

25. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

(a) Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

We have no comments

(b) Regulators and Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and oversight communities.

We have no comments

(c) Sustainability Assurance Practitioners Other than Professional Accountants – The IESBA invites comments on the clarity, understandability and usability of the proposals from sustainability assurance practitioners outside of the accountancy profession who perform sustainability assurance engagements addressed by the International Independence Standards in the proposed Part 5 of the Code.

We have no comments

(d) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

We have no comments

(e) Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

Maintaining alignment between the international standards promulgated by the IAASB and IESBA would be helpful regarding translation.

Further discussion

If you would find it helpful to discuss any matters raised in this letter, please contact Paul Winrow, Partner, Audit Policy and Regulation (paul.winrow@mazars.co.uk).

Yours faithfully

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