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Accountants (IESBA)

Sent via IESBA website

SUBMISSION ON IESBA'S EXPOSURE DRAFT PROPOSED INTERNATIONAL ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE

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Dear Gabriela

This submission is made by the Association of Chartered Certified Accountants (ACCA). We are a thriving global community of 247,000 members and 526,000 future members based in 181 countries that upholds the highest professional and ethical values.

We outline our general comments in Part A, before sharing the general feedback from our outreach in Part B, followed by more detail to the specific questions asked in Part C below. We commend the IESBA for the development of the Exposure Draft of Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (ED-IESSA) alongside Using the Work of an External Expert (ED-WEE) which we have previously responded on.

We commend the IESBA for accelerating the development of ED-IESSA, to ensure timely finalisation of the proposed standards and associated implementation alongside sustainability reporting and assurance standards going forward. Globally consistent profession agnostic and framework neutral ethical standards for sustainability assurance are key to ensure the appropriate and trusted disclosure of sustainability information. We support the use of equivalent provisions and language that apply to audits of financial statements to minimize regulatory arbitrage issues such as courts interpreting differences in meaning when none was intended. This does, though, bring its own challenge in ensuring that the IESSA is truly profession agnostic, and hence understandable and useable for the non-accountant assurance provider. We comment on this in more detail later in our response.

We acknowledge the extensive outreach that the IESBA has and will continue to perform throughout the development process, across a wide range of stakeholders including non-Professional Accountants (non-PAs) who provide sustainability assurance and therefore have a personal stake in the ethical standards for sustainability assurance through the Sustainability Reference Group. We are supportive of the direction that the IESBA has taken in developing this additional part of the Code so it is clear to non-PAs which part to apply and is comprehensive and scalable, whilst recognising that practical application of the standards for non-PAs will be difficult initially and that expectations will evolve, and therefore the associated ethical standards and supporting guidance may need to be refined over time.

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PART A: GENERAL COMMENTS

- We are supportive of the direction that the IESBA has taken in the development of ED-IESSA, setting the global baseline for ethics when it comes to sustainability reporting and assurance.
- We commend the IESBA for accelerating the development of its standards meeting the EU timeline, considering the Corporate Sustainability Reporting Directive (CSRD), the associated reporting frameworks and the IAASB's Proposed Standard on Sustainability Assurance, ISSA 5000.
- It is important to bear in mind that CSRD has added article 25b to the Audit Directive, which states that the independence requirements for statutory audit apply *mutatis mutandis* for sustainability assurance¹ which makes the ED-IESSA pertinent and timely to ensure appropriate application and interpretation of the requirements.
- Alongside the EU, international bodies such as IOSCO and others have requested that the same level of independence and objectivity ethical principles are applied to sustainability reporting and assurance as for any other financial reporting engagement.
- While we find that ED-IESSA provides a substantial and firm ethics foundation for sustainability assurance engagements, our outreach feedback suggests that there is a need for more specificity in addressing some of the more complex aspects such as the Independence requirements, Value Chain Entity interpretation, Groups, and enforcement for non-PAs. Therefore, in our view and for non-PAs that may not be as familiar with the extant Code terminology, additional guidance to introduce practical application of the standards would be necessary.
- We commend the close work with the IAASB (particularly in relation to their proposed ISSA 5000) and stress the importance of remaining closely aligned as the respective projects on ethics and on assurance proceed. Consistency so far as possible should be sought around issues such as definitions of terms, sustainability in a group context and the concept of a value chain.
- We commend the institution of the sustainability reference group which includes non-accountants to act as a sounding board for the development of the ED by IESBA. The ED is relevant for investors, those charged with governance and regulators, not only PAs, so it is important that all stakeholders are included and listened to. It will be particularly important to pay attention to the voice of the non-accountants engaged in the provision of sustainability assurance services, to understand whether IESBA has been successful in practice in producing proposals that are understandable and useable for this very important stakeholder group.
- We encourage the IESBA to continue its work on future priorities and workplan for developing additional supporting guidance for sustainability assurance. This will enable local regulators and standard setters to determine where they may need to fill gaps or develop additional local requirements and support them in their own enforcement agenda of ED-IESSA. We also encourage the board to consider where it may be able to facilitate development of guidance in cooperation with national standard setters or professional bodies.
- From an enforcement standpoint, clarity, enforceability, and practicality are paramount considerations in evaluating ED-IESSA. We believe therefore that it is important that in each jurisdiction, effective oversight of the assurance work performed is established to ensure that the work is performed in accordance with the assurance standard(s) approved within the jurisdiction. We encourage further clarity on how the standards accommodate the unique perspectives and

¹ DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance) Article 25b 'The requirements in Articles 21 to 24a as regards the statutory audit of financial statements shall apply *mutatis mutandis* to the assurance of sustainability reporting...'



expertise of sustainability assurance practitioners outside of the accountancy profession and how this will be regulated in practice.

- We do not agree at a high level 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 (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client), as noted in our answer to question 17 below.
- We encourage the IESBA to ensure clear guidelines and protocols for communication between auditors and sustainability assurance practitioners to ensure professional independence, objectivity, and confidentiality are maintained while addressing NOCLAR (non-compliance with laws and regulations) issues. Producing this guidance may require co-ordination with professional bodies and we are happy to provide support in this regard, for example in what is required to be documented on how NOCLAR judgements are made.
- We are supportive of the IESBA's approach in recognising that expectations will evolve in relation the ethical standards for sustainability assurance engagements, and the associated ethical standard may need to be refined over time as well as supplemented by additional standard(s) when needs are identified going forward.



PART B: OUTREACH FEEDBACK

- We conducted three separate roundtable discussions to garner feedback on ED-IESSA. Due to the extent of the questions and the limited time for our response we were unable to discuss all questions in detail. We therefore focused on the key areas for our discussions. Feedback from our outreach has informed our responses to the individual consultation questions where relevant and we also set out below some of the key elements of the feedback for the Board's attention (this includes comments from members of ACCA's Ethics Global Forum).
- During our outreach we discussed the challenges and considerations related to implementing ED-IESSA noting a mix of curiosity, concern, and acknowledgment of the complexities involved in this process. Overall, the sentiment in the meeting was a blend of cautious optimism and apprehension, with participants recognizing both the potential benefits and challenges associated with the proposed changes to the code.
- There was a recognition of the complexity of the issue and the need for careful consideration of numerous factors, including regulatory requirements in different jurisdictions and the evolving nature of sustainability assurance practices globally. Participants acknowledged the importance of specialization and expertise in this field and emphasized the need for clear guidelines and standards to ensure the integrity and effectiveness of sustainability assurance engagements.
- Participants raised questions about stakeholder engagement, enforcement, monitoring, and the potential impact on various sectors, including small practitioners and non-accountants. Overall, there was a sense of navigating uncharted territory and the need for careful consideration and collaboration in addressing these issues.
- Participants discussed various aspects of sustainability reporting, assurance, and ethical considerations in accounting practices with a sense of engagement and mutual understanding as they delved into complex topics and shared insights, with the outputs to various questions noted below. Overall, the tone was positive and constructive and focused on addressing challenges and finding solutions.
- There was a mix of sentiments expressed, reflecting both interest and concern regarding the proposed changes and their implications. Some participants expressed curiosity and clarification on various aspects of the proposed revisions, such as the scope and applicability of the new standards. We engaged in thoughtful discussion, raising questions about the potential impact on firms and the challenges they may face in providing a broader range of services to clients while maintaining independence and managing conflicts of interest.



PART C: RESPONSES TO IESBA'S REQUEST FOR COMMENTS IN THE EXPLANATORY MEMORANDUM FOR EXPOSURE DRAFT PROPOSED INTERNATIONAL ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE

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 EM]

We agree that the proposals in Chapter 1 of the ED are equivalent, wording, terminology and format is equivalent to the ethics and independence standards for audit engagements from the extant Code, specifically the proposed IESSA (International Ethics Standards for Sustainability Assurance) is equivalent to Parts 1 to 4A, with certain exceptions as noted in the ED. The use of ethics terminology and concepts such as the fundamental principles and independence, which are embedded in the IESBA Code of Ethics, also highlights the importance of there being rigour over the assessment of equivalent ethical, independence and quality management requirements to ensure that the provision of high- quality ethical standards in sustainability assurance are consistent globally and to minimize regulatory arbitrage issues such as courts interpreting differences in meaning when none was intended. Our outreach highlighted that the extant Code is based on and was built on experience of financial orientated thinking (in relation to the preparation and audit of financial reporting) and the question therefore arises as to whether the same can be applied in relation to the disclosure of sustainability information in all contexts due to its qualitative nature, whilst acknowledging the need for such standards.

We noted in our response to ED-ISSA 5000 that we believe that one of the key public interest aspects for effective sustainability assurance is the determination of how ethics, independence and quality management requirements are assessed to be "at least as demanding" as those established by the IESBA and how compliance with those standards will be monitored and enforced.

While it is the role of IESBA to put in place the framework of standards, via the ED-IESSA, against which sustainability assurance standards should be carried out, it is not for the Board to design the regulation and oversight arrangements, that is a jurisdictional matter. Where IESBA can play a part though, is in i) designing standards and requirements that lend themselves to the implementation of proportionate and effective oversight arrangements; and ii) crucially, committing to collaborating closely with national bodies and regulators as they design those arrangements. This will, in turn, help ensure that the desired outcome for this work, standards and arrangements that support high quality and trusted assurance of sustainability information regardless of whether that assurance is provided by an accountant or a non-accountant, remains achievable.

(b) Profession-agnostic and framework-neutral? [See paragraphs 21 and 22 of EM]

We agree that the proposals in Chapter 1 of the ED are, in strict terms, profession agnostic and framework neutral ethical standards and that they set the global baseline for ethical standards for sustainability reporting and assurance. IESSA needs to be capable of being understood and applied by all practitioners of sustainability assurance engagements, including those who are not PAs. We note that it is important that the proposals are profession-agnostic as there are several types of practitioners currently performing sustainability assurance engagements including non-PAs.

This is a very challenging task to deliver against. Whilst we acknowledge the effort placed by the IESBA to seek to ensure that the standard is profession agnostic, we remain concerned that some practitioners, particularly non-PAs, may not be familiar with certain ethical terminology and concepts used. As noted in our general comments, we understand that this terminology and relevant concepts are necessary as the standard is addressing the provision of ethical standards for sustainability assurance. However, we believe that non-PAs may need additional implementation guidance or simplified proposals to enable their understanding. This is an important public interest issue that IESBA will need to address in the final standard to ensure the profession-agnostic and framework neutral standards are effectively applied in practice. In that context, feedback from this consultation from non-accountants will be crucial in designing final standards that will be adopted fully in practice.



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 EM]*

We agree in substance that most of the proposals in Chapter 1 of the ED are responsive to the public interest, subject to our responses to the other questions raised, in that there has been a demand for development of an ethical framework for sustainability information which is as least as demanding as the extant Code. However, we note that the sustainability information is qualitative in nature but that the extant Code was developed primarily for quantitative financial information. As noted in 1a) above our outreach highlighted the extant Code is based on and was built on experience of financial orientated thinking (in relation to the preparation and audit of financial reporting) and it is therefore valid to consider whether the same can be applied in relation to the disclosure of sustainability information in all contexts. As noted in 1b) above we consider that non-PAs may need additional implementation guidance or simplified proposals to enable their understanding. This is an important public interest issue that IESBA will need to address in the final standard.

3. *Do you support the definition of "sustainability information" in Chapter 2 of the ED? [See paragraphs 24 to 26 of EM] Scope of Proposed IESSA in Part 5*

We broadly support the definition of sustainability information in ED-IESSA. We are mindful that the definition of "sustainability information" provided in Chapter 2 of the Exposure Draft (ED) should be broad enough to align with the definitions used in sustainability reporting and assurance standards, enabling the ED-IESSA to be framework neutral. This includes, the ED-ISSA 5000 developed by the IAASB, and the reporting standards developed by the International Sustainability Standard Board (ISSB), the Global Reporting Initiative (GRI), and the European Financial Reporting Advisory Group (EFRAG).

In the case of ED-ISSA 5000, we recognise that the IAASB and IESBA have followed different timelines in the development of their respective EDs (ISSA 5000 and IESSA), given that both the ED-ISSA 5000 and ED-IESSA are 'live documents' and subject to further change post consultation. It is important to ensure that both boards continue to collaborate effectively to ensure that consistency between their respective definitions of 'sustainability information' is achieved, whilst acknowledging that ED-IESSA is profession agnostic and non-PAs may not be familiar with some of the terminology.

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 EM]*

We agree with the proposed scope for the ethics standards in Part 5. Adhering to the highest standards of ethical behaviour only when performing the sustainability assurance engagement for the client might not sufficiently safeguard stakeholder confidence and the public interest at large, therefore Part 5 should also cover any other professional services provided to a sustainability assurance client. Due to the complexity of the application of the ethics standards, particularly the Independence requirements, we suggest that this could be implemented in on a phased basis, starting with in the first instance the sustainability assurance client and the following year including all other work as well.

We recognise the logic that having high ethics standards that address circumstances outside the scope of the ethics standards in Part 5, such as services provided by a sustainability assurance practitioner to other clients, is important because other aspects of the conduct of a practitioner may potentially impair the credibility of, and public trust in, the practitioner's sustainability assurance work, as noted in the EM. We note the two routes provided for PAs firstly to apply Parts 1 to 4B of the Code apply in all situations not covered by Part 5, and secondly encouraging practitioners who are not PAs to apply Parts 1 to 4B of the Code in all situations not covered by Part 5. Whilst complying with Parts 1 to 4B, non-PAs potentially derive the benefit of public trust in their work and business relationships.

During our outreach, it was questioned how many non-PAs will choose to apply this in practice and therefore its relevance. The requirements in Part 5 create prohibitions for providing other services in many cases, it



is challenging to see why non-PAs would choose to apply the Code. We understand the argument for consistency with extant requirements where reasonable assurance engagements are being provided, but this may not be the case for some time in sustainability assurance.

Non-PAs may experience confusion when considering how to apply Part 5, for example the requirements of Paragraph 5100.2, which is worded in a way that implies application of the ethics element of Part 5 (5100-5390) is not always accompanied by the independence element of Part 5 (5400-5700). We note the wording of 5100.2(a) potentially creates an implication that Part 5 would apply to all services undertaken for sustainability assurance clients. We suggest it is not clear which other professional services would be in scope of Part 5, and which are not. The position for audit and review engagements may be clarified in 5400.16a with respect to Part 4A, but it is still not clear for PAs whether Part 5 applies to only to sustainability assurance engagements, all sustainability related work or everything except audit and review engagements.

- 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 EM] Structure of Part 5*

We agree with the proposed criteria to apply the International Independence Standards (IIS) in Part 5 where the sustainability information on which the sustainability assurance practitioner expresses an opinion is reported in accordance with a general-purpose framework and is required to be provided in accordance with law, regulation or is publicly disclosed to support decision-making by investors or other stakeholders. We understand the IESBA will consider how the Code might be enhanced as part of its Strategy and Workplan 2024-2027, whether through revision of the extant Part 4B or the development of a Part 4B equivalent in the new Part 5 (where the SAP (Sustainability Assurance Practitioners) is a PA (Professional Accountant)). We encourage expedience in this matter to ensure that all independence standards for sustainability assurance engagements are addressed in the Code in a profession-agnostic manner.

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

Yes, we agree with the inclusion of Section 5270 in the proposed IESSA. We agree that most standards in Part 2 of the extant Code do not need to be replicated in Part 5, since Part 2 applies to PAs in business, who do not perform audits of financial statements. We support the inclusion of Section 5270 (Pressure to Breach the Fundamental Principles) in Chapter 1 of the ED because pressure to breach the fundamental principles is not explicitly covered by the Part 1 equivalent standards in the IESSA. We note that there is a separate workplan for public sector accountants doing sustainability work.

- 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 EM]*

We support the provisions of the requirements added in extant Section 360.18a A1 and Section 5360.18a A1 for auditors and sustainability assurance practitioners to communicate actual or suspected non-compliance with laws and regulations (NOCLAR) to each other. It has the benefit of enhanced collaboration between auditors and SAPs which may potentially lead to a more comprehensive understanding of potential risks and issues affecting an entity's sustainability performance. Sharing information about actual or suspected NOCLAR between auditors and sustainability assurance practitioners may also help identify and address compliance-related risks more effectively, contributing to improved risk management. We also believe that by encouraging communication and application of implications associated with NOCLAR, the ED aligns with the ethical principles of integrity, objectivity, and confidentiality, as outlined in the extant code, and demonstrates a commitment to transparency and ethical behaviour in addressing potential misconduct or wrongdoing.



However, it is important to recognise that local laws and regulations in certain jurisdictions may prohibit communicating such information between auditors and sustainability assurance practitioners where the audit firm undertaking the audit of an entity is different to the firm undertaking the sustainability assurance engagement.

Examples of laws and regulations given in paragraph 5360.5 A2 includes a broad range of issues that may indeed be relevant in a sustainability assurance engagement. However, it should be clarified that the practitioner is not expected to search for cases of NOCLAR and section 5360 deals only with (actual or suspected) NOCLAR that the practitioner becomes aware of while providing services to the sustainability assurance client.

We encourage the IESBA to ensure clear guidelines and protocols for communication between auditors and sustainability assurance practitioners to ensure professional independence, objectivity, and confidentiality are maintained while addressing NOCLAR issues. Producing this guidance may require co-ordination with professional bodies for example in what is required to be documented on how NOCLAR judgements are made. As with a financial statement audit, effective communication about NOCLAR requires clear channels of communication, mutual trust, and coordination and there may be some practical challenges in applying this in practice, particularly for example with large groups.

Whilst acknowledging our support we also note that there may be legal or regulatory restrictions on sharing information about NOCLAR between auditors and sustainability assurance practitioners, particularly if it involves confidential or sensitive information, which is noted in 5360.20 A1 of the ED and may require further exploration.

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 EM] 38 Determination of PIEs*

Yes, we support expanding the scope of the extant requirement for PAIBs to require the senior PA to determine whether to disclose (actual or suspected) NOCLAR to the employing organization's sustainability assurance practitioner performing a sustainability assurance engagement within the scope of the IIS in Part 5.

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 EM] Group Sustainability Assurance Engagements*

Yes, we agree with the overall proposal that an entity be deemed to be a PIE for the purposes of the sustainability assurance engagement 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. We note that using the determination of a PIE (updated definition December 2024) for sustainability assurance engagements will provide consistency and familiarity for accountants and stakeholders and align the IESSA with existing regulatory frameworks and avoid the confusion of creating an alternative definition.

However, we further note that our members have raised that consideration is required as to whether the criteria for determining a PIE in the context of financial statement audits (quantitative and based on past performance) are equally relevant and appropriate for sustainability assurance engagements (largely qualitative and forward looking). Sustainability reporting and assurance may involve different stakeholders, risks, and considerations compared to financial reporting. Therefore, we suggest consideration as to whether the criteria effectively capture entities whose sustainability performance significantly impacts the public interest (whilst not being a PIE financially), and hence whether further content or application guidance is required so that the standard applies appropriately to all relevant engagements.

We note that if a sustainability assurance client is a PIE, Part 5 will require the firm to publicly disclose the fact that it has applied the independence requirements for PIEs in the same manner as Part 4A requires for audit engagements and that the IESBA intends to coordinate with the IAASB and other sustainability



assurance standards setters regarding the form and manner of such public disclosure. We encourage expedience in this work to provide clarity going forward.

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 EM]

We support the overarching approach to address the independence considerations applicable to group sustainability assurance engagements in the International Independence Standards in Part 5 noting that the relevant provisions in Section 5405 are equivalent to the independence standards applicable to group audit engagements. Appropriate ethics and independence requirements over group sustainability assurance would be in the public interest and in accordance with the expectations of stakeholders such as investors. We note that the IAASB's proposed ISSA 5000, on the other hand, addresses group sustainability assurance engagements only in a general and overarching way. We encourage IESBA to consider the practicality of implementation of the independence considerations applicable to group sustainability assurance engagements by minimizing challenges in application with respect to context, terminology, and complexity.

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?

We support the IIS in Part 5 specifically addressing group sustainability assurance engagements. We note section 5405 includes specific requirements concerning the communication between the group sustainability assurance firm and the component sustainability assurance firms regarding the relevant ethics, including independence, provisions that apply to the group sustainability assurance engagement. We acknowledge the intention to achieve a similar outcome as the provisions outlined in ISA (International Standard on Auditing) 600 (Revised), as referenced in Section 405 of Part 4A of the current Code, regarding communication between the group audit firm and component auditor firms concerning pertinent ethical considerations, including independence, applicable to the group audit engagement. We note from our outreach that there is a concern this might give rise to potential issues in applying the requirements in practice, specifically in obtaining independence confirmation from all components in a large group if the parameters of that group differ to the group in the audit context and with potentially complicated group scenarios.

The IAASB was of the view that it would be inappropriate for ISSA 5000 as an overarching standard to include detailed requirements and guidance for groups. This inconsistency in approach between IESSA and ISSA 5000 needs resolution and we trust that discussions are taking place with IAASB based upon the feedback received on their exposure draft. If requirements are created in this area, they should be developed alongside ISSA 5000. This will help to minimize practical challenges.

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)?

We 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 provided the expectation is that sustainability assurance engagements will seek to provide reasonable assurance soon. Until this is the case, the requirements may be seen as excessively onerous by non-PAs, which could impact adoption.

(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 EM]

We 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 but note above the issues this may raise for adoption.

- (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”)? Using the Work of Another Practitioner*

We agree with the proposed defined terms in the context of group sustainability assurance engagements including “group sustainability assurance engagement” and “component,” whilst noting that additional guidance and training may be required to assist SAPs in understanding group requirements due to the inherent embedded terminology complexity.

11. *Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner plans to use the work of another practitioner (essentially another auditor in a group context) 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 EM] Assurance at, or With Respect to, a Value Chain Entity*

We agree with the proposed independence provisions set out in Section 5406 which address 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.

12. *Do you support the proposed definition of “value chain” in the context of sustainability assurance engagements? [See paragraphs 102 and 103 of EM]*

We broadly support the proposed definition of “value chain” in the context of sustainability assurance engagements. The definition of value chain refers to the concept of materiality, so is somewhat audit related. This may create challenges for non-PAs to understand that could in turn impact consistency of application.

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 EM]*

We support the logic behind the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity (VCE). However, we believe that completing the independence considerations for value chain entities will be particularly challenging to carry out in practice, specifically as these entities are outside the group for audit purposes and therefore not part of existing work for example. This point was also emphasised by practitioners during our outreach, with some questioning if the VCEs are outside of the group how this information will be collected in a timely and cost-effective manner and how potential breaches would be monitored in this instance.

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?*



We 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 may potentially create threats to the firm's independence. During our outreach it was raised that in some jurisdictions, due to the small market, this may lead to a limited number of suppliers, if for example engagements need to be withdrawn if an important business relationship exists with a VCE. To that end, adequate lead time is crucial for practitioners to familiarise themselves with the new requirements, update internal procedures, and ensure compliance with the revised standards, alongside implementation of ISSA 5000 and the related reporting standards.

(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 EM] Providing NAS to Sustainability Assurance Clients

We support at a high level 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. However, in practical applications scalability is required as the evaluation of the threats and associated threat will of course depend on the size, nature and complexity of the entity.

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 EM]

We agree with the provisions in Section 5600 (for example, the "self-review threat prohibition," determination of materiality as a factor, and communication with TCWG) as the threats arising from NAS are the same for sustainability and an audit engagement. Therefore, the same principles apply to ensure that self-review threat or providing management services.

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

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

No comments.

(b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements? Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements for the Same Client

No comments.

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 EM] Other Matters

We do not agree 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 (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client). As currently drafted, the proposal implies that two different assurance engagements provided to the same client could create a threat to independence for one another which is not, in our view, appropriate. We therefore propose deletion of paragraph 5410.11 A1 which states that "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 or network firm to the sustainability assurance client..."



We also note that in evaluating long association, the practitioner will need to consider prior services. For example, if the sustainability assurance leader was formerly an audit partner on the same client, the threat of long association needs to be noted and managed, so we suggest an example is provided to illustrate this clearly and further guidance is provided to ensure it is the auditor that also carries out the sustainability assurance. In relation to fees from the same client for both engagements, we note the proportion of fees may raise some issues for example if national laws and regulations require separate disclosure of 'Audit Fees' and 'Non-Audit Fees'. During our outreach a concern was raised that there may potentially be a loss of assurance providers because of this restriction (which is not limited now for sustainability assurance in general).

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?

We 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 but further examples of threats could be provided around sustainability assurance specifically.

19. Are there any other matters you would like to raise concerning the remaining proposals in Chapters 1 to 3 of the ED? Sustainability Reporting Scope of Sustainability Reporting Revisions and Responsiveness to the Public Interest

There are no other matters we would like to raise concerning the remaining proposals in Chapters 1 to 3 of the ED 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? [See paragraphs 133 to 135 of EM]

IESBA's new strategic work stream on expanding the scope of the Code to all preparers of sustainability information is an opportunity for IESBA to address the growing importance of sustainability reporting and enhance ethical standards in this critical area. Given the complexity and evolving nature of sustainability information, reporting and associated assurance, the revised Code should initially adopt a principles-based approach that provides overarching ethical principles while allowing for flexibility and adaptability to different reporting frameworks and evolving best practices. We suggest that IESBA should continue to engage stakeholders from diverse backgrounds, including investors, regulators, standard-setting bodies, and civil society organizations, alongside preparers of sustainability information. This collaboration will go some way to ensure that the revised Code reflects a broad consensus and incorporates diverse perspectives on ethical responsibilities related to sustainability information. We understand that IESBA is beginning consultation around culture and look forward to seeing how this progresses and whether a pivot will be required to move from principles to more prescriptive requirements in order to enable effective monitoring and supervision.

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 EM]

Yes, please refer to our response to Q2 above.

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:

We 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.

(a) Proposed revisions to Section 220? [See paragraphs 139 to 141 of EM]



We agree that the proposed revisions to Section 220 are clear and adequate from a sustainability reporting perspective and guide PAIBs at all levels of the employing organisation when involved in preparing and presenting sustainability reporting including examples for Greenwashing (deliberately misleading others in relation to sustainability), Greenhushing (intentionally omitting information), Value Chain and collecting and measuring information in a timely and proper manner.

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

No comments.

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

No comments.

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

No other matters.

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?

We 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. We would stress, however, that the imposition of a target deadline, and the associated desire to co-ordinate with the IAASB's timetable should not be prioritised at the expense of a high-quality standard which has been through all necessary elements of due process. We support the effective date whilst noting that it may be helpful for non-PAs to have transitional periods for first-time adoption to ensure appropriate implementation and interpretation of ED-IESSA. This alignment will encourage and facilitate consistency and coherence between standards, streamlining implementation processes for practitioners and stakeholders alike. We note that it is important to ensure that the timeline for approval and implementation allows for sufficient preparation and transition for affected parties, particularly non-PAs who may not be familiar with the terminology and associated professional judgements required for implementation. To that end, adequate lead time is crucial for practitioners to familiarise themselves with the new requirements, update internal procedures, and ensure compliance with the revised standards, alongside implementation of ISSA 5000 and the related reporting standards.

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 suggest IESBA be sensitive to the volume and number of changes going forward as SMPs are struggling with the pace of change. Specific challenges for SMPs include updating manuals and processes, providing staff training and monitoring and control of new changes. Given the volume and complexity, we believe that effective implementation by many SMPs will lag that of larger firms.

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

From an enforcement standpoint, clarity, enforceability, and practicality are paramount considerations in evaluating the exposure draft of Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to



Sustainability Assurance and Reporting (ED-IESSA). We encourage further clarity on how the standards accommodate the unique perspectives and expertise of sustainability assurance practitioners outside of the accountancy profession and how this will be regulated in practice, as noted above. It's important to ensure that ED-IESSA is flexible enough to accommodate different methodologies and approaches while maintaining rigor and integrity in the assurance process and consistency across different regulatory and oversight bodies. For example, the International Auditing and Assurance Standards Board (IAASB) is finalizing International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements and in the EU, as per the CSRD, assurance by an independent auditor or other assurance service provider is initially mandated at a limited assurance level with the overarching goal to eventually transition to a reasonable assurance level.

- (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.*

Clarity, understandability, and usability are crucial aspects to consider in ethics for sustainability assurance. Ensuring that the proposed standards are accessible and comprehensible to practitioners from diverse backgrounds is essential for fostering consistency and quality in assurance engagements alongside ISSA 5000 and other related standards. We commend IESBA for consulting with a broad spectrum of stakeholders, recognizing the multidisciplinary nature of sustainability assurance. Collaboration and inclusivity in the standard-setting process are fundamental for developing robust and effective guidelines that can address the evolving needs of the profession alongside working with other standard setters to ensure consistency, for example IAASB.

- (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 on any foreseeable difficulties in applying them in their environment.*

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.*

No comments.