

30 May 2024

Mr Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants (IESBA)  
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New York, New York 10017 USA

By email: [kensiong@ethicsboard.org](mailto:kensiong@ethicsboard.org)

Dear Mr Siong,

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

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the IESBA's Exposure Draft *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* (the Sustainability ED).

APESB is governed by an independent board of directors whose primary objective is to develop and issue, in the public interest, high-quality professional and ethical pronouncements. These pronouncements apply to the membership of the three major Australian professional accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants). In Australia, APESB issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and a range of professional and ethical standards that address non-assurance services.

**Overall comments**

APESB is supportive of the IESBA's project to establish professional and ethical requirements in the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code) relating to sustainability reporting and assurance. In particular, we support the establishment of robust independence standards that apply to all sustainability assurance engagements, regardless of the profession of the assurance provider.

APESB congratulates the IESBA on its strategic partnership with the International Accreditation Forum (IAF) to advance the use of a common framework of high standards of ethical conduct to underpin trust in the assurance of sustainability information. We believe this is an important first step towards accepting these new global ethical requirements as best practice and addressing the public interest in ensuring that sustainability information is credible, comparable, and, therefore, capable of being subject to assurance.

APESB have received feedback from stakeholders who are concerned about the ability of non-professional accountants being able to understand and operationalise the requirements in the proposed IESSA easily. We encourage the IESBA to consider the development of a guidance document to assist these practitioners in applying the principles outlined in the IESSA to practical actions and outcomes. This will also support consistent application of, and compliance with, the IESSA by all practitioners.

In developing APESB's response to the IESBA's Sustainability ED, we have considered a local submission to the APESB on this exposure draft and Australian stakeholders' feedback from a roundtable event conducted by APESB on 26 March 2024. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies, accounting firms and consultants.

APESB's key recommendations are noted below. In addition, Appendix A provides APESB's responses to the IESBA's specific and general questions.

## **Recommendations**

APESB's key recommendations in relation to the Sustainability ED for the IESBA's consideration are:

- Consider the introduction of selection criteria to identify which value chain entities subject to assurance should be evaluated for threats to independence.
- Develop guidance or non-authoritative materials, incorporating examples and case studies, to assist non-professional accountants in understanding the ethics and independence requirements for conducting sustainability assurance engagements.
- Perform a critical review of differences when material in the proposed Part 5 is based on material from other parts of the Code to ensure limited opportunities for arbitrage or inconsistent application of requirements across different types of assurance engagements.
- Provide guidance on evaluating and addressing threats relating to acting with insufficient expertise within Part 5 by including guidance material from extant Section 230 or highlighting relevant guidance in the proposed Part 5 within proposed Section 5270.
- Develop additional guidance or non-authoritative materials on group independence considerations (Section 5405) to enhance non-professional accountants' understanding of these requirements.
- Amend proposed paragraph R5407.6 from a requirement to guidance material (as it does not impose any additional requirements on the sustainability assurance practitioner).
- Include a transitional period (for example, 2 to 3 years) for the provisions relating to value chain entities to allow the sustainability assurance market and practices to mature.
- Enhance the guidance in proposed Section 5700 by including the information from paragraphs 112 to 113 of the IESSA Explanatory Memorandum and including guidance on examples of factors to evaluate threats and safeguards for value chain entities.
- Update proposed paragraph 5601.5 A3 to include more specific examples of sustainability-related tasks that would be considered routine or mechanical.
- Conduct a review of the proposed provisions to ensure they are user-friendly, consistent and simplified where possible. This includes reviewing the paragraph numbering system in the proposed Part 5 to reduce complexity or to clarify the system applied.

## Concluding comments

We trust you find these comments helpful in your final deliberations. If you require additional information, please contact APESB's Principal, Ms. Jacinta Hanrahan, at [jacinta.hanrahan@apesb.org.au](mailto:jacinta.hanrahan@apesb.org.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Nancy Milne". The signature is written in a cursive, flowing style.

Nancy Milne OAM  
**Chairman**

## APPENDIX A

### APESB's Specific Comments

APESB's responses to the request for specific comments by the IESBA on the proposals in the Sustainability ED are as follows:

#### **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 the Explanatory Memorandum]**

APESB supports the position that professional and ethical standards, including independence, should be consistent for audits of financial statements and for sustainability assurance engagements within the scope of Part 5 of the Code. Both types of information can be used to make capital investment decisions, and therefore, it is important that the information is reliable and accurate.

APESB agrees with the approach undertaken by the IESBA to create a new Part 5 applicable to sustainability assurance practitioners that closely replicates the ethics and independence standards for financial statement audit engagements in Part 4 of the extant Code.

While we agree that amendments should be made to ensure the provisions in the proposed Part 5 are specific to sustainability assurance practitioners, we have noted some differences to the extant provisions, which we believe are not necessary. For example, proposed paragraph 5300.6 A1, has an example of an advocacy threat as a 'sustainability assurance practitioner promoting the interests of a sustainability assurance client. The extant paragraph 300.6 A1 has this example listed as a 'professional accountant promoting the interests of, or shares in, a client.'

APESB believes that a sustainability assurance practitioner promoting shares could create an advocacy threat and, therefore, believes the wording for these examples should be consistent. APESB encourages the IESBA to re-consider any drafting differences between the Parts of the Code to ensure they are appropriate.

We also have some concerns about the proposed provisions relating to Value Chain Entities. APESB's response to questions 12 to 14 below sets out our concerns.

###### **(b) Profession-agnostic and framework-neutral? [See paragraphs 21 and 22 of the Explanatory Memorandum]**

APESB is supportive of the IESBA's proposal to develop profession-agnostic and framework-neutral standards. We are aware that in different jurisdictions, a range of practitioners, in addition to professional accountants, may be permitted to perform assurance on sustainability information. We believe it is in the public interest to have a globally consistent ethical framework for sustainability assurance engagements.

While we support having a profession-agnostic standard, we note that the language and terminology used in the proposed Part 5 are inherent to accounting practitioners. APESB believes it is important to maintain consistent language across the Code to avoid

opportunities for arbitrage, however, this may create challenges for non-professional accountants in understanding the nuances in the extant terminology.

APESB encourages the IESBA to consider developing additional guidance and non-authoritative materials, incorporating examples and case studies, to assist and educate sustainability assurance practitioners who are not professional accountants in understanding the terminology and the specific meanings relating to ethics and independence requirements for conducting sustainability assurance engagements.

Stakeholders have expressed mixed views to APESB on the creation of a profession-agnostic standard. The concerns raised relate to whether non-professional accountants would voluntarily adhere to the proposed Part 5 of the Code if not required by legislation or regulation to apply it.

- 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 the Explanatory Memorandum]**

APESB agrees that the proposed Chapter 1 of the ED is responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics.

#### ***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 the Explanatory Memorandum]**

APESB support the definition of “sustainability information” in Chapter 2 of the Sustainability ED, and agree that a broad definition is needed to ensure the scope of the ethical framework will be consistent with the applicable reporting or assurance framework adopted.

#### ***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 the Explanatory Memorandum]**

APESB is supportive of the IESBA’s proposed scope, which extends ethics standards to all other services provided to the same sustainability assurance clients. We agree that other aspects of the practitioners’ services can impact public trust and confidence in their sustainability assurance work. Accordingly, it is important to hold practitioners to the same high ethical standards for any other services they provide to the same client.

Some stakeholders have raised concerns that non-professional accountants may be reluctant to conduct other services provided to sustainability assurance clients in line with the provisions in the proposed Part 5. In addition, the costs of establishing the relevant quality control and monitoring systems may be prohibitive for non-professional accountant practitioners and so the proposed scope of the provisions may not be complied with if it is not being mandated by legislators or regulators.

APESB notes that the strategic partnership between the International Accreditation Forum (IAF) and the IESBA in accrediting and authorising conformity assessment bodies for corporate sustainability disclosure assurance work also involves collaborative efforts in training activities related to the proposed IESSA and the scope of the standard. We believe these training activities will highlight the importance of internal monitoring and control systems and that the provisions of independent sustainability services uphold the public interest.

- 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 the Explanatory Memorandum]**

APESB supports the IESBA's approach to applying independence standards in Part 5 to sustainability assurance engagements that have the same level of public interest as audits of financial statements. We also agree with the proposed criteria in paragraph 5400.3a, especially the requirement for reporting in accordance with a general-purpose framework. This helps to identify engagements that are subject to the scope of independence standards. We believe the inclusion of the definition of general-purpose framework supports consistent application of this criteria.

#### **Structure of Part 5**

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

APESB supports the inclusion of Section 5270 *Pressure to Breach the Fundamental Principles*, in the Sustainability ED. We believe this section provides clear guidance to practitioners in understanding examples of pressures that may result in threats to compliance with the fundamental principles and relevant information on how to navigate those challenging situations. However, we note that the proposed section 5270 includes examples of pressure to act without sufficient expertise or due care but does not provide any supplementary guidance on how to address such pressures. APESB believes that the extant section 230 *Acting with Sufficient Expertise* provides relevant guidance material on evaluating and addressing threats that would be relevant and useful for sustainability assurance practitioners in applying the provisions in the proposed Part 5.

We would encourage the IESBA to consider including an equivalent section 230 within the Part 5 provisions to ensure practitioners can understand and appropriately address threats relating to acting with insufficient expertise and due care or to provide a reference to applicable guidance within the proposed Part 5 if it is felt it is dealt with in the existing proposals.

## **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 the Explanatory Memorandum]**

APESB supports the provisions added in extant Section 360 and the new requirements in the proposed Section 5360. We agree that it is important for the auditor and the sustainability assurance practitioner to communicate any actual or suspected NOCLAR to each other. Such communication is likely to have a material impact on the audit of the financial statements or the disclosure of the sustainability information, and therefore, both parties should be made aware of this matter.

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 the Explanatory Memorandum]**

We support expanding the scope of the extant requirement for Professional Accountants in Business to require senior professional accountants of the employing organisation to determine whether to disclose (actual or suspected) NOCLAR to the external auditor and the sustainability assurance practitioner.

## **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 the Explanatory Memorandum]**

APESB agrees that the determination of a Public Interest Entity (PIE) in the context of the audit of financial statements in Part 4A should be used to determine which entities are PIEs for sustainability assurance engagements in Part 5. We agree it would be confusing to have two different mechanisms for determining a PIE depending on what type of assurance engagement is being undertaken and note that the existing determination of PIEs in Part 4 is likely to already capture many entities that are of interest to the public from a sustainability perspective.

Stakeholders supported the proposed approach as it is a known concept for professional accountants and will promote consistent implementation of the provisions when the standards become effective. However, stakeholders were of the view that, over time, consideration should be given as to whether additional entities should be identified as PIEs for sustainability reasons.

## **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 the Explanatory Memorandum]**
- (a) **Do you support the IIS in Part 5 specifically addressing group sustainability assurance engagements? Considering how practice might develop with**

**respect to group sustainability assurance engagements, what practical issues or challenges do you anticipate regarding the application of proposed Section 5405?**

- (b) If you support addressing group sustainability assurance engagements in the IIS in Part 5:**
- i. Do you support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement (see Section 5405)?**
  - ii. Do you agree with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firms regarding the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement? [See paragraph 88 of the Explanatory Memorandum]**
  - 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”)?**

APESB supports the IESBA’s inclusion of independence provisions for group sustainability assurance engagements that are aligned with the provisions applicable to group audit engagements. We believe it is important to have these provisions in place to support the first group of entities applying these provisions. In Australia, these entities will be the largest entities and are likely to have group assurance considerations.

APESB agree with the proposed requirements relating to communication between the group sustainability assurance firm and its components in the group engagements. We also support the proposed revisions to the definition of “component”, which specifically excludes entities within the value chain.

Feedback from stakeholders showed support for aligning independence requirements with those applicable to group audit engagements in addressing breaches of independence by a component firm. However, they did raise a concern that it may be challenging for non-professional accountants to understand the independence standards for group engagements and that the IAASB has not published the final ISSA 5000, which might impact the proposed Part 5 of the Code.

The IESBA could consider whether additional guidance or non-authoritative materials on Section 5405 would enhance non-professional accountants’ understanding of these requirements.

### ***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 the Explanatory Memorandum]**

APESB supports the proposed independence provisions set out in Section 5406.



Some stakeholders have questioned whether the proposed paragraph R5406.4 sets a high bar for the engagement leader to take responsibility for requesting another practitioner to confirm their compliance with relevant ethics and independence provisions. They believe potential challenges might arise when non-professional accountant practitioners apply another sustainability assurance standard instead of the IAASB's proposed sustainability standards.

### ***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 the Explanatory Memorandum]**

APESB supports the proposed definition of ‘value chain’ in the context of sustainability assurance engagements.

Feedback from stakeholders indicated support for the proposed definition, with the referencing to the applicable sustainability reporting framework considered appropriate.

**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 the Explanatory Memorandum]**

APESB agrees that independence should be a consideration for assurance work in relation to a value chain entity. When considering sustainability information that may be publicly reported, information about scope 3 emissions, which may be the most significant source of emissions for some entities, will generally need to be sourced from value chain entities. It is important that this information is reliable and accurate.

However, APESB is concerned about the scope of the proposed provisions in Section 5407, the potential to circumvent the obligations, and the challenges to practical implementation.

The scope of the provisions in proposed Section 5407 is very broad and could be read as applying to all value chain entities. There is no consideration of whether the value chain entity information is significant to the sustainability information being displayed by the sustainability assurance client. Paragraph 112 of the IESSA Explanatory Memorandum states that the level of threats to independence involving a value chain entity will generally be low. Therefore, the IESBA should consider whether tempering the scope of the provisions would still appropriately address the relevant threats to independence. For example, where the value chain entity is outside the organisational boundaries of the sustainability assurance client, the practitioner could consider independence threats for significant entities using set selection criteria, e.g., select the five highest contributors for reported information or those that contribute 20% or more of the reported information. The practitioner should document the rationale behind the selection and application of the selection criteria. APESB believe this would ensure that the costs of identifying threats to independence across dynamic value chain entities are not prohibitive and would not detract from the quality of the assurance service provided.

APESB believe that implementing such a proportionate approach would be consistent with the way in which boundaries have been included in the extant group audit provisions. The group audit provisions are deliberately proportionate to avoid disproportionate costs and burdens on firms to monitor and track all the interests, relationships and circumstances involving subsidiaries of sister entities for example.

The proposed Section sets out four requirements for independence for value chain entities, depending on where and by whom the assurance work is performed. It is not clear why the proposed paragraph R5407.6 is a requirement, as there are no changes to the independence requirements for the sustainability assurance practitioner in this scenario. As such APESB believes this paragraph should be guidance rather than a requirement.

We also note that under proposed paragraph R5407.6 if assurance over the value chain entity information is performed at the sustainability assurance client level, no consideration of independence for the value chain entity is required, subject to the general catch-all provision in proposed Section 5700. APESB is concerned that practitioners may seek to only adopt this approach to circumvent the other requirements to address threats to independence with value chain entities.

Stakeholders have expressed concerns regarding the practicality of the value chain entity provisions noting that the broad nature of independence considerations make it challenging to practically operationalise the requirements. One concern raised was the administrative burden associated with requesting confirmations from many value chain entities to support the sustainability assurance practitioner's independence when intending to use their assurance work. The IESBA should consider the inclusion of additional guidance or non-authoritative materials on the confirmation of independence from other sustainability assurance practitioners in relation to value chain entities.

APESB suggest considering a transitional period of 2-3 years for the provisions relating to value chain entities. This will allow the market and practices for sustainability reporting and assurance to mature and may circumvent the issues caused by the currently limited amount of assured sustainability information available from value chain entities.

**14. Where a firm uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity but retains sole responsibility for the assurance report on the sustainability information of the sustainability assurance client:**

- (a) Do you agree that certain interests, relationships or circumstances between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm's independence?**
- (b) If yes, do you support the approach and guidance proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships or circumstances with a value chain entity in Section 5700? What other guidance, if any, might Part 5 provide? [See paragraphs 111 to 114 of the Explanatory Memorandum]**

APESB agrees that certain interests, relationships or circumstances involving value chain entities might create threats to the firm's independence. Paragraph 112 of the IESSA Explanatory Memorandum states that the level of threats to independence involving a value chain entity will generally be lower. APESB would support the inclusion of this statement into the proposed Section 5700 as guidance.

The approach and requirement proposed for identifying, evaluating, and addressing threats to Independence in Section 5700 is consistent with the extant requirements in paragraphs R400.20 and R800.8 for related entities, albeit it extends the requirements to also capture interests. While practitioners may have established mechanisms to address how to apply the 'reason to believe' test when it relates to entities within the organisation's boundary, there is no guidance within the proposed Section 5700 to assist practitioners in applying this concept to a much broader range of entities with limited ability to obtain required information.

APESB would support the guidance in paragraph 113 of the IESSA Explanatory Memorandum being included in this proposed section. Additional guidance should also be provided on examples of factors to evaluate threats and safeguards.

### ***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 the Explanatory Memorandum]**

APESB supports the proposed provisions in Section 5600. Stakeholders at APESB’s Roundtable also agreed that the “self-review threat prohibition” is consistent with the audit engagements in Part 4A of the Code.

16. **Subsections 5601 to 5610 address specific types of NAS. [See paragraphs 118 to 120 of the Explanatory Memorandum]**
- (a) **Do you agree with the coverage of such services and the provisions in the Subsections?**
- (b) **Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?**

APESB is supportive of the IESBA’s proposal in Subsections 5601 to 5610, which addresses specific types of non-assurance services and the alignment to the existing Part 4A of the Code.

Stakeholders have raised a concern about the guidance provided in relation to the types of sustainability services that are determined to be “of a routine or mechanical nature” (proposed paragraph 5601.5 A3). Stakeholders thought it would be useful if the examples included more specific information, such as whether the calculation of Scope 1 and Scope 2 Greenhouse emissions or calculation of client-determined metrics would be considered routine and mechanical and, therefore, could be performed for a sustainability assurance client.

### ***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 the Explanatory Memorandum]**

APESB agrees that potential threats to the fundamental principles and independence may arise from fees charged to sustainability assurance clients. We recognise the risk to the objectivity of the sustainability assurance practitioner, particularly when a substantial portion of the fees is derived from sustainability assurance engagements.

APESB also supports the inclusion of provisions relating to long association with a client.

### **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?**

APESB appreciates the efforts in establishing examples from a sustainability assurance focus. We believe most examples are clear. However, when an example of a threat is identified, such as in relation to value chains in proposed paragraph 5300.7 A4a, it would be preferable that there are related examples of potential safeguards, so a potential safeguard relating to value chains in proposed paragraph 5300.8 A2.

Please refer to questions 1(b), 6, 10, 13 and 14 for other instances where we believe additional guidance would be beneficial for users of the Code.

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

APESB is concerned about the complex numbering system that is used in the proposed Part 5. We note that some of the proposed paragraphs have letters included with the numbering (e.g., 5100.2, 5100.2a and 5100.2b), which we assume is to highlight when the proposed paragraph is not in the extant Code. However, we believe this creates unnecessary complexity for the users, especially for non-professional accountants who may only be using the proposed Part 5 of the Code. APESB suggest the IESBA consider renumbering the proposed paragraphs in the proposed Part 5 to be sequential or to just use numbers and decimal points to differentiate each paragraph (e.g., 5100.2, 5100.2.1, 5100.2.2). If this suggestion is not implemented, the IESBA should provide clarification within Part 5 as to why some paragraphs have additional letters connected to the paragraph numbers.

In addition, we have noted the following editorial matters for the IESBA's consideration:

- The drafting of paragraph 5111.1 A2 is inconsistent with paragraph 111.1 A2;
- Across the proposed Part 5, the use of the term sustainability assurance client and client is inconsistent. For example, in paragraph 5300.7 A3, the full term 'sustainability assurance client' is used, whereas in paragraph 5300.7 A4, the full term is used, and then it is shortened to just the term 'client'. The draft provisions should be reviewed to ensure the terms are used consistently. APESB prefers the second approach listed here to simplify the complexity of the text.
- APESB would also encourage the IESBA to review the proposed Part 5 to find opportunities to simplify the wording and ensure that drafting is consistent. For example, when you consider proposed paragraph 5300.7 A4a and proposed paragraph 5300.7 A5, it is apparent that the wording in proposed paragraph 5300.7 A4a could be simplified as follows:

'The sustainability assurance practitioner's evaluation of the level of a threat ~~to compliance with the fundamental principles~~ might be impacted by the quantitative and qualitative characteristics of a sustainability assurance client's value chain. For example, a threat to ~~compliance with the principle of~~ professional competence and due care might be created if ~~the sustainability information that is subject to assurance~~ comes from multiple suppliers that are geographically dispersed or is prepared in accordance with different reporting frameworks.'

## ***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 the Explanatory Memorandum]**

APESB supports the IESBA's plans to expand the scope of the Code to all preparers of sustainability information. We believe the next step for the IESBA is undertaking extensive and broad stakeholder engagement to determine how to approach the proposals' widescale acceptance. The IESBA should use its existing framework of connections as the lead-off to this engagement.

- 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 the Explanatory Memorandum]**

APESB agrees that the proposed Chapter 4 of the ED is responsive to the public interest considering the Public Interest Framework's qualitative characteristics.

### ***Proposed Revisions to the Extant Code***

- 22. Do you agree that the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective, including:**
- (a) Proposed revisions to Section 220? [See paragraphs 139 to 141 of the Explanatory Memorandum]**
  - (b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? [See paragraphs 143 to 153 of the Explanatory Memorandum]**
  - (c) Other proposed revisions? [See paragraph 155 of the Explanatory Memorandum]**

APESB is of the view 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. We acknowledge the need for conforming amendments to maintain the relevance of extant Parts, ensuring they incorporate sustainability references and address ethics issues specific to sustainability reporting once the sustainability standards are finalised. The proposed revisions to existing examples, as well as the addition of new examples relating to sustainability reporting the value chain and forward-looking information, will provide useful guidance to professional accountants in performing sustainability-related activities.

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

There are no other matters concerning the proposals in Chapter 4 of the ED that APESB wishes to raise.

***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?**

APESB supports the IESBA's proposal to align the effective date of the final provisions of the IESSA with the effective date of ISSA 5000.

## **APESB's General Comments**

APESB's general comments on the Sustainability ED for the IESBA's consideration are as follows:

### **(a) Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs)**

Implementing these proposals will be very challenging for SMEs and SMPs, mainly due to resource limitations and time constraints in setting up appropriate quality management systems required, which include monitoring and educating non-PAs about proposed ethics and independence provisions when performing sustainability assurance engagements.

### **(b) Regulators and Oversight Bodies**

No specific concerns have been brought to the APESB's attention.

### **(c) Sustainability Assurance Practitioners Other than Professional Accountants**

No specific concerns have been brought to the APESB's attention.

### **(d) Developing Nations**

Not applicable.

### **(e) Translations**

Not applicable.