



AccountAbility

Setting the Standard for Sustainability

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Mr. Ken Siong
Program and Senior Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, NY 10017

AccountAbility's Response to the International Ethics Standards Board for Accountants' Exposure Draft on International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA)

Dear Mr. Siong,

This letter provides AccountAbility's comments on the International Ethics Standards Board for Accountants' (IESBA) exposure draft, International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA).

AccountAbility's AA1000 Series of Standards are principles-based frameworks used by global businesses, private enterprises, governments, and other public and private organizations to demonstrate leadership and performance in accountability, responsibility, and sustainability. For over two decades, organizations large and small, private and public, have come to rely on AccountAbility's standards to guide their approach to sustainability strategy, governance, and operations. The AA1000 Assurance Standard (AA1000AS v3) is the leading methodology used by sustainability professionals worldwide for sustainability-related assurance engagements, to assess the nature and extent to which an organization adheres to the AccountAbility Principles.

AccountAbility is pleased to provide our response to the public consultation on the Exposure Draft (ED) on International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA).

Broadly we have found the ED to be expansive in its coverage, well written and coherent. IESSA is undoubtedly a critical step forward in fostering greater public trust in corporate sustainability disclosures. We do not see any indication that the new standards would not be responsive to the public interest, considering the Public Interest Framework's qualitative characteristics. We understand the IESBA views the IESSA as responsive to the public interest, particularly in terms of coherence with the overall body of the IESBA's standards. The proposed standards aim to align with the extant Code, using its structure and drafting conventions. **The language and terminologies used in Part 5 of the proposed IESSA are as much as possible identical to those used in the extant Code, with necessary adaptations to meet the objective of profession-agnostic standards** and to include sustainability-related

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examples in the application material. **We agree that this approach ensures that the IESSA can be applied in the same way as the extant Code to achieve equivalence.**

We agree that the proposals in Chapter 1 of the ED can be deemed profession-agnostic and framework-neutral, and believe the standards will provide a clear and consistent approach to ethics and independence for all providers of sustainability assurance, regardless of whether they are PAs or non-PAs. However, we have the following considerations:

A profession-agnostic approach means that the standards should be not only understandable but also applicable to all practitioners of sustainability assurance engagements, including those who are not professional accountants (PAs). Furthermore, framework-neutral standards need to be developed in a way that they can underpin any reporting or assurance framework used to prepare or assure sustainability information. We note that while consultation has been sought widely, the IESBA has primarily considered global sustainability reporting and assurance standards developed by the ISSB and IAASB to ensure interoperability with those standards.

AccountAbility acknowledges that many of our assurance providers are sustainability professionals rather than PAs. While the IESSA uses terminology that aims to be understandable by all sustainability assurance practitioners, our concern lies in implementing the code among non-PAs who have not previously adhered to the extant code. We believe that **while the additional guidance provided in Chapter 1 of the ED from a sustainability assurance perspective is generally adequate and clear, there is room for improvement to enhance clarity and usability.** While beyond the scope of this consultation, **AccountAbility would welcome more simplified guidance material and complimentary training resources to be shared with users, to support IESBA in promoting the Code's adoption among non-PAs.** Clearly, for the standards to become a global baseline, they must be adopted by jurisdictions around the world - and this will require training, education, and qualifications to enhance the capabilities of non-PA sustainability assurance practitioners. We expect that IESBA will continue working together with other stakeholders, including IAASB, IOSCO, and regulators, to develop this infrastructure to facilitate and accelerate global adoption. For example, unlike IESSA, the IAASB's ISSA 5000 exposure draft does not have specific provisions for assurance work at, or with respect to, value chain entities. Moving forward, IESBA could perhaps encourage and coordinate with IAASB to provide additional clarification or guidance on this matter.

Of particular relevance to non-PAs, **we support the proposed independence provisions outlined in Section 5406 concerning the use of another practitioner's work in sustainability assurance engagements.** The approach described in Section 5406 appropriately addresses the distinct considerations and obligations involved when a firm intends to use the work of another practitioner who is not under its direct oversight, control, and review. It ensures the maintenance of independence requirements outlined in Part 5 and mandates that the firm takes necessary measures to ensure the independence of the other practitioner, including informing them of relevant ethics provisions and obtaining confirmation of their independence. This approach is in alignment with the requirement for transparency and uniformity in sustainability assurance engagements.



We agree with the proposal to apply the determination of a Public Interest Entity (PIE) used for auditing an entity's financial statements to sustainability assurance engagements covered by Part 5. This alignment ensures consistency and equal treatment between auditing and assuring the sustainability information of an entity falling within the PIE definition. It also prevents potential confusion and inconsistency that might arise if an entity were deemed a PIE solely based on its sustainability information, when it is not classified as a PIE for auditing its financial statements.

We have the following comments regarding definitions used:

We support the definition of "sustainability information" proposed by the IESBA as well-considered and comprehensive. This definition helps ensure consistency and clarity in the application of standards related to sustainability reporting and assurance. The definition's broad and inclusive nature, encompassing ESG factors as well as other relevant economic factors, reflects an understanding of the evolving nature of sustainability reporting. Moreover, its alignment with terms used in other standards and regulations enhances interoperability and avoids confusion. Overall, the proposed definition appears to be a thoughtful approach to addressing the complexities of sustainability information within the context of ethics and standards.

We support the proposed definition of "value chain" in the context of sustainability assurance engagements. Aligning the definition with the applicable reporting framework is logical, as it ensures consistency with the reporting entity's boundaries for sustainability information. The inclusion of entities such as customers and suppliers, which are material for sustainability reporting, is appropriate, given their potential impact on the sustainability performance of the reporting entity. The value chain is defined comprehensively and accurately, reflecting the interconnectedness of entities that contribute to or are affected by the reporting entity's sustainability performance.

We appreciate the opportunity to be part of the public consultation and hope you find our response helpful.

Please get in touch for any clarifications.

With our best regards,

Peppi-Emilia Airike

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