

May 14, 2024

Mr. Ken Siong
Program and Senior Director
International Ethics Standards Board for Accountants
529 5th Avenue
New York, New York 10017

Dear Mr. Siong,

**Re: Exposure Draft and Explanatory Memorandum (January 2024) –
Proposed *International Ethics Standards for Sustainability Assurance*
(including *International Independence Standards*) (IESSA) and Other
Revisions Relating to Sustainability Assurance and Reporting**

On behalf of the Global Accounting Alliance (GAA), I am writing in response to the International Ethics Standards Board for Accountants' (IESBA) request for comment on the above ED and EM.

About the GAA

The GAA was formed in November 2005 and serves as a forum for 10 leading professional accountancy bodies, representing 1,400,000 members in over 180 countries around the globe. Professional accountants play an important role in global capital markets, helping organizations meet the evolving information needs of investors and other stakeholders, including on environmental, social, and governance (ESG) issues.

The GAA's purpose is to serve the public interest by leading the advancement of a high-quality accounting profession by sharing information and collaborating, among GAA members, and advocating on international issues important to the profession.

The GAA's members include the following professional accountancy bodies:

- Association of International Certified Professional Accountants
- Chartered Accountants Australia and New Zealand
- Chartered Accountants Ireland
- Chartered Professional Accountants of Canada
- Hong Kong Institute of Certified Public Accountants
- Institut der Wirtschaftsprüfer in Deutschland e.V.
- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants of Scotland
- Japanese Institute of Certified Public Accountants
- South African Institute of Chartered Accountants

The GAA, its member bodies and the professional accountants they represent are, as you would certainly appreciate, familiar with the *International Code of Ethics for Professional Accountants* (the Code) and, as such, I strongly believe can offer valuable insights as to how the

proposed *International Ethics Standards for Sustainability Assurance* (IESSA/ proposed Part 5) would operate in practice and may, in the immediate term and over time, be improved.

Although the GAA believes it would not be appropriate to duplicate its members' input into the IESBA's request for comments, I would like to raise a number of issues, which all the GAA member institutes agree should be considered by the IESBA:

1. On the matter of equivalence, the GAA members have concerns regarding additional requirements applying only to professional accountants (PAs), such as requirements to comply with Parts 1 to 4B of the Code that are also relevant to the sustainability assurance engagement. Non-professional accountants (non-PAs) are only encouraged to apply these parts of the extant Code, meaning full equivalence would not be achieved. In addition, the scope of Part 5 should be clarified as it is not currently clear which other professional services would be in scope.
2. The proposal in section 5410 (Fees) appears at odds with the development of sustainability assurance, and the evolving regulation. The market is such that the financial statement auditor should reasonably be able to accept a sustainability assurance engagement and it is unclear whether the associated fee, in the GAA members' view, is to be treated in the same manner as audit fees and not as fees for other services. I believe it important that the IESBA clarify the issue and thus work towards dispelling any such perception.
3. There are significant practical challenges likely to be associated with assurance engagements involving value chains, in particular of a group sustainability assurance practitioner (SAP) being able to ensure the independence of the engagement team at the relevant level within the value chain. As such, the operability of section 5407 should be seriously reconsidered, and as part of this process, articulated therein a practical threats and safeguards approach to achieve the desired outcome.
4. There are several ambiguities within the proposals that present challenges for the ethical standards complying with the Public Interest Framework (PIF), will create inconsistent application, and consequently fail to meet the expectation of high ethical standards by the public and various classes of stakeholders outlined in the PIF. In addition, without an appropriate regulatory framework for SAPs who are non-PAs, it is questionable whether the quality, implementability, enforceability, and consistent global application characteristics of the PIF will, in fact, be met. Given the issues raised, I look forward to seeing the steps the IESBA will take to address these challenges.
5. As indicated by earlier remarks and the dynamics of current developments, the IESBA should monitor the utilization of these standards and reflect upon their effectiveness. There is a strong case to set in place an earlier intended timeframe for post-implementation review than is normally considered, for example two years after implementation. This will be vital to mitigate against unintended consequences and for safeguarding the significant value of the Code as it currently stands.
6. The proposal to align the effective date of the final provisions with ISSA 5000 is laudable; however, it may be impractical, given the level of post finalization work to be done to allow for translation into other languages, training, updates to quality management systems, information gathering, and the agnostic nature of the Code, to upskill a new stakeholder group with the requirement.

If the Code is to evolve towards becoming framework-neutral and profession-agnostic in application, the GAA believes it essential for the IESBA to engage broadly across both transnational and national regulatory environments to ensure the equivalent public protections are in place so that public trust in the profession is not eroded. This, I see, as essential to the broadest possible adoption of IESSA, its application within a level playing field of assurance providers and the preservation of both the public interest and market confidence.

On behalf of the GAA members, I wish you every success in finalizing development of the proposed *International Ethics Standard for Sustainability Assurance* as an essential measure towards achieving globally consistent, comparable, and reliable sustainability reporting and high-quality assurance thereon.

If you have any questions or would like to further discuss any issues, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in cursive script that reads "Jim Knafo".

Jim Knafo CPA CA CGMA
Chief Executive Officer
Global Accounting Alliance