

IAF comments for proposed IESSA Code

Main Objectives of the IESSA

1. (b) Do you agree that the proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral?

We agree and commend the work done in order to write the Code with the objective of being profession-agnostic and framework-neutral. Some paragraphs however might need slight corrections, grouped by relevant cluster and commented below.

Competence requirements

[see mainly the following points: 5100.1a, Subsection 5113, 5120.16 A2, 5320.3 A4, 5390.6 A2 to A6, R5390.12, 5390.20 A1, 5390.21 A1]

It should be requested that - albeit at a high level, given that we are discussing a code that addresses ethical aspects - some criteria for determining competence be included.

Taking in to consideration the amplitude of the different topics that might fall under the concept of “sustainability”, and given the absence of a formal and objective way to assert the acceptable level of competence of a sustainability practitioner, it is suggested to introduce a bare minimum requirement to assess such a competence level, similarly to the approach described in chapters from 5390.6 A2 to 5390.6 A6 for establishing the minimum competence of external experts.

Reference to Parts 1 to 4B of the Code

[see mainly the following points: 5100.2a, 5100.2b]

We accept the idea to encourage non-accountants to take in consideration the other parts of the IESBA Code (Parts 1 to 4b), but, considering that those non-accountants might be subjected to other codes or conduct rules, sometimes even stricter, which could be sometimes imposed by regulations and laws whenever acting as notified bodies or classification societies, we suggest to introduce the concept of “equivalent code of conduct”.

In particular, the text could be modified as following:

5100.2b (b)

“A practitioner who is not a professional accountant is encouraged to apply Parts 1 to 4B of the Code to guide the practitioner's general conduct or equivalent ethical codes of practice”

Sector-agnostic terminology

[see mainly the following points: 5110.1 A1 and Chapter 2]

Without delving in every term used, we believe that some terms are very specific for the accounting profession.

We auspicate that terminology differences will be addressed in guidelines and other documents that the interested parties will make available.

References to roles, structure, responsibilities

[see mainly the following points: overall framework, also 5300.7 A5, R5310.7, 5400.11]

Some requirements imply a very specific firm and/or team structure, roles and separation of responsibilities, that might not be suited for every non-accounting organization.

We recognize the need of allocating tasks and responsibilities under specific functions or roles with

given authorities, but we recognize the difficulty to align such responsibilities to the organizational model proposed, which is very specific to the accounting model.

Specifically, we must take into consideration that in regulated sectors that would follow the requirements of this Code, some responsibilities might be imposed by laws and regulations, thus making impossible to comply with the Code, such as national GHG and Carbon trading schemes, where the assurance decision is, by law, a responsibility required to the qualified auditor/practitioner, or when acting as a notified body, where regulations may attribute specific tasks to define roles.

Cooling-off period

[see mainly the following points: 5325.8 A3]

Given the nature of activities performed by non-accountants, it is believed that imposing a flat cooling-off period, such as the two years referenced in the ISQM2 for the role of technical reviewer to be sub-optimal, and it would be preferable to leave the firms/CABs the ability to determine their own cooling-off periods, based on assessment of risks (eg. familiarity, advocacy, self-review,) and, in case, adopting suitable countermeasures.

Passages not relevant to non-accountants

[see mainly the following points: Section 5380, Section 5520, Section 5521, Section 5522, Section 5523, Section 5524, Section 5525]

All activities recalled in indicated sections refers to activities that are specific for the accountants, that would have no correspondence for non-accounting practitioners.

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?*

We support the concept, but we believe that, where exist different codes of practice aiming to regulate the behavior of practitioners who provide other services, different from sustainability assurance engagements, those codes should prevail over Part 5.

NOCLAR

7. and 8.

[see mainly the following points: Section 5360]

In the accreditation system, NOCLAR is applicable only as long as laws and regulation require to do so.

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 mainly the following points: overall framework, also 5300.7 A4a, 5407.2 A1, R5320.4, R5320.6, R5320.7, R5320.8, 5390.5 A1, 5390.17 A2, 5400.3f, Section 5406, 5407.2 A1]

We agree with Section 5406.

In addition, when referring to “the quantitative and qualitative characteristics of a sustainability assurance” in 5300.7 A4a and “determine that assurance procedures need to be performed” in 5407.2 A1, **it might be useful to consider internationally recognized standards and practices**, like what already happens with “**recognized international standard**” [Draft of Green Claim Directive (EU)] and “**certification scheme established by a public authority**” [Directive (EU) 2024/825] for the different subject matters, **to facilitate the sustainability assurance practitioner’s recognition of the work of another practitioner.**

Moreover, whenever in Part 5 of the Code reference is made to a “different practitioner for a sustainability assurance client”, it should be stated that any independent assurance service provider, accredited and signatory of IAF multilateral recognition arrangement (IAF MLA), falls under such a definition.

For 5400.3f, independent accredited assurance providers might refer to ISO/IEC 17029 or other accreditation standards as counterpart for ISQM 1 for their quality management.

Assurance at, or With Respect to, a Value Chain Entity

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 also answer to question 11]

We agree with Section 5407.

In addition, when referring to “determine that assurance procedures need to be performed” in 5407.2 A1, it is believed useful introducing the concept of “universally acceptance”, like what already happens with “**recognized international standard**” [Draft of Green Claim Directive (EU)] and “**certification scheme established by a public authority**” [Directive (EU) 2024/825] for the different subject matters.

Providing NAS to Sustainability Assurance Clients

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

We agree, the rules of accreditation that we follow for NAS have more or less the same approach.

Other Matters

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

Ethics and independence requirements for external experts

[see mainly the following points: R5390.8, R5390.9, R5390.11, R5390.12, 5390.17 A2, 5390.20 A1, 5390.21 A1]

We support the proposed methodology and level of detail for the evaluation of external experts.

We recommend to introduce the possibility to recognize formally acknowledged competences and qualifications obtained by recognized mechanisms (ie. accreditation, certification, third party conformity, recognition by public authorities) linked to the subject matter on which the expert was questioned.

For example, in 5390.5 A1 and 5390.17 A2, another factor that could assist the practitioner in evaluating an external expert's competence is his experience in assurance activities carried out in accordance with technical standards by formally recognized assurance providers and assurance activities carried out in accordance with recognized accreditation processes.