



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

9 May 2024

Ken Siong,
IESBA Program and Senior Director,
International Ethics Standards Board for Accountants (IESBA),
529 Fifth Avenue,
New York, NY 10017,
United States of America.

Submitted via the website: www.ethicsboard.org

Dear Mr. Siong,

**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 Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the **Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.**

Our comments are herein attached.

We hope you will find our comments helpful.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a stylized flourish at the end.

CPA Charles Lutimba
DIRECTOR, STANDARDS AND REGULATION

Appendix 1: Comments to the Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code relating to Sustainability Assurance and Reporting

Appendix 2: Survey Report about ICPAU's Consultation on the Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code relating to Sustainability Assurance and Reporting

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APPENDIX 1: ICPAU'S COMMENTS ON THE IESBA 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

Main Objectives of the IESSA

Question 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? (Paragraphs 19 and 20)
- b) Profession-agnostic and framework-neutral? (Paragraph 23)

Comment:

We agree that the proposals in the ED are equivalent to the ethics and independence standards for audit engagements to a large extent which we believe will most likely achieve the desired objective of sustainability information underpinned by the same ethical standards as those that apply to financial statements audits.

We believe that the proposals provide an appropriate global baseline for the performance of assurance engagements over sustainability information and that the proposals in the ED are profession-agnostic and framework-neutral as they support the consistency, comparability, and reliability of sustainability-related information. We believe that this will serve to enhance public trust in sustainability information.

However, we envisage challenges during the adoption and/ application of the proposals for non-accountant professionals which may cause resistance, especially from jurisdictions with high rates of non-accountants participating in sustainability assurance. This may be augmented by the fact that in some jurisdictions, the relevant legal regimes that support the mandate of the respective accountancy organisations may not directly bring the responsibility of sustainability reporting into the ambit of the accountancy organizations' regulation. As such it is uncontested that in a number of jurisdictions, there are non-accountants likely to participate in sustainability assurance. This challenge is multi-fold. For example, the overarching objective of the Sustainability project as cited under paragraph 35 of the explanatory memorandum is to develop "ethics and independence standards for use by all assurance practitioners in sustainability assurance engagements", we have concerns about the ability of the Code to be applied consistently by all assurance practitioners. This is based on the fact that there are a number of concepts within the proposed Code that mirror the International Code for professional accountants. While we may find this to be very helpful, our reservations are that non-accountant assurance practitioners may not be sufficiently familiar with such provisions to be able to use them to support the

performance of their engagements, yet there may be instances when additional reference may be made to the international Code when applying the standard.

Question 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? (Paragraph 23)

Comment:

Except for the reservations about the enforceability and implementability of the proposals among non-accountant professionals, due to the inadequacy of familiarity with the International Code for professional Accountants and thus a likely challenge in consistently applying the proposals of this project and ensuring its global application as well as being adaptable to the different conditions prevalent in different jurisdictions, we agree that the proposals in Chapter 1 of the ED are responsive to the public interest to a large extent and the proposals address the qualitative standard-setting characteristics of Coherence and Clarity and conciseness.

Definition of Sustainability Information

Question 3: Do you support the definition of “sustainability information” in Chapter 2 of the ED? (Paragraphs 24 to 26)

Comment:

As per the survey results in Appendix 2, we are supportive of the proposed definition of sustainability information in the ED. We believe that this definition is comprehensive enough for all relevant sustainability matters and, recognizes that there are many frameworks/criteria that may be applied to sustainability assurance engagements. The principles-based approach used in the definition makes the definition scalable and thus applicable to different entities.

Scope of Proposed IESSA in Part 5

Question 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? (Paragraphs 30 to 36)

Comment:

We agree with the proposed scope for the ethics standards in Part as we believe that the application of the ethics standards to all services offered to sustainability assurance clients in addition to the sustainability assurance engagements is reasonable. We believe that this will promote integrity, objectivity, and professional due care in all the work provided to sustainability assurance clients.

However, we are a bit apprehensive about the requirement in paragraph 5100.2b. We wonder how this will be enforced since practitioners who are not professional accountants do not subscribe to the International Code of Ethics for Professional Accountants and whether this would not offend the Public Interest Framework's qualitative characteristics, of Consistency, where for sustainability assurance practitioners that are professional accountants, their obligation in respect to Parts 1 to 4B is mandatory (see paragraph 5100.2b(a) while for non-accountant sustainability assurance practitioners, it is optional. While we agree with this proposal, we would like to know more about how this will be enforced.

Question 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? (Paragraphs 38 to 43)

Comment:

We agree with the proposed criteria of the same level of public interest for both sustainability assurance engagements and financial statement audits. However, more resources should be availed to support non-professional accountants in gaining an understanding of the different terminologies in the Code such as reasonable and limited assurance, opinion, conclusion, and public interest, among others which are repeatedly used in the Code. As a result, there should be a public interest need to educate users about such terms like limited assurance in order to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse to include even non accountant practitioners.

Structure of Part 5

Question 6: Do you support including Section 5270 in Chapter 1 of the ED? (Paragraphs 46 to 48)

Comment:

We support the inclusion of Section 5270 as it addresses different pressures to breach the fundamental principles that sustainability assurance practitioners may encounter. We believe that this will provide very valuable insight into how these situations may be handled to minimize any threats to independence.

NOCLAR

Question 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 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?"

Comment:

We support the proposed revisions regarding communication of actual or suspected NOCLAR between the auditor and the sustainability assurance practitioner. We believe that this will provide a more comprehensive oversight role in addressing potential risks associated with NOCLAR. We believe that such collaboration will promote transparency and accountability, reinforcing public trust in both financial reporting and sustainability assurance processes. This augments the need to avoid greenwashing but also purposes the background which is to the effect that sustainability related information is increasingly used to support not only capital allocation by investors, but also other decisions by customers, current or potential employees, government agencies and other stakeholders.

Question 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)

Comment:

We support the expanding scope of the extant requirement for PAIBs as we agree that this will align the NOCLAR communication requirements between the sustainability assurance client's external auditors and sustainability assurance practitioners. However, it would be desirable that supporting guidance be provided to clarify how such communication should be managed. There might be circumstances where such disclosure is contrary to prevailing jurisdictional laws and regulations. Therefore, the supplementary guidance should provide guidance about how such disclosures should be done.

Determination of PIEs

Question 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)

Comment:

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements because we agree that this approach will maintain equivalency of the independence requirements between the financial statement audits and the sustainability assurance engagements. Attempts to create a separate dimension of PiE solely on the basis of its sustainability information different from a PIE for the purposes of the audit of financial statements would rather create unintended confusion in application of the requirements.

Group Sustainability Assurance Engagements

Question 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)

- 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?

Comment:

While we agree with the fact that appropriate ethics and independence requirements should be applied over group sustainability assurance, and also agree to the fact that in the absence of an equivalent ISA 600 (Revised) that caters for group sustainability assurance engagements, Section 5405 aids in closing the gap and thereby providing the necessary guidance. However, we believe that an approach based on ISA 600 (Revised) concepts alone may not be fully practicable, and that proposals would need to take into account the sustainability information specific features of information as well as the requirements of the applicable reporting criteria in this area.

- 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)?

Comment:

We are generally supportive of the proposal for group sustainability assurance engagements to be at the same level and achieve the same objectives, as those applicable to group audit engagements but in consideration of our comments as raised in Question 1 and Question 10 (a) above

- 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)

Comment:

We agree with the proposed requirements regarding communication between the group sustainability assurance firms and component sustainability assurance firms regarding the relevant ethics, including independence provisions applicable to the group sustainability assurance engagements.

- 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”)?

Comment:

We do not agree. While concepts have been drawn from ISAs to cater for group sustainability assurance engagements in the absence of an equivalent to ISA 600 (Revised), we note that the definition for the term ‘Component’ as used in the proposed standard is significantly different from the existing definition under the ISAs. It is not clear why the Borad chose the use of the words ‘determined by the group auditor for purposes ...’ By using the words ‘determined by the auditor,’ it gives an impression that what may be or may not be a component would be based on the auditor’s perception at any material time. Other than this creating lee way for possible difference in perception by auditors over time, there is also a danger of creating a double layering for determination of what is a component in group and what is not, that is a distinct

piece of a group (at least from a legal perspective) but also one determined by the auditor. Otherwise, guidance may need to be provided on determination of a component to ensure a common approach to the same.

Using the Work of Another Practitioner

Question 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 paragraph 93 to 101 of this document)

Comment:

While we agree with the proposed independence provisions set out in Section 5406, we recommend inclusion of more requirements and guidance material in relation to competence to provide supervision and review of sustainability assurance work.

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

Question 12: Do you support the proposed definition of “value chain” in the context of sustainability assurance engagements? (See paragraphs 102 and 103)

Comment:

We support the proposed definition of “value chain” in the context of sustainability assurance engagements.

Question 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)

Comment:

We do not support the provisions in Section 5407 because value chain entities deal with so many companies and compliance with similar requests from all their sustainability assurance providers will be impractical.

Question 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)

Comment:

We agree that certain interests, relationships or circumstances between the firm, network firm or member of the sustainability assurance team and value chain entity can create threats to the firm's independence and support the proposed requirement for all the interests, relationships or circumstances to be evaluated for threats to independence.

We also supportive of the approach and guidance in Section 5700 as we believe that it will be effective in the evaluation of independence threats associated with sustainability assurance engagements.

Providing NAS to Sustainability Assurance Clients

Question 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)

Comment:

We agree with the provisions in Section 5600 however since we noted a replication with Section 600, we suggest that the wording in the proposed standards be amended to make reference to the principles in Section 600 regarding the evaluation of threats associated with provision of NAS.

Question 16: Subsections 5601 to 5610 address specific types of NAS. (See paragraphs 118 and 120).

- 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?

Comment:

We agree with the coverage of the services and the provisions in Subsections 5601 to 5610 as we believe that they provide an insight into acceptable NAS which may be provided by sustainability assurance practitioners to sustainability assurance clients.

We have no additional suggestions of other NAS that should be added to the context in Part 5.

Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements for the Same Client

Question 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)

Comment:

We are of the view that practitioners may provide both financial statement audits and sustainability assurance engagements to the same client provided due diligence is considered to ensure the practitioner's independence during the performance of both engagements. Therefore, we suggest that the proposed standards reiterate this.

Other Matters

Question 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?

Comment:

No, we do not have any additional guidance besides our comments above.

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

Comment:

No, there are no any other matters to raise concerning the remaining proposals of the ED.

Scope of Sustainability Reporting Revisions and Responsiveness to the Public Interest

Question 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)

Comment:

Refer to our comments especially our reservations about enforcement of the standards outside the accountancy profession. We believe that this approach ought to be supplemented with additional resources and training to achieve the desired application of the standards among non- accountants.

Question 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 paragraphs 138)

Comment:

We agree that the proposals in Chapter 4 of the ED are responsive to the public interest. However, our reservations about enforcement of the Code especially among non-professional accountants apply here as well.

Effective Date

Question 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?

Comment:

No, we don't support this proposal as we believe that the revisions to the Code need to be approved before the ISSA 5000 becomes effective as the requirements of the Code will influence compliance with the requirements of ISSA 5000.

APPENDIX 2: SURVEY REPORT ABOUT ICPAU'S CONSULTATION ON THE PROPOSED INTERNATIONAL ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE (INCLUDING INTERNATIONAL INDEPENDENCE STANDARDS) (IESSA) AND OTHER REVISIONS TO THE CODE RELATING TO SUSTAINABILITY ASSURANCE AND REPORTING

1.0 Introduction

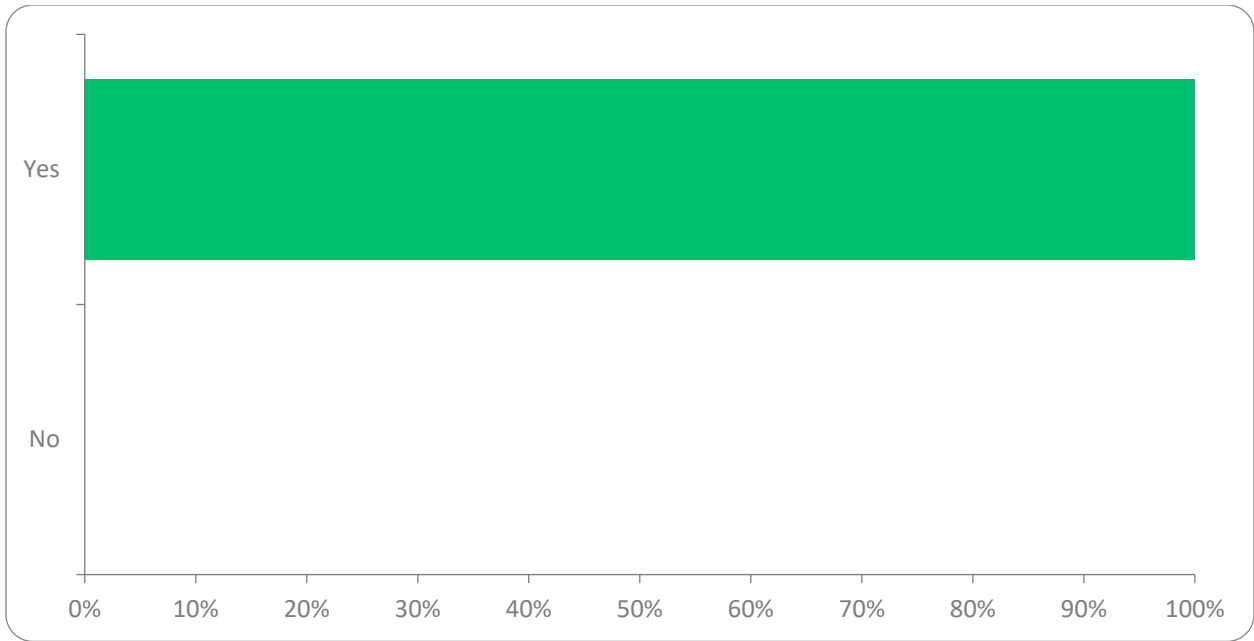
ICPAU conducted a survey to obtain members' views about the proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code relating to Sustainability Assurance and Reporting*. The survey was administered electronically to members by email from March to April 2024. 30 responses were obtained and analyzed. This survey report describes the responses, based on the survey results.

The report is presented according to members' responses to the issues below:

- Ethics in Sustainability Assurance Engagements
- NOCLAR in Sustainability Assurance Engagements
- NAS Provisions for Sustainability Assurance Engagements
- Other Considerations in Sustainability Assurance Engagements
- Conclusion

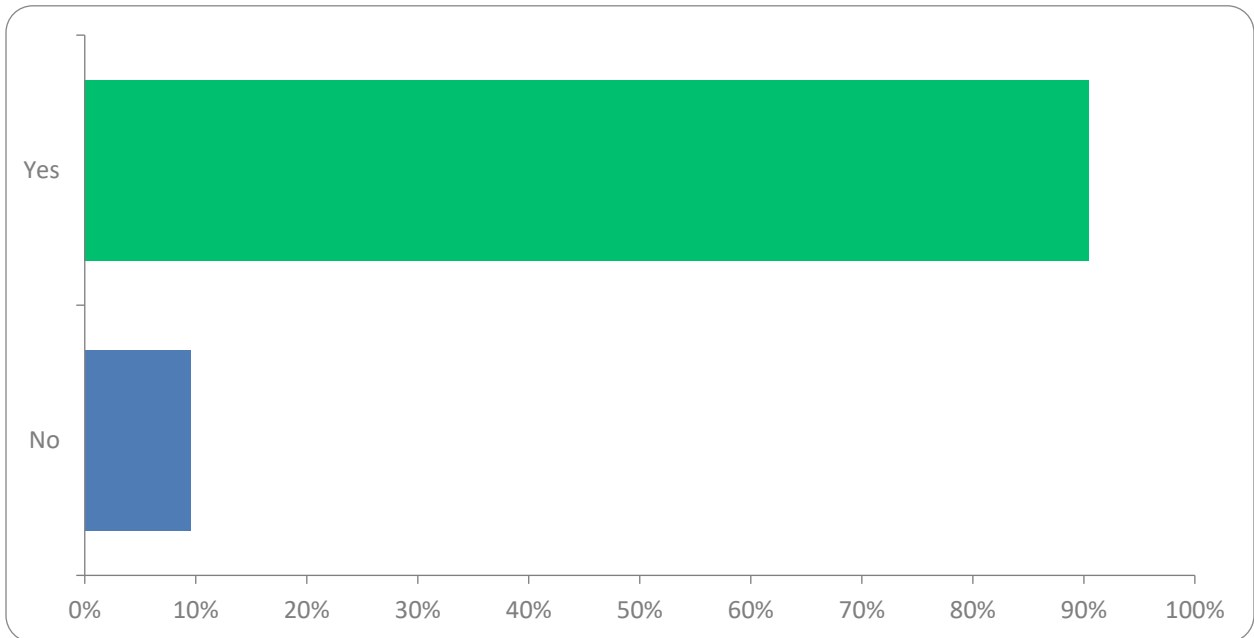
2.0 Ethics in Sustainability Assurance Engagements

This section of the report contains general views of the respondents about the proposed ethics standards in relation to sustainability assurance engagements. In relation to the proposal to include a new definition of sustainability information in the Code, the survey results indicated that the respondents were in total agreement with the proposed definition. (See below for detailed responses).



Qtn: Do you support the proposed definition of sustainability information in the proposed standards? Survey responses collected March- April 2024, from ICPAU members, n= 30.

The proposed ethics standards prescribe the sustainability assurance engagements on which the standards will be applied. According to the survey results, the respondents were supportive of the proposals in Part 5 regarding the sustainability assurance engagements on which the standards would be applied. Over 90% of the respondents supported the proposal as indicated in the graph below.

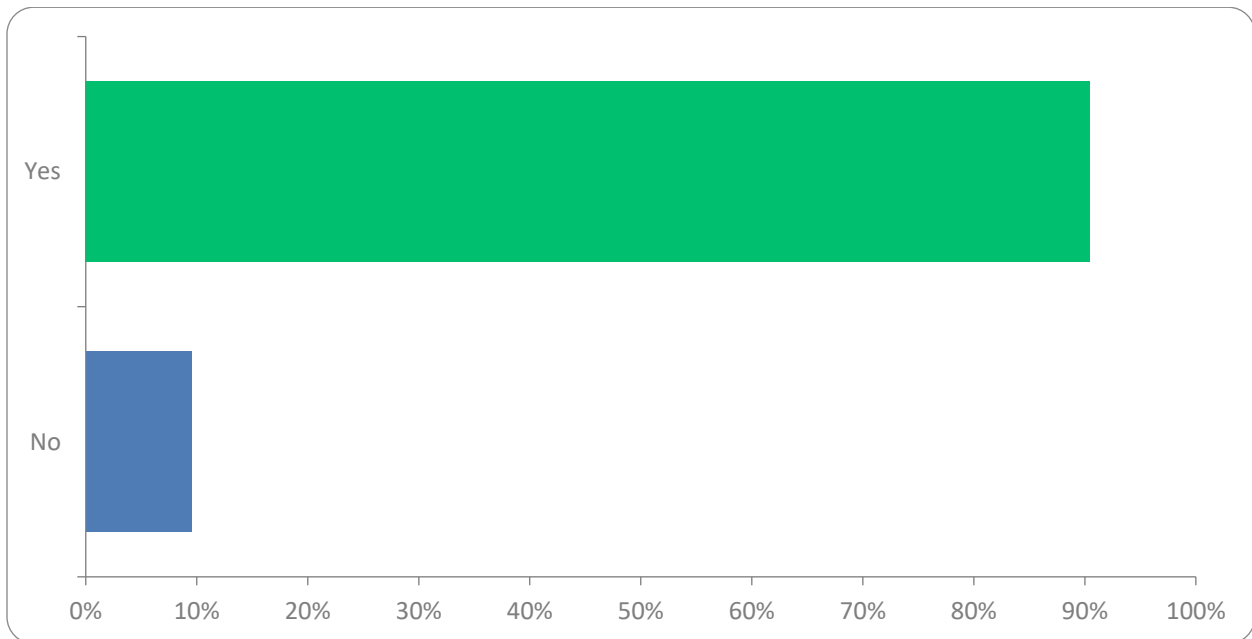


Qtn: The IESBA is proposing that the ethics standards in the new part 5 apply to a sustainability assurance engagement where the sustainability information on which the sustainability assurance practitioner expresses an opinion:

- a) Is reported in accordance with a general-purpose framework; and*
- b) Is Required to be provided in accordance with law or regulation; or*
- ii) Publicly disclosed to support decision-making by investors or other stakeholders.*

Do you support this proposal? Survey responses collected March- April 2024, from ICPAU members, n= 30.

In relation to the proposal for the scalability of the independence standards for sustainability assurance engagement, over 90% of the respondents agreed with the proposal that the independence standards for sustainability assurance should be scalable between public interest entities (PIEs) and non- public interest entities. To maintain consistence in independence requirements for PIEs, the proposed standards require that entities can only be classified as PIEs for sustainability assurance engagements only if they were classified as such for audits of financial statements. According to the proposed standards, entities. As indicated in the graph below, over 90% of the respondents agreed with this proposal.

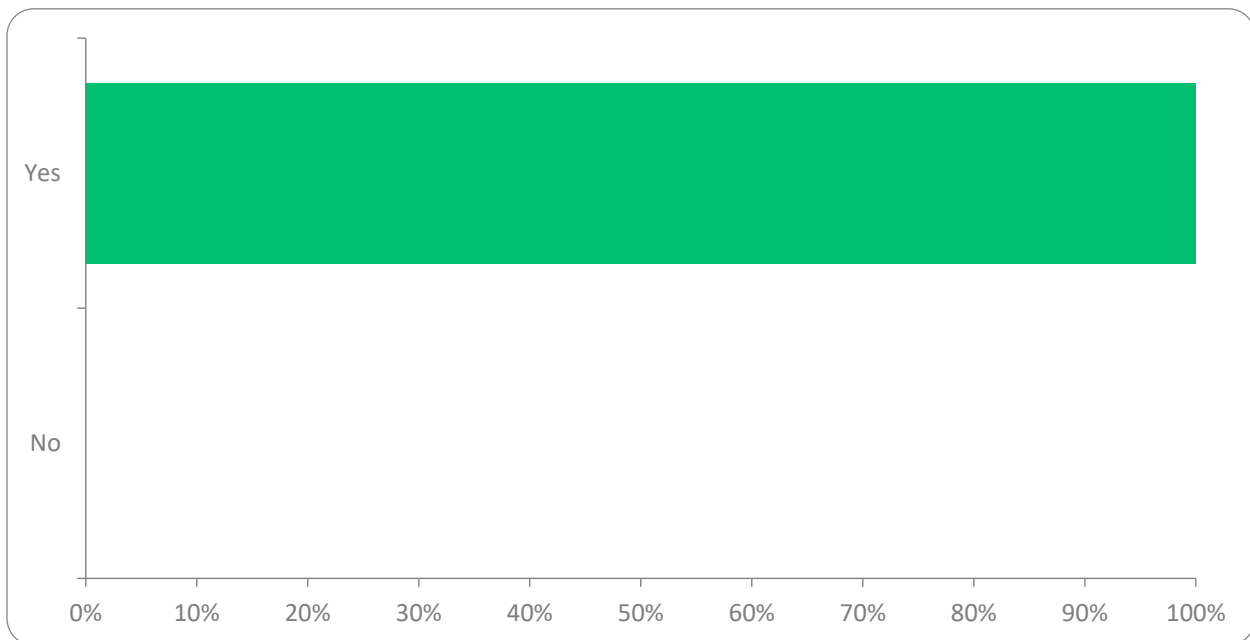


Qtn: The IESBA believes that the approach to independence standards for sustainability assurance engagements should be proportionate and provide a scalable approach for sustainability assurance clients that are not public interest entities (PIEs). Therefore, some of the provisions in the proposed International Ethics Standards for Sustainability Assurance apply only to sustainability assurance engagements of PIEs. IESBA proposes that an entity can be classified as a PIE for the sustainability assurance engagement only if it has been determined as such for the audit of its financial statements in

accordance with the provisions of the Code. This will eliminate situations where PIE requirements are applied to audits of financial statements but not to the sustainability assurance engagement of the same entity, which may lead to incoherent outcomes, especially in an integrated reporting context. Do you agree with the IESBA's proposals above? Survey responses collected March- April 2024, from ICPAU members, n= 30.

3.0 NOCLAR in Sustainability Assurance Engagements

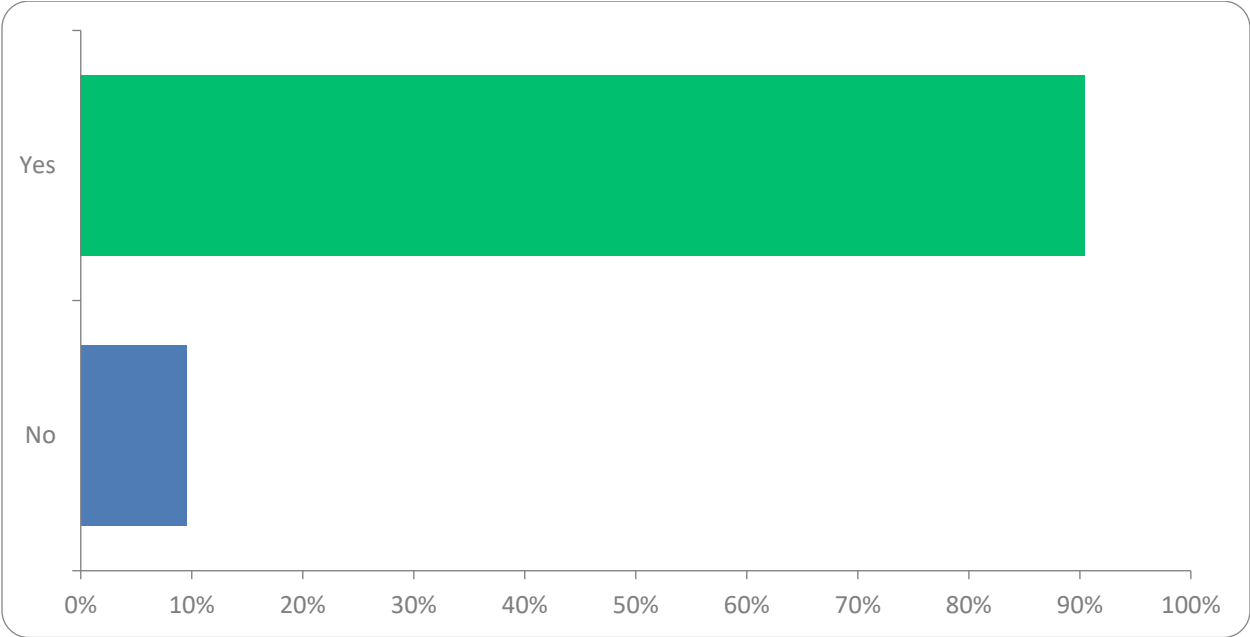
The survey results indicated an overwhelming support for the requirement for sustainability assurance practitioners and auditors of financial statements to communicate with each other about any incidences of non-compliance or suspected non-compliance with laws and regulations (NOCLAR). All the respondents agreed with this requirement as shown in the graph below.



Qtn: The proposed standards contain a requirement for sustainability assurance practitioners and auditors of financial statements to communicate with each other about any incidences of non-compliance or suspected non-compliance with laws and regulations (NoCLAR) that they may become aware of. Do you agree with this proposal? Survey responses collected March- April 2024, from ICPAU members, n= 30.

The above was reinforced by the fact that over 90% of the respondents agreed with the proposed requirement for senior professional accountants to determine whether to disclose (actual or suspected) NOCLAR to the employing organisation's sustainability assurance practitioner performing sustainability assurance

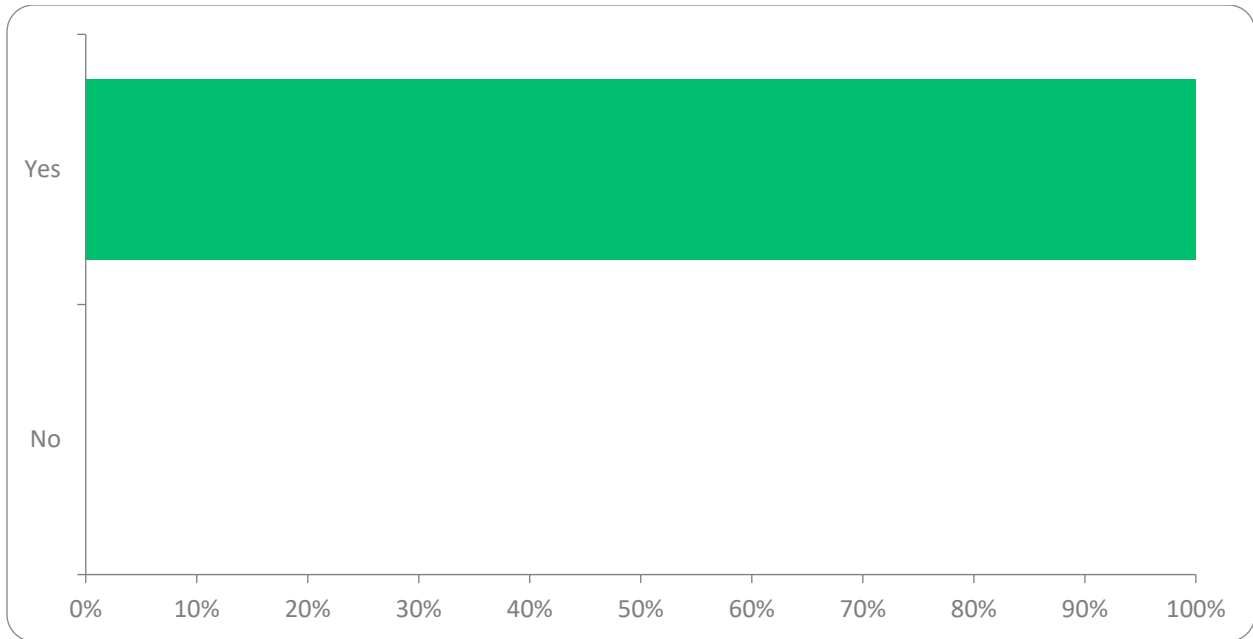
engagements within the scope of the International Independence Standards (See graph below for details).



Qtn: The proposed standards contain a requirement for sustainability assurance practitioners and auditors of financial statements to communicate with each other about any incidences of non-compliance or suspected non-compliance with laws and regulations (NoCLAR) that they may become aware of. Do you agree with this proposal? Survey responses collected March- April 2024, from ICPAU members, n= 30.

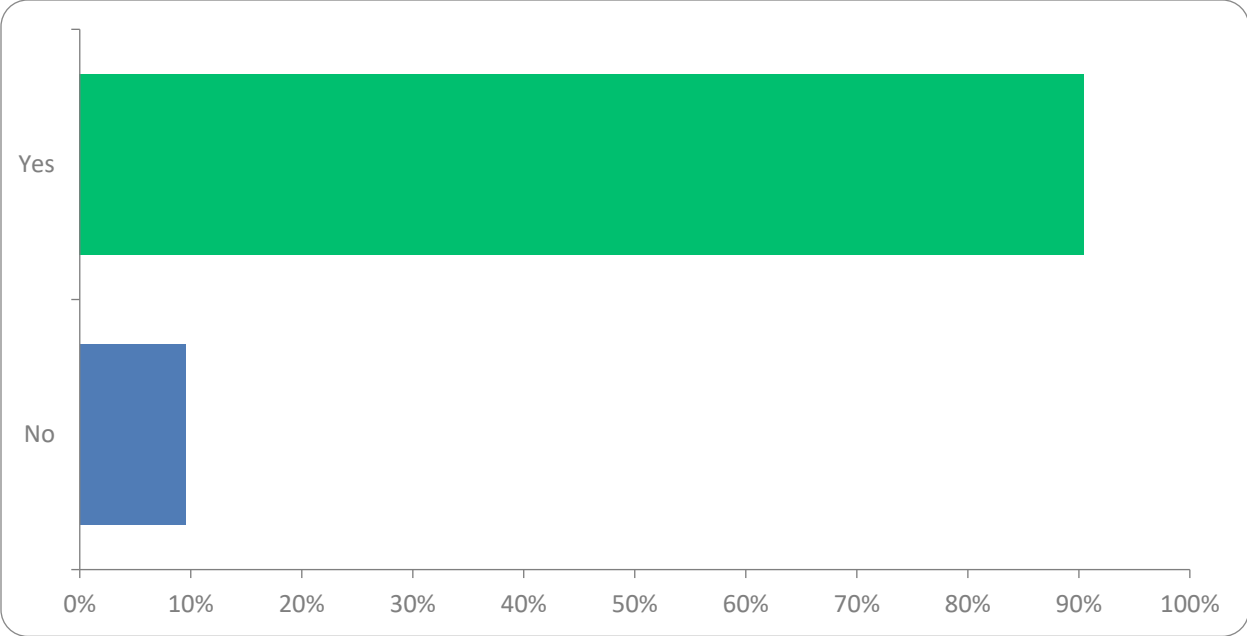
4.0 Other Considerations in Sustainability Assurance Engagements

In situations where a firm uses the work of another practitioner concerning sustainability assurance engagements, then the proposed standards require the firm to make the other practitioner aware of the relevant ethics including independence provisions and request that the practitioner confirm that they understand and will comply or if the work has already been carried out, has complied with such provisions. The survey results indicated an overwhelming support for this proposal with 100% of the respondents indicating their support (See graph below for details).



Qtn: In situations where a firm uses the work of another practitioner concerning sustainability assurance engagements, then the proposed standards require the firm to: Make the other practitioner aware of the relevant ethics, including independence provisions; and· Request that the practitioner confirm that they understand and will comply or if the work has already been carried out, has complied with such provisions. Do you agree with the requirements above regarding using other practitioners in sustainability assurance engagements? Survey responses collected March- April 2024, from ICPAU members, n=30.

The proposed standards require a firm that uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity, should retain sole responsibility for the assurance report on the sustainability information of the sustainability assurance client. The proposed standards acknowledge the possibility of threats to independence caused by value chain entities. According to the survey results, about 90% of the survey results agreed with this as shown in the graph below.



Qtn: A firm that uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity, should retain sole responsibility for the assurance report on the sustainability information of the sustainability assurance client. This is to safeguard the firm's independence during the sustainability engagement. 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? Survey responses collected March- April 2024, from ICPAU members, n=30.