



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

10 May 2024

Mr Ken Siong  
Senior Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, 10017 USA

Dear Mr Ken Siong

**INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (“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***

The Ethics Standards Board (“ESB”) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the IESBA’s Exposure Draft (“ED”) Proposed International Ethics Standards for Sustainability Assurance (*including International Independence Standards*) (“IESSA”) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.

We would also like to mention that our comments on using the work of an external expert in this ED have been included in a separate letter to the IESBA when commenting on the ED regarding “Using the Work of an External Expert”.

We enclose in **Appendix 1**, our response to the questions contained in the ED.

We hope our comments will contribute to the IESBA’s deliberation in finalising the ED. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email at [simontaypiteu@mia.org.my](mailto:simontaypiteu@mia.org.my).

Thank you.

Yours sincerely

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR. WAN AHMAD RUDIRMAN WAN RAZAK**  
Chief Executive Officer

## **APPENDIX 1**

### **PART A: SPECIFIC COMMENTS**

We have outlined our responses to each question in the ED below.

#### *Sustainability Assurance*

#### 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?**

We support the development of the IESSA as a set of global ethics and independence standards. We believe that having globally-operable standards will be important to fostering public trust in the reliability of sustainability information.

We also support the approach to include a new Part 5. It is positive that the same level of independence is required and that all assurance providers be subject to the same requirements. It is of critical importance that the IESBA and IAASB work jointly together with regard to the development of interoperable standards. The scope of these should be aligned to prevent one set of standards that is misaligned with another set of standards in terms of nature, definitions and scope. The definitions used in IESSA and International Standards on Sustainability Assurance (ISSA) 5000 should also be aligned as much as possible.

While we agree that as drafted the standard is essentially equivalent to those of the audit of financial statements, the different nature of sustainability reporting and characteristics unique to sustainability assurance may necessitate further tailoring of requirements and concepts for the standard to be appropriate and implementable. We have reflected some such considerations in our responses to the questions below. It is also important that the IESBA remains cognisant of not setting a standard that may not remain fit for purpose as sustainability reporting practices evolve. Hence, the standard should be principles-based as much as possible.

###### **(b) Profession-agnostic and framework-neutral?**

We agree that the IESSA is profession-agnostic and framework-neutral, but we believe that it will nevertheless be difficult to achieve consistent application. It may be especially challenging for non-professional accountants (non-PAs) to understand the relevance of the proposed concepts such as “fundamental principles”, “conceptual framework” and “professional skepticism” developed over years by and for professional accountants to a sustainability assurance engagement. The standard, as written, may therefore not be consistently adopted (or adopted at all), especially by those service providers who are not professional accountants. A more measured, stepped approach to developing independence requirements in alignment with corresponding assurance standards relevant to these types of engagements may be required to ensure better adoption.

Therefore, we believe that the IESBA will need to devote significant strategic focus on promoting full and timely adoption as well as effective implementation of the Code with the new Part 5. The main challenges of the extension of scope will be the need to raise awareness and continue working with local regulatory bodies to ensure there is a mechanism for enforcement. If the proposed IESSA lacks

enforceability for non-PAs who are not subject to the quality control or inspections of a regulatory body, the intended objectives of this project may not be fully realised due to the absence of accountability measures. We also recommend that the IESBA consider this in determining the effective date of the proposed standard.

**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?**

We broadly agree that the proposals in Chapter 1 of the ED are responsive to the public interest.

Definition of Sustainability Information

**3. Do you support the definition of “sustainability information” in Chapter 2 of the ED?**

We have concerns that the definition of “sustainability information” may be too broad. There is a risk that many assurance engagements would be incorrectly classified as “sustainability assurance” and unintentionally fall within the purview of Part 5 of the Code as a result of the application of paragraph 5400.3a. Of particular concern is part (a)(ii) of the definition where information about “an entity’s activities, services or products on the economy, the environment or the public” is also considered sustainability information and may therefore, incorrectly scope in engagements which are not “sustainability assurance”.

Therefore, we believe to the extent practicable, that the Code and the IAASB standards share common definitions to avoid the likelihood of the above scenario. To address this, we suggest that a common definition be adopted across both the Code and the ISSA 5000, which acknowledges the key role of the applicable criteria (reporting framework) in determining the information to be reported and addressing the concern described above, may be revised as follows:

Sustainability Information

Information about environmental, social, governance or other sustainability factors defined by law, regulation or other relevant reporting framework (the applicable criteria) as “sustainability information”. Depending on the applicable criteria, such matters may address:

- i) The impacts on the entity’s strategy, business model, or performance;
- ii) The impacts of the entity’s activities, products and services on the environment, society, and economy; or
- iii) The entity’s sustainability policies, plans, goals and targets.

Sustainability information results from measuring or evaluating sustainability subject matters against criteria. Sustainability information may be referred to using equivalent terms and may also be more specifically defined by law, regulation or the relevant reporting framework.

## 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 broadly agree with the proposed scope for the ethics standards. It is in the public interest and will enhance stakeholder confidence in assurance provided on sustainability information if the same ethical standards apply to all services provided to sustainability assurance clients.

We believe the IESBA's scope for the ethics standards in Part 5 could be wider (see the recommendation below). Part 5 – Ethics, forms the base for the provision of services to sustainability assurance clients prior to applying the more stringent provisions related to objectivity and integrity within either Part 5 – Independence or Part 4B (depending on the nature of the assurance engagement). Part 5 – Ethics, mirrors Part 1 of the Code in terms of the Fundamental Principles and the Conceptual Framework by applying a sustainability lens. Part 5 – Ethics also mirrors Part 3 of the Code; for example, conflicts of interest, NOCLAR, Reviewers, Professional Appointments etc. are considered for all engagements regardless of whether the client is an assurance or audit client under Part 3 and are typically assessed as part of client and engagement acceptance and continuance procedures. Having these requirements mirrored in Part 5 – Ethics, for services to sustainability assurance clients provides practical application and guidance on how the fundamental principles set out in Part 1 and Part 3 are considered more closely in the context of a sustainability assurance engagement prior to the independence assessment under 4B or Part 5 – Independence. This would be helpful in bridging a gap between Parts 1 and 3 in relation to Part 4B and Part 5 – Independence, in that the application of this is specific to sustainability assurance clients.

A gap remains in that other assurance engagements that are not sustainability-related do not have the necessary clarification in relation to the application of Part 1 and 3 under Part 4B; however this may be due to the diverse nature of other assurance engagements and as such may not be feasible. Based on paragraphs 31-34 of the Explanatory Memorandum, the IESBA has chosen to apply the requirements of the IESSA to a practitioner's performance of sustainability assurance engagements and any other services for the same clients only. It does not appear credible that a practitioner would be able to "switch on and off" compliance with ethical standards depending on the type of engagement. Questions remain, for instance, as to how it would be acceptable to behave in accordance with the fundamental principle of professional behaviour in only part of a professional's working life.

We believe that the broader alternative of applying the same ethical requirements to the general conduct of non-PA practitioners performing sustainability assurance engagements would be consistent with, and equivalent to, the requirements applicable to the conduct of professional accountants who perform audit and review engagements. In order to effectively safeguard stakeholder confidence in sustainability assurance and the public interest at large, there should be a "level playing field" whereby other professionals and organisations who perform sustainability assurance engagements are expected to adhere to the same minimum ethical standards in the provision of their services, as professional accountants do.

**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?**

We find there should be further clarity regarding what “the same level of public interest as audits of financial statements” means in practice for Part 5, as Part 4A applies to all audits and does not distinguish between “levels” of public interest in the financial statements of an entity, other than defining public interest entities (PIEs) and applying differential requirements to such PIEs. Part 4A also does not distinguish between public and private auditor reporting.

It appears that paragraph 5400.3a (b) scopes out assurance work on private reporting. We are of the view that the independence requirements of Part 5 should apply to all sustainability assurance engagements regardless of whether the reporting is public or private. Since there is a high level of public interest for purposes of PIE sustainability assurance clients, we believe that it is understandable for certain services and arrangements to be prohibited outright, for example when a self-review threat is created by providing a Non-Assurance Service (NAS) to a sustainability assurance client or when financial interests in a sustainability assurance client are held by members of the sustainability assurance team.

Structure of Part 5

**6. Do you support including Section 5270 in Chapter 1 of the ED?**

We agree that Section 5270 should be included as it offers guidance to sustainability assurance practitioners in the event there is pressure to breach the fundamental principles.

Since the IESSA is restricted to sustainability clients only, this section could be further tailored, especially for non-PA practitioners, to deal with an ethics issue when facing pressure from the firm or other colleagues during the performance of sustainability assurance or related services. For example, paragraphs 5270.2 and R5270.3 could specify the section’s scope, for instance, only address the pressure from the firm or other colleagues on sustainability assurance engagements or other services, while the pressure from the sustainability assurance client (including management and related parties) is addressed in other sections (for example Section 5300), and thus, enables the related application material to be adapted accordingly.

## 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?**

We support the proposed provisions in Sections 360 and 5360 for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) NOCLAR to each other.

However, further clarity may be required on the mechanisms of communication between the external auditor and SAP. The NOCLAR requirements are currently drafted as a “consideration” since there may be circumstances that may preclude the ability of the auditors and the SAPs to make such communications to each other.

In practice, in circumstances where the auditor and sustainability assurance practitioners are from different firms, there will be significant barriers to ensure such communication is done due to confidentiality obligations. It may therefore be necessary to obtain consent from the three parties involved i.e. the client, external auditor and the SAP. IESBA should consider the implications of the current language and whether the objective of communicating NOCLAR requirements could be met.

- 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)**

We agree with expanding the scope of the extant requirements for PAIBs as this recognises the role senior PAs have in organisations to address (actual or suspected) NOCLAR.

## 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?**

We broadly agree with the proposal to use the determination of a PIE for the purposes of the audit of the entity’s financial statements. However, as the current PIE definition is focused on the financial condition of the entity, enforcing PIE level requirements with respect to all information reported by an entity based solely on the public interest in an entity’s financial condition may not meet the information needs of the intended users of the sustainability information.

At a minimum, we believe the “overarching objective” that underpins the PIE definition would need to be revised to reflect more relevant factors that drive the extent of public interest in an entity related to its sustainability reporting.

## 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.**
- (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?**
  - (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”)?**

We are supportive of the IIS in Part 5 addressing group sustainability assurance engagement as it is likely that the first adopters of these frameworks and standards will be large multinational groups. These groups will therefore require comprehensive independence standards to be able to achieve consistent reporting across their various operations. We are also generally supportive of the proposed defined terms in the context of group sustainability assurance engagements as a matter of consistent application.

While we acknowledge the rationale behind the IESBA's decision to align with familiar terms and concepts for group audits, it is to be noted that the definition of “related entities” is based on the extant Code for audits of financial statements and on financial statement concepts. The same definition may not be a good fit for sustainability assurance engagements, as sustainability information from related entities (such as equity method investees) may not be included in the sustainability reporting for a client. Therefore, applying the same definition across these contexts may not be suitable.

Under this definition, entities over which the client has significant influence but no control, and which are material, are related entities. However, in practice, depending on the scope of the report and each relevant metric or statement to be disclosed, such entities might not contribute information to the sustainability information to be reported or any such information might be immaterial to the report. Therefore, it might not be apparent why independence in relation to such entities is required. In such circumstances, we note that the practitioner would take the facts and circumstances into account in evaluating what might be a technical breach of the standard if it subsequently came to light that the firm has an interest or relationship that would be a breach of the application of the related entity principles in the standard. The Basis of Conclusions might usefully mention this.

At a minimum, we suggest the IESBA consider providing additional application material or practical examples, in particular, illustrating diverse group structures. We would also propose that the IESBA

provide further clarity as to which entities are covered by the definitions to avoid actual or perceived conflict with ISSA 5000 as described below.

This proposed definition of “component” appears to exclude value chain entities outside of the controlled group. We note that ISSA 5000 proposes to adopt a broader definition (i.e. aligned with the principles in ISA 600 (Revised)). Consequently, a component could be determined in relation to an entity in the value chain outside of the organisational boundary if its information is material to the entity. We propose that the IESBA and IAASB collaborate and agree upon a common definition of “component” within the context of the assurance standards. We would also propose for the IESBA to consider creating 2 new sub-definitions. For example:

- “Group Component” - defined for purposes of aligning with the existing independence concept of “related entity” (i.e., the IESBAs intended scope of Sections 5405 and 5406), and
- “Value Chain Component” - defined to specifically identify those entities that are not “group components” and to which the proposed independence requirements in Section 5407 would apply.

Similar consequential changes would also be necessary to the definitions of group sustainability assurance client, group sustainability assurance team and component sustainability assurance firm to incorporate these terms to provide the necessary clarity as to which entities are covered by these definitions.

#### 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?**

We agree with the intention of the proposed independence provisions set out in Section 5406. However, we are of the view that the proposed Section 5406 does not fulfil the purpose intended by the IESBA.

We are concerned about the practicality of the requirements in Section 5406, especially the requirements of paragraphs R5406.3-R5406.5. For example, paragraph R5406.3 states the firm shall communicate at appropriate times the necessary information to enable that practitioner to confirm their compliance with those provisions. However, the practitioner may not be able to have direct communications with another practitioner. The same challenge likely led to the accommodation in Section 5407 that the practitioner could rely on a statement in the other practitioner’s assurance report.

We consider it impractical to expect sustainability assurance practitioners to “make the other practitioner aware of the relevant ethics, including independence, provisions and request that practitioner to confirm that they understand and will comply or, if the work has already been carried out, has complied, with such provisions” when the other practitioner is not required to comply with the Code (as in paragraph 5100.2b).

In paragraph 5407.4 A1, practitioners are allowed to rely on the independence statement in an independent practitioner’s assurance report, yet it is unclear why this exception is permitted in certain circumstances and not extended to situations where sustainability practitioners are relying on the



work of another practitioner for an entity within the organisational boundary of the sustainability assurance client.

To ensure consistency in relation to this, we suggest that in situations where the sustainability practitioners need to confirm the independence of the other practitioner who performs assurance work on the entity's sustainability information, the sustainability practitioner should be able to rely on a statement of independence in the other practitioner's report, if available. This adjustment would align with the approach described in paragraph 5407.4 A1.

If the requirement in paragraph 5406.5 is retained, and recognising that not all jurisdictions adopt the IESBA Code, we recommend that the reference to "this Part" be modified to include "or other ethical requirements in relevant law, regulation or professional requirements related to assurance engagements that are at least as demanding as the IESBA Code".

We are of the view that it is unclear whether Section 5406 is limited to circumstances within the organisational boundary (involving related entities), as it relies entirely on understanding the definition of sustainability assurance client. We recommend that this be clarified. In addition, we suggest a reference in paragraph 5400.12c that the use of the work of another practitioner at a value chain entity is addressed in Section 5407.

#### 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?**

We are concerned that the definition of "value chain" states that "the value chain does not include components". This may be misleading as the concept of the value chain spans the end-to-end activities, operations etc., and encompasses the reporting entity and, in the context of a group, its components, together with other upstream and downstream entities that form part of that overall value chain.

We recommend that this terminology be clarified when referring to entities in the value chain outside of the group (or organisational boundary, or an equivalent thereof).

#### **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?**

We are generally supportive of the provisions in Section 5407 in addressing the independence considerations when assurance work is performed at or with respect to, a value chain entity (VCE).

However, we have reservations in regard to the practical implementation of the proposed requirements for VCEs. As the sustainability assurance client does not have control (direct or indirect) of the value chain entities, it may be challenging to maintain independence with these entities. VCEs are not obligated to provide information to the SAP for evaluation of independence. This circumstance may potentially prevent SAP's from offering sustainability assurance services in the market when independence with the VCE cannot be ensured. We would, therefore, propose that the independence consideration in respect of VCEs be an encouragement rather than mandatory.

With respect to paragraph R5407.4, a sustainability assurance practitioner at a value chain entity may not apply the Code and therefore the firm cannot be satisfied that the "practitioner is independent of the value chain entity in accordance with the independence requirements of this Part".

It is unclear from the proposals whether and, if so, how, the IESBA intends to address the concept addressed in ISSA 5000 of practitioners applying “other ethical requirements, including independence, that are at least as demanding as the IESBA Code”.

In regard to the supporting provisions outlined for paragraph 5407.2.A1 (b), we agree in principle that if the firm intends to use the work of a sustainability assurance practitioner who performs assurance work at a value chain entity, the firm shall be satisfied that the value chain sustainability assurance practitioner is independent of the value chain entity.

However, this section is silent on the implications of when the sustainability assurance provider is able to direct, supervise and review the work of the sustainability assurance practitioner of the value chain entity. In such circumstances, we believe that the other practitioner would be deemed to be a component practitioner (and be included in the “engagement team” definition) and therefore subject to Section 5405. If the IESBA agrees, it should be clear that the requirements in Sections 5406 and 5407 do not apply.

If, however, the intent is that, even when direction, supervision and review is possible, Section 5405 should not apply with respect to a value chain entity (i.e., that Section 5407 applies instead), we believe this needs to be clarified.

We also foresee a number of practical challenges around the timely and consistent identification of value chain entities and how the firm would manage compliance with the requirement in paragraph R5407.3 given that:

- Value chain entities may change from time to time;
- Materiality considerations may change from time to time or management’s decisions as to what is material for reporting purposes may change during the period; and
- There could be a high number of such entities, given that the scope of the value chain may be extensive, can be multi-layered and these will change depending on the metric being reported on.

**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?**

We 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.

However, we have reservations with the approach 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 when the value chain entities are usually beyond the reporting boundaries of the sustainability assurance client. The proposed Section 5700 also does not currently contain application material to provide further guidance on the types of matters that would need to be considered, the factors that are relevant in assessing the threats, or the safeguards that can reduce threats to independence.

Introducing independence considerations for sustainability assurance practitioners in relation to value chain entities, even if they do not offer assurance services there, may result in limited availability of market options for clients seeking advisory support for their sustainability reporting needs.

It is important to recognise that high-quality information is crucial for reliable sustainability reporting and overly onerous independence requirements may inadvertently undermine the sustainability reporting ecosystem.

We suggest the IESBA consider the practicality of the current approach for this proposed standard for value chain entities. We would recommend that Section 5700 be removed in its entirety because the sustainability assurance practitioner is already required to apply the conceptual framework in the situation as addressed in paragraph 5407.2 A1 (b).

Creating a specific requirement in Section 5700 to further assess threats contributes to the following:

- potential unnecessary costs to assurance providers and clients;
- potentially restricts the number of sustainability assurance providers to perform sustainability assurance without providing appreciable public interest benefits.

If the IESBA determines to retain Section 5700, we suggest combining Sections 5700 and 5407 as well as provide clarity that Section 5700 only applies when a firm uses the work of another sustainability assurance practitioner at the value chain entity (i.e. as per paragraph 5700.2 and paragraph 5407.2 A1 (b)).

On the application of paragraph 5700.4, we would seek further clarity and practical guidance on the “knows, or has reason to believe” principle. We note from the Explanatory Memorandum that the IESBA does not intend that the application of the “knows or has reason to believe” principle create a monitoring obligation on the firm. As such, there is concern that this may set unrealistic expectations amongst regulators and other stakeholders as to what might reasonably have been known.

#### 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)?**

We support the provisions in Section 5600. The proposed provisions are clear in taking an equivalent approach to independence standards for audit and assurance engagements.

We find that paragraph 5601.3 A1 on "sustainability data and information services" lacks clarity and poses a potential hindrance to benchmarking services that would otherwise be permissible as a "data and information service". It is suggested that the term "sustainability information record keeping or sustainability information preparation" be considered as an alternative.

We agree with the position taken in R5601.6 that whether a “sustainability data and information service” might create a self-review threat is dependent on whether the service "might affect the

sustainability information on which the firm expresses an opinion to a sustainability assurance client that is a public interest entity”.

**16. Subsections 5601 to 5610 address specific types of NAS.**

- (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?**

Overall, we are supportive of the coverage of services and provisions in the subsections. We would propose that further clarification and guidance can be made as many of these services relate to financial information and may not be relevant in this context and what is being reported (largely non-financial information).

Conversely, we recommend that the NAS provisions should be more profession-agnostic, include services provided by other practitioners and focus on those non-assurance services that are more likely to be relevant in this context. This will depend on the nature of what is being reported. The conceptual framework would then apply to the evaluation of other NAS.

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)?**

We express a general concern that, despite proposed amendments to paragraph 410.11, the proposal (see paragraph 5410.11 A1) implies that there is an additional threat to independence. We do not believe that this is appropriate and goes against the fundamental goal of equivalence to the audit independence standards. In substance, for such cases there is “one” independent relationship with an entity. This seems to conflict with the Explanatory Memorandum paragraph 127. The interconnectedness of the financial and sustainability information may even suggest a public interest benefit in the same firm performing both assurance engagements.

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?**

Kindly refer to our responses to the previous questions which detail the further guidance that the IESBA may need to consider.

Apart from the suggestions set out in our responses to the previous questions, we would also propose that more clarity be provided in Section 5390 on what thresholds would be considered as “immaterial”, “insignificant”, “material”, “controlling” and “control”. Defining these terms more explicitly or providing additional guidance would enhance the understanding and consistency of their application, especially for non-accountants who will be adopting these standards.

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

As a general comment, for the IESSA to serve as the global standard for ethics and independence in sustainability assurance, it will depend on receiving support from regulatory bodies in various jurisdictions. The IESBA's continuing dialogue with such regulatory bodies is therefore important to achieve this objective.

Please take note that our comments on using the work of an external expert in this ED have been included in a separate letter to the IESBA when commenting on the ED regarding "Using the Work of an External Expert".

### *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?**

We encourage the IESBA to continue engaging with regulators in terms of the approach for its new strategic work stream on expanding the scope of the Code to all preparers of sustainability information. As the field of sustainability reporting is still evolving and growing, it is important for the preparers to be provided with clear ethical guidelines as a foundation to their decision making. At this stage in Malaysia, a regulatory framework for sustainability reporting has yet to be established. The development of ethical guidelines are therefore crucial to lay a foundation for preparers but pave the way for the future development of a regulatory framework.

**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?**

We agree that the proposals are responsive to the public interest.

#### 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?
- (b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information?
- (c) Other proposed revisions?

We agree that the proposed revisions to Parts 1 to 3 of the Code are clear and adequate from a sustainability reporting perspective.

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

We do not have further matters to raise concerning the proposals.

## 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?**

On the assumption that the IESBA will approve the final pronouncement by December 2024, we support the proposal to align the effective date of the final pronouncement with ISSA 5000's effective date. Aligning these dates would help consistency in application and ensure a smoother transition for practitioners and stakeholders.

The proposed IESSA is a significant new set of requirements with an expanded intended user base. We recommend that the IESBA balance the perceived urgency for a final pronouncement with a sufficient implementation period and recognise the scale of the proposals and expectations where the proposed standards will also be used by non-accountant assurance practitioners, who may have a much greater implementation burden.

Based on the expected finalisation of the proposed Standard in Q4 of 2024, we recommend the following:

- Earliest feasible effective date would be June 2026 (i.e. information reported as at 15 June 2026 or periods beginning on or after 15 June 2026)
- Provisions may be early adopted in recognition of the demand in Europe as well as other jurisdictions where mandatory assurance is required earlier than the proposed effective date.

## **PART B: GENERAL COMMENTS**

- ***Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs)*** – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

We do not have specific comments in relation to SMEs and SMPs as they are already taken into account when responding to the questions in Part A.

- ***Regulators and Audit Oversight Bodies*** – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

Not applicable.

- ***Developing Nations*** – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

We do not foresee difficulties in applying these proposals in the Malaysian environment other than in our comments above.

- ***Translations*** – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

Not applicable.