

May 10, 2024

Ms Gabriela Figueiredo Dias
Chair
International Ethics Standards Board for Accountants
529 5th Avenue
New York, New York 10017

Submitted via IESBA portal

Dear Gabriela,

Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

MSCI¹ welcomes the opportunity to provide feedback to the International Ethics Standards Board for Accountants' ("IESBA") public consultation on the draft standards for Sustainability Assurance and revisions to the Code relating to sustainability assurance and reporting ("the IESBA Proposals").

As a leading provider of sustainability and climate data to investors, MSCI analyses sustainability reporting by companies worldwide. We have welcomed the introduction of the reporting standards developed by the International Sustainability Standards Board and similarly welcome the IESBA Proposals. As a user of sustainability data, our comments are limited to a broad support of the IESBA Proposals and do not provide more detailed comments which are better suited to the relevant professional bodies and practitioners.

The material increase in published sustainability data has provided investors with a better understanding of the material Environmental (including climate), Social and Governance risks facing a company and how the company manages the risk. As a greater number of investors request data and tools from MSCI to assist them with their assessment of companies, we have encouraged the increased disclosure of comparable quantitative data but have stopped short of advocating for the sustainability reporting to be assured. In our assessment, given the nascency of the sector, it was more important that the market established a norm – *to disclose* – rather than – *not to disclose*. Through the actions of policymakers, regulators and investors, we have now reached a broad norm *to disclose* sustainability data, albeit imperfect. Investors and users now demand enhanced quality of sustainability disclosures, targets and commitments.

By its nature, sustainability data, both quantitative and qualitative, involves subjective judgments (for example, selecting a base year or explaining a commitment to reduce emissions) and reporting standards are still new, or yet to be developed. This leaves open the risk for greater, and possibly inconsistent, judgment by a preparer or a reviewer of sustainability data. So as not to lose trust in

¹ MSCI ESG Ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc.

this process, it is critical that in making judgements, a preparer or an assurance practitioner has a set of ethical principles to draw on to help guide behavior. This will increase the level of trust in the reported data and in its assurance.

Data reported in accordance with reporting standards, and assured through new assurance standards, all under an umbrella of ethical conduct, will set the environment for the ongoing effective development of the industry, as the data becomes more open to challenge and analysis. The IESBA Proposals is the key ethical component in this matrix. The profession-agnostic and framework neutral standards will serve as the baseline requirement for ethical standards to be applied by assurance practitioners globally. The IESBA Proposals complement the proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements ("ISSA 5000").² For instance, the ISSA 5000 is proposed to be adopted by the Committee of European Auditing Oversight Bodies (CEAOB) by incorporating it into the Delegated Act that shall adopt limited assurance sustainability standards.³ Similarly, the IESBA Proposals could act as a minimum set of requirements for jurisdiction-specific standards for assurance practitioners as assurance of sustainability reports / underlying data points become mandatory.

We also welcome the coordinated efforts of IESBA and the International Audit and Assurance Standards Board (IAASB) in agreeing on the effective dates of implementation of their respective proposed standards. An alignment of the IESBA's effective date of implementation with the ISSA 5000 would be a welcome step resulting in a seamless implementation of the standards by the assurance practitioners and professional accountants.

Yours sincerely,

Neil Acres

Neil Acres
Managing Director
Global Head of Government & Regulatory Affairs

² [Proposed International Standard On Sustainability Assurance 5000, General Requirements For Sustainability Assurance Engagements](#) (IAASB | August 2023)

³ [24th CEAOB plenary meeting - 12th and 13th March 2024](#)