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May 15, 2024

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

Dear Mr. Siong:

Re: January 2024 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

I am writing on behalf of the Public Trust Committee (PTC) of the Canadian Chartered Professional Accountant profession in response to your request to comment on the Exposure Draft entitled *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (Exposure Draft)*.

Canada's accounting profession is regulated by provincial CPA bodies and is comprised of more than 220,000 members both at home and abroad. The provincial CPA regulatory bodies are statutorily responsible for their respective codes of conduct including the independence standards. CPA Canada is a member of IFAC, represents the profession nationally and internationally, and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations, and government. The provincial CPA regulatory bodies and CPA Canada collaborate through the PTC to recommend policies and strategies to uphold the public's confidence and trust in the profession.

One of the responsibilities of the PTC is to monitor international developments with respect to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (Code) and develop responses to changes on behalf of the Canadian CPA profession.

Our views and overall commentary

We commend the IESBA for its commitment to developing global ethics (including independence) standards as part of the regulatory infrastructure needed to support transparent, relevant, and trustworthy sustainability reporting. We are particularly supportive of the IESBA's efforts to consult with a broad range of stakeholders of sustainability reporting and assurance, and we appreciated the opportunity to engage with IESBA and other interested and affected parties through our participation in one of the series of global sustainability roundtables.

In preparing this response, the PTC sought the input of numerous stakeholders to effectively respond to the Exposure Draft. In addition to providing responses to your specific questions, feedback from these stakeholders revealed some concerns that apply more broadly to IESBA's work on sustainability reporting and assurance and the PTC believes there are challenges for the IESBA to consider in improving the IESSA's responsiveness to the public interest.

Overall, the PTC is concerned that the proposed IESSA will create an unlevel playing field between sustainability assurance providers that are professional accountants (PAs) and those that are not professional accountants (non-PAs), and that if this imbalance is not clearly addressed and understood before the final IESSA is issued, an expectation gap will evolve that poses a risk to public trust in sustainability information. More specifically:

- Our stakeholders were of the resounding view that the proposals in the IESSA will be extremely challenging for use by non-PAs because they refer to many ethics and independence concepts and terminology requiring in-depth knowledge and significant training, often acquired and used in the application of assurance and accounting standards. To ensure that the ethics and independence standards for sustainability reporting and assurance are implemented consistently by all assurance practitioners, the PTC believes that non-PAs will need significant guidance and training. IESBA's Sustainability Reference Group and National Standard-setters (NSS) should be leveraged to get feedback from sustainability assurance providers that are not professional accountants to inform the development of additional guidance and training that will be responsive to their needs and ensure consistent implementation and application of the final IESSA by all sustainability assurance practitioners.
- To protect public trust in sustainability information, non-PAs must consistently be held to the same high-quality ethics and independence standards as PAs when providing assurance over sustainability information, which includes the **requirement** to apply the Code in situations not covered by the proposed IESSA. We urge the IESBA to reconsider simply encouraging non-PAs to apply the Code in circumstances not addressed in Part 5, because it will not be clear to the public which standards have been applied in relation to sustainability information, and this will contribute to the expectation gap.
- We are concerned that there will be inconsistent oversight of the application of the IESSA depending on whether the sustainability assurance provider is a PA compared to a non-PA who is not subject to the same rigorous regulatory enforcement processes. The PTC encourages the IESBA to continue to work closely with regulators and policy makers to emphasize the critical importance of a strong regulatory regime to protect the public trust

in sustainability reporting and assurance.

The PTC would also like to emphasize the increasing importance of recognizing Indigenous peoples as key stakeholders of sustainability information and observes that the IAASB has proposed to include this group as an example of intended users of assurance reports issued in accordance with International Standard on Sustainability Assurance (ISSA) 5000. To ensure responsiveness to the public interest, we recommend including Indigenous peoples as users of sustainability information in the proposed IESSA, and that the IESBA undertake meaningful consultation with this group of stakeholders in further developing ethics standards for sustainability reporting and assurance, and related application material and training.

Finally, as we have raised in previous responses and discussions with the IESBA, we also think that using the term “profession-agnostic” to describe the proposed IESSA is concerning given our understanding that markets in various jurisdictions will include other service providers of sustainability assurance that are not members of a regulated profession. Standards described as profession-agnostic, when used by non-professionals who may fail to comply fully with the standards, may negatively affect stakeholders’ views of the IESBA’s standards.

The PTC is supportive of the IESBA’s commitment to ethics and independence standards for sustainability assurance and reporting, but we think that it is in the public interest to use as much precision as possible in describing the final standards, which will apply to all sustainability assurance *practitioners*, whether members of a regulated profession or not. Accordingly, the PTC recommends that the IESBA consider whether it is clearer and more precise to describe Part 5 as “practitioner-agnostic”, because *practitioner* is the term used in the definitions and standards themselves, as well as in performance standards such as International Standard on Assurance Engagements (ISAE) 3410 and proposed ISSA 5000. It would therefore seem to be a more simple, consistent and transparent way to describe the standards to stakeholders who rely on sustainability information for decision-making, and in non-authoritative application material (NAM) intended for sustainability assurance practitioners (SAPs) trying to understand the standards.

In addition to our responses to your specific questions, which elaborate further on these broader concerns raised by stakeholders and make recommendations to address them where relevant, we encourage the IESBA to also consider our comments below related to the consultation process more broadly.

Comment periods for IESBA Exposure Drafts

As outlined in our previous responses, the PTC would like to reemphasize that the IESBA’s comment periods are highly challenging to meet, especially in a multi-jurisdictional country such as Canada. It is also noteworthy that this particular Exposure Draft comment period coincides with that of the IESBA’s “*Using the Work of an External Expert*” Exposure Draft, which, while somewhat related to sustainability, requires resources to undertake a separate consultation process and response, nonetheless.

As the IESBA continues its important work in encouraging and promoting global adoption of the Code, including by non-PAs, we recommend it consider whether a longer, 120-day public consultation period on all exposure drafts would result in more inclusive, comprehensive, and

considered input and lead to a more rigorous standard-setting process in the public interest. This is particularly important in jurisdictions such as Canada where the proposals must be considered in the context of local laws and regulation and may require translation for public exposure. We are concerned that the IESBA's comment periods do not allow sufficient time to coordinate and prioritize the resources required for robust consultation with interested and affected stakeholders in all jurisdictions and request again, that the IESBA increase the length of comment periods to 120 days going forward.

Webinars and other resources related to IESBA Exposure Drafts

Our committees find the IESBA's webinars to be extremely helpful in understanding the IESBA's process in developing its proposals in the public interest, as well as the substance and implications of the proposals to the Code itself. We encourage the IESBA to continue announcing webinar dates with the release of the relevant exposure draft. This greatly assists our committees in understanding the proposals and providing feedback to our consultation processes.

Our responses to your specific questions

Please find below our responses to the requested matters for input from Respondents as outlined in the Explanatory Memorandum's Guide for Respondents.

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?

The PTC agrees that the ethics and independence standards for SAEs should be on par with those for audits of financial statements and the approach to ensure equivalence while adapting the standards in Parts 1 to 4A of the Code to sustainability assurance's unique context is crucial. Future changes to Parts 1 to 4A, and Part 5, will also need to be monitored to ensure that this equivalence is maintained.

The PTC observes however that it is not clear whether the proposed scope of the IIS in Part 5 is equivalent to Part 4A for audit engagements because the definition of an audit engagement in Part 4A does not explicitly require that the audit be either required in accordance with law or regulation or publicly disclosed for decision-making purposes. The PTC thinks that this could result in SAEs with the same level of public interest as audits of financial statements being excluded from the scope of Part 5. Please also see our response to Question 5.

(b) Profession-agnostic and framework-neutral?

Subject to the broad concern raised in our overall commentary, that a significant amount of additional training and application material is needed to support the usability and implementation of the final standards by non-PAs, the PTC is in general agreement that the proposals in the IESSA can be applied by any sustainability assurance practitioner (i.e., practitioner-agnostic).

We also agree that the proposals are framework-neutral and can be applied across various sustainability assurance frameworks, which will ensure broad applicability and relevance.

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?

The PTC agrees that the proposed IESSA makes significant progress in responding to the growing public interest in sustainability information, but we think that there are opportunities to better align with the Public Interest Framework’s qualitative characteristics.

For example, it is our view that Indigenous peoples are an important stakeholder of sustainability assurance, and that the IESSA should be responsive to their interests. The PTC recommends the IESBA include this group as an example of users of sustainability information in proposed paragraph 5100.1, consistent with the approach in ISSA 5000.

The PTC also encourages the IESBA to consider whether certain concepts addressed in Chapter 1 of the ED would benefit from more precise terminology, to ensure greater clarity and conciseness of the final standards and accompanying non-authoritative application material. For example, the PTC thinks that the application of the IIS in Part 5 would be clearer if the IESBA introduced “terms of art” in Section 5400 to simplify the distinction between sustainability assurance engagements (SAEs) that are within its scope and those that are not. The PTC observes that terms such as “audit”, “review” and “other assurance” engagements in Parts 4A and 4B are now well-understood concepts among professional accountants and that these terms simplify references throughout the Code and improve conciseness. The PTC recommends the IESBA explore a similar approach in the final standards on sustainability to more precisely clarify the scope of the IIS in Part 5, for example by referring to SAEs that meet the criteria in proposed paragraph 5400.3a as “general purpose” SAEs versus “specific purpose” SAEs.

As discussed above, the PTC re-emphasizes the importance of the IESBA’s work on developing ethics standards for sustainability reporting and assurance more broadly, the PTC also re-emphasizes here the importance of additional guidance and training for non-PAs. Many of the concepts and terminology included in Chapter 1 of the ED (e.g., materiality, group audits, professional judgment, related party, etc.) require significant education and experience that is currently unique to PAs. Accordingly, the PTC recommends that the IESBA undertake significant outreach with non-PAs to understand their needs for guidance, training, and other implementation support.

Definition of Sustainability Information

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

We generally agree with the proposed definition of “sustainability information” because it is broad and will capture a wide range of sustainability-related information beyond just environmental issues to include social, governance and other sustainability factors. This inclusivity supports the relevance and application of the standards for a wide range of environmental, social, and governance (ESG) and other sustainability factors that organizations report on.

However, the PTC is of the view that it will be clearer and improve enforceability of the IESSA

if the order of subparagraphs a) and b) in the proposed definition is reversed, to reflect those definitions in law, regulation or relevant reporting or assurance frameworks are the first step in determining whether information meets the definition of “sustainability information”. We think that this definition might be simpler for practitioners to apply conceptually by first looking at whether the information is defined as sustainability information under law, regulation or relevant reporting or assurance framework. If it is not, the practitioner would then consider whether a reasonable and informed third party might expect the information to be captured as sustainability information based the practitioner’s evaluation of the factors in proposed subparagraph a).

The PTC also observes that the Explanatory Memorandum is very clear in explaining that, *“regardless of how “sustainability information” is defined in law, regulation or relevant frameworks, or whether a different term is used, it will be deemed to be “sustainability information”*”. We encourage the IESBA to include this clarifying language as application material in Section 5100 of the final standard, and in any NAM developed in support of the definition. Consistent with our earlier remarks, the PTC notes that this is another area that will benefit from additional guidance, examples, and training, particularly due to the evolving nature of sustainability information.

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?**

The PTC agrees that a sustainability assurance practitioner should be consistently held to the same high ethics standards for SAEs and with respect to any other professional services they might provide to the same client, and that the IESBA’s proposal to use a middle ground option is reasonable. We also agree that the broader option to develop standards for all activities and services that non-PA practitioners provide to all their clients (including those for which they do not perform sustainability assurance engagements for) would be beyond the remit of the IESBA.

However, we strongly disagree with the IESBA’s proposal to only *encourage* non-PAs to apply Part 4B of the Code to SAEs that do not fall within the scope of the IIS in Part 5. If Part 4B of the extant code is mandatory for PAs and optional for non-PAs when performing other sustainability assurance engagements outside of the scope of the IIS in Part 5, this would create an unlevel playing field for non-PAs. We believe that this proposal introduces a different, lower standard for non-PAs that will result in an expectation gap and put public trust in sustainability information at risk. Non-PA practitioners should be required to follow Part 4B independence requirements, or other independence requirements that are at least as demanding, when performing sustainability assurance engagements when they do not meet the criteria under proposed paragraph 5400.3a, particularly because that paragraph as currently drafted might lead to inconsistent identification of SAEs within the scope of the IIS in Part 5 (please refer to our response to Question 5 for further detail on this point).

In line with our earlier remarks, we would also like to highlight that the importance of continued outreach with non-PAs in this area to obtain feedback on the types of other services that they are

providing, and what additional application material or training might be helpful to them in understanding and applying the concepts and terminology in Part 5.

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 disagree that the proposed criteria will capture sustainability assurance engagements that have the same level of public interest as audit engagements because we note that the definition of an audit engagement does not include any reference to public disclosure. In contrast, the IESBA has proposed that a SAE within the scope of the IIS in Part 5 must either be “*required to be provided in accordance with law or regulation or publicly disclosed to support decision-making by investors or other stakeholders.*” The PTC believes that, in jurisdictions where the sustainability information is not required to be provided by law or regulation, it will be unclear whether an engagement to provide an opinion on sustainability information that is **voluntarily** publicly disclosed falls within the scope of the IIS in Part 5. Consequently, in voluntary disclosure regimes the proposed IESSA may do little to address public interest concerns such as greenwashing, and SAPs will not be subject to the same independence standards as those providing assurance over sustainability information in mandatory disclosure regimes.

We think that this concern may be further exacerbated because, as raised in our response to Question 4, the IESBA is proposing that SAPs that are not PAs only be encouraged to apply the independence requirements for other assurance engagements in Part 4B to SAEs that do not meet the criteria in paragraph 5400.3a. The PTC is concerned that under the combined effect of these proposals it will not be clear to users of sustainability information in voluntary disclosure regimes, what, if any, independence standards have been applied.

Accordingly, the PTC recommends that proposed paragraph 5400.3a should be changed in the final standard to include a SAE within the scope of the IIS in Part 5 when the sustainability information is reported in accordance with a general-purpose framework and either: “*required to be provided or disclosed in accordance with law or regulation or voluntarily publicly disclosed to support decision-making by investors or other stakeholders.*” The PTC thinks that this will more clearly capture SAEs with the same level of public interest as audit engagements in jurisdictions with a voluntary disclosure regime.

We also reiterate our recommendation in Question 4, that the IESBA reconsider requiring, rather than encouraging, a non-PA to apply Part 4B or other independence requirements that are at least as demanding, to SAEs that do not fall within the scope of the IIS in Part 5.

Structure of Part 5

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

Yes, the PTC is supportive of the IESBA’s proposal to include Section 5270 in Chapter 1 of the ED.

NOCLAR

7. Do you support the provisions added in extant Section 360 and in Section 5360 for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) NOCLAR to each other?

The PTC supports the provisions added in extant Section 360 and in Section 5360 for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) non-compliance with laws and regulations (NOCLAR) to each other are crucial for enhancing transparency and accountability.

The PTC also agrees that consistent with the approach taken in extant Section 360 of Code, Section 5360 should only apply to the practitioner's client and not extend to third parties such as entities in a sustainability assurance client's value chain. However, our members observed that it is not clear in proposed paragraph 5407.2 A1 whether a sustainability assurance practitioner who is *performing assurance work* (i.e., options (a) and (c)) on the sustainability information of an entity in the client's value chain would be required to consider NOCLAR at the value chain entity in expressing an opinion on their client's sustainability information.

The PTC recommends the IESBA clarify in paragraph 5407.2 A1, or in an additional paragraph of application material immediately following it, that Section 5360 does not apply to a sustainability practitioner who performs assurance procedures with respect to entities in a sustainability assurance client's value chain, but the practitioner may find guidance in that section helpful in considering how to respond in those situations.

We also think that proposed paragraph 5360.7 A3 is less clear in this regard than corresponding paragraph 360.7 A3, because it does not provide examples of the activities that the practitioner might be undertaking at or with respect to an entity in a sustainability assurance client's value chain (i.e., a due diligence assignment for a client is the example provided in Part 3). The PTC recommends that the IESBA consider providing a similar, clear example of the work that a practitioner might be doing at or with respect to an entity in a sustainability assurance client's value chain by referring to paragraph 5407.2 A1, which describes this. For example, we think the IESBA should consider whether the following application material might be clearer and better aligned with the corresponding paragraph in Part 3:

5360.7 A3 This section does not address:

- (a) Personal misconduct unrelated to the business activities of the sustainability assurance client; and
- (b) Non-compliance by parties other than those specified in paragraph 5360.5 A1. This includes, for example, circumstances where a ~~professional accountant-sustainability assurance practitioner has been engaged by a client to~~ performs assurance procedures at, or with respect to, an entity in the sustainability assurance client's value chain in accordance with paragraphs 5407.2 A1 (a) or (c), a due diligence assignment on a third party entity and the identified or suspected non-compliance has been committed by that ~~third party~~ value chain entity.

The ~~sustainability assurance practitioner-accountant~~ sustainability assurance practitioner might nevertheless find the guidance in this section helpful in considering how to respond in these situations.

8. Do you support expanding the scope of the extant requirement for PAIBs?

The PTC supports expanding the scope of the extant requirement for PAIBs to align the communication requirements regarding NOCLAR across different professional roles, ensuring that senior professional accountants in business also consider the implications of NOCLAR on sustainability assurance engagements. Expanding the scope in Part 2 further broadens the reach and impact of the standards in promoting ethical conduct.

The PTC notes this proposal does not address disclosure requirements when a sustainability assurance engagement is outside the scope of the IIS in Part 5, and that this is consistent with the extant Code which only addresses disclosure requirements for audits. However, we think that it would be helpful if IESBA clarified this intent in additional application material when the final standard is issued.

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?

Yes, we agree with the IESBA's proposal that if an entity is determined to be a PIE in accordance with Part 4A, then that entity should be treated as a PIE for sustainability assurance engagements addressed by Part 5. We think that if there is significant public interest in an entity's financial condition that there will also be significant public interest in that entity's sustainability information. We believe that this is supported by the move to integrated reporting and evidence that jurisdictions developing mandatory disclosure regimes for sustainability information are applying the requirements to entities identified as PIEs for audit purposes.

The PTC also agrees with the IESBA's view that in the context of the current regulatory environment, there would be the potential for confusion if an entity was determined to be a PIE solely on the basis of its sustainability information when it is not a PIE for the purposes of the audit of its financial statements. However, our stakeholders noted that there may be characteristics that are unique to sustainability that would indicate significant public interest in the sustainability information of an entity that is not a PIE for audit purposes. Accordingly, the PTC encourages the IESBA to acknowledge that the proposed approach is a practical solution and the IESBA will continue to evaluate and consult with stakeholders of sustainability information to ensure that the PIE determination criteria remain appropriate.

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?

The PTC is supportive of the IIS addressing the independence considerations applicable to group sustainability assurance engagements. In line with our earlier comments, we think that there will

be practical challenges, similar to those seen in ISA 600 prior to its revision, particularly since non-PAs will not be familiar with many concepts and terminology that have become familiar to PAs (e.g., materiality, control, related party, professional judgment, etc.). We are concerned that this may lead to inconsistent application of the Code and encourage the IESBA to continue to engage non-PAs for the purpose of developing application material, training and other resources that meets their needs.

(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?

Yes, we agree.

(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?

Yes, we agree.

(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”)?

Yes, we agree.

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?

The PTC agrees that overall Section 5406 addresses the complexities of using another practitioner's work in sustainability assurance engagements and emphasizes the importance of maintaining independence.

However, we note that there is no application material in the proposed IESSA to explain what steps a firm should take if the firm cannot obtain confirmation regarding the independence of the other practitioner. We observe that the Explanatory Memorandum indicates that the firm will need to consider that fact in determining whether, under the applicable sustainability assurance standards, it can proceed to use the assurance work of that practitioner for the purposes of the sustainability assurance engagement. We encourage the IESBA to provide this application material within the standard itself to ensure that the requirement and next steps are clear, or alternatively to consider requiring the practitioner to *obtain*, rather than simply *request*, this confirmation in proposed paragraph R5406.5.

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?

Yes, the PTC is supportive of the proposed definition because it is clear and will be easy for SAPs to apply.

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?

Yes, the PTC supports the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity. However, we encourage the IESBA to continue to engage with PAs and non-PAs performing these services and monitor implementation to identify examples of matters that could arise in sustainability assurance engagements, and how such threats might be addressed. We also think that NSS would be a helpful source of information in this regard.

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?**

Yes, we agree.

- (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?**

The PTC is generally supportive of the approach and guidance provided in Section 5700. We think that it is important to acknowledge, however, that this approach fundamentally depends on employing the conceptual framework outlined in Section 5120. Given that the "knows or has reason to believe" principle is well-established within the existing Code, and PAs are already accustomed to its application in current practice, we advise the IESBA to include further guidance and examples aimed at ensuring its consistent implementation by sustainability assurance professionals who are not PAs.

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)?

Yes, we agree. However, as outlined in our response to Question 4, the PTC is of the strong view that non-PAs should be *required* instead of *encouraged* to apply 4B of the Code or other

independence requirements that are at least as demanding, for sustainability assurance engagements that do not meet the criteria in proposed paragraph 5400.3a. Encouraging non-PAs to comply with Part 4B but imposing a requirement for such compliance on PAs when performing other sustainability assurance engagements would create an unlevel playing field for non-PAs because they do not have to apply the more stringent requirements or requirements “at least as demanding” as Part 4B, which may not be in the public interest. We think that this would effectively mean that non-PAs would not be consistently held to the same high standards as PAs for all sustainability assurance engagements, and that the resulting expectation gap poses a risk to public trust in sustainability information.

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?

Yes, the PTC agrees with the exclusion of accounting and bookkeeping services and focusing more broadly on the provision of sustainability data and information services to a sustainability assurance client. This aligns with the IESSA's emphasis on offering sustainability data and information services, which could influence the sustainability information evaluated by the firm. Nevertheless, we encourage the IESBA to provide additional application material and training on materiality assessment for non-PAs, who may not be as versed in evaluating materiality in the context of NAS. We think that enhancing understanding in this area will further the public interest.

(b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

Because the examples under subsection 5601 to 5610 primarily stem from the extant Code, we encourage the IESBA to consider engaging non-PAs specifically on this question, and including additional examples of services that are commonly provided by such practitioners to sustainability assurance clients. The PTC recommends that the IESBA continue leveraging its Sustainability Reference Group and NSS, to ensure that jurisdictional differences are also well understood.

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)?

The PTC agrees with the IESBA's proposals regarding long association with the client because it is appropriate to require an individual that is part of both the sustainability assurance team and audit team for the same client to rotate off both engagements as both are assurance engagements for which an equivalent level of independence is required.

However, stakeholders have expressed concerns with the IESBA's proposal regarding the proportion of fees for the audit and sustainability assurance engagements when the sustainability assurance practitioner also audits the client's financial statements. We think that treating SAE

fees in the same manner as fees for services other than audit seems inconsistent with the IESBA's objective for equivalency with audit engagements. The PTC observes that, when the sustainability assurance practitioner **does not** audit the client's financial statements, the IESBA is proposing that the ratio of fees for services other than sustainability assurance to the sustainability assurance fee should be evaluated, to determine the level threat to the sustainability assurance engagement. Conversely, when the sustainability assurance practitioner **does** audit the client's financial statements, the IESBA is proposing in revisions to paragraph 410.11 A2 that the ratio of fees for services other than sustainability assurance to the sustainability assurance fee, such as non-assurance services for example, would not need to be evaluated for the level of threat. We think that this approach might lead to different conclusions regarding the level of threats introduced by fees for services other than sustainability assurance depending on whether the sustainability assurance practitioner also audits the client's financial statements.

The PTC understands that the IESBA's intent is to require the firm to include the fees for SAEs as non-audit fees because, in jurisdictions that require the disclosure of fees, regulators generally mandate the disclosure of audit fees only. However, we believe that the regulatory framework for SAEs will evolve over time and encourage the IESBA to consider whether the proposal to include fees from sustainability assurance engagements with all other non-audit fees is the best approach to address threats posed by fees when the sustainability assurance practitioner also audits the client's financial statements.

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?

Yes, the PTC thinks that the additional guidance is clear. We suggest that it may also be valuable to include case studies and guidance available in other forms of media. As raised earlier in our response, we think that it is critical for the IESBA to continue to engage non-PAs on the matter of additional guidance and training that will meet their needs, which are different than PAs who are more familiar with some of the concepts and terminology used in Chapter 1 of the ED.

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

The PTC thinks that as the IESBA becomes better informed through outreach with non-PAs and the implementation of the IESSA in various jurisdictions, it will be important to keep pace and maintain relevance by addressing these matters in additional guidance and educational materials.

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 develop profession-agnostic (or practitioner-agnostic) ethics standards for preparers of sustainability information. All preparers of sustainability information, regardless of profession or other qualifications, should be held to the same ethical standards as

public accountants. Adherence to different ethical standards is a pathway to the potential proliferation of “greenwashing” and erosion of public trust in sustainability information. The PTC notes that sustainability information may be prepared by individuals across a variety of occupations, and this is paired with a lack of sufficient oversight by management and those charged with governance. Since those charged with governance have typically been exposed to regulatory requirements for audit reports there is currently an inadvertent assumption that sustainability information published in voluntary reporting regimes is subject to standards that are equivalent to those underlying an entity’s other core regulatory documents. While the issue of enforceability remains, expanding the scope of the Code to all preparers of sustainability information would establish a standard that can be referred to and required, for example, by those charged with governance to management, required by lenders of credit to organizations, or regulatory bodies in developing requirements for mandatory reporting.

The PTC agrees with the IESBA that “discussions with a broad range of stakeholders” are critical in moving forward and recommends that the IESBA leverage its Sustainability Reference Group as well as NSS to identify groups of preparers of sustainability information in their jurisdictions. The IESBA’s approach should also include active engagement for the purpose of obtaining demonstrated buy-in from and alignment with relevant regulatory bodies and other professional entities.

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?

Yes, we agree.

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?

Yes, we agree.

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

Yes, we agree.

(c) Other proposed revisions?

Yes, we agree.

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

The PTC did not identify any other matters.

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?

Yes, the PTC supports 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.

Other General Comments

Employer “greenwashing”

Our stakeholders raised concerns regarding the potential for a SAP to mislead their employer about their level of sustainability expertise. While we understand that Section 5113 addresses a SAP’s professional competence and due care more generally, we recommend that the IESBA include some sustainability-specific examples in proposed paragraphs 5113.1 A2 and A3, of the knowledge and skills that are needed for a SAP to demonstrate and maintain the professional competence required for sustainability assurance.

Regulatory regime

In many jurisdictions, including Canada, the regulatory environment around sustainability information is still evolving and our stakeholders have been persistent in raising concerns and questions about the enforceability of some of the provisions in the IESSA, particularly for SAPs who are not PAs.

The PTC commends the IESBA’s efforts in addressing ethics and independence standards for sustainability reporting and assurance and believes that this work will be responsive to the public interest in the context of a strong regulatory regime for sustainability information. We think that post-implementation review of the IESSA will help to identify whether stakeholder concerns about enforceability have been addressed.

The PTC also observes that, due to the perennial and evolving nature of sustainability information, an emerging regulatory framework for reporting and assurance, and the IESBA’s plan to develop ethics standards for sustainability reporting for non-PAs, it will be necessary to continue to revisit the need for additional guidance and training in the future to ensure that it remains relevant and relatable for both PAs and non-PAs.

Title of Part 4B

In our response to Question 2, we recommended the IESBA consider whether “terms of art” would simplify the application of Part 5 and improve the understandability of requirements and application material that refer to the two different types of sustainability assurance engagements in Part 5 (i.e., those that are within the scope of the IIS in Part 5 and those that are not).

We think that the proposed title of Part 4B is an example of some of the confusion that might result without clearer, more concise terminology. We think that “**Part 4B: Independence for**

Assurance Engagements Other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5” is not clear as currently drafted because it seems to exclude all sustainability assurance engagements addressed in Part 5 from Part 4B. For greater certainty, we think it should read: **“Part 4B: Independence for Assurance Engagements Other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed within the Scope of the IIS in Part 5”**.

Sustainability Assurance Engagements within the scope of the IIS in Part 5

We note that proposed paragraph 5400.3a describes a sustainability assurance engagement within the scope of the IIS in Part 5 and that proposed paragraph 5400.3d goes on to say the IIS also only apply to attestation types of sustainability engagements, not direct sustainability engagements. We think those two paragraphs should be combined so that it is clear in one place the types of engagements the IIS in Part 5 apply to.

We thank you for the opportunity to comment on this Exposure Draft and we appreciate that further revisions to these proposals may result through the feedback provided by stakeholders.

Yours truly,



Janet Gillies, CPA, CA
Chair, Public Trust Committee