

10 May 2024

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

Dear Madam

COMMENTS ON PROPOSED INTERNATIONAL ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE (INCLUDING OTHER INTERNATIONAL INDEPENDENCE STANDARDS) AND OTHER REVISIONS TO THE CODE RELATING TO SUSTAINABILITY ASSURANCE REPORTING

The Botswana Accountancy Oversight Authority (the Authority) takes this opportunity to comment on the Exposure Draft, Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance Reporting.

The Authority is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations, and education and training of professional accountants in Botswana.

Please refer to our Appendix to this letter to see our response to the questions in the Exposure Draft.

Kindly e-mail us at enkanga@baoa.org.bw or phone directly on +267 3919735, for any further clarifications on the comments.

Yours faithfully,



Ephifania Nkanga
Acting Chief Executive Officer

Appendix

Specific Comments

Question 1

Do you agree that the proposals in Chapter 1 of the ED are:

- a) Equivalent to the ethics and independence standards for audit engagements in the extant Code? [See paragraphs 19 and 20 of this document]**

Yes, the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code.

- b) Profession -agnostic and framework-neutral? [See paragraphs 21 and 22 of this document]**

Yes, the proposals in Chapter 1 of the ED are profession -agnostic and framework neutral.

Question 2

Do you agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics? [See paragraph 23 of this document]

Yes. The proposals in Chapter 1 of the Exposure Draft align with the Public Interest Framework's qualitative characteristics. They demonstrate coherence with existing standards, clarity and conciseness and a focus on implementability and enforceability.

Question 3

Do you support the definition of "sustainability information" in Chapter 2 of the ED? See paragraphs 24 to 26 of this document]

Yes, we support the definition as it clearly identifies the type of information that is relevant for reporting sustainability information.

Question 4

The IESBA is proposing that the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability clients. Do you agree with the proposed scope for the ethics standards in Part 5? [See paragraphs 30 to 36 of this document].

Yes, we agree with the proposed scope. Adhering to the ethics including standards set out in the Code in all professional activities contributes to public trust in sustainability information that is subject to assurance. Extending the scope to other services acknowledges the broader impact of a Practitioner's conduct on the credibility and public trust in sustainability assurance work.

Question 5

The IESBA is proposing that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. Do you agree with the proposed criteria for such engagements in paragraph 5400.3a? [See paragraphs 38 to 43 of this document]

Yes, we agree with the proposed criteria for such engagements in paragraph 5400.3a. It requires Practitioners to comply with the fundamental principles and independent requirements while acting in the public interest when performing sustainability assurance engagement.

Question 6

Do you support including Section 5270 in Chapter 1 of the ED? [See paragraphs 46 to 48 of this document]

Yes, we support inclusion of Section 5270 in Chapter 1 of the ED. It sets out the specific requirements and application material in circumstances where pressure is exerted on, or by, a Sustainability Assurance Practitioner creates an intimidation or other threat to compliance with one of more of the fundamental principles.

Question 7

Do you support the provisions added in extant Section 360 (paragraphs R360.18a to 360.18a A2 in Chapter 3 of the ED) and 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? [See paragraphs 56 to 67 of this document]

We support the provisions added. This will allow both the Audit Engagement Partner and the Sustainability Assurance Practitioner to be informed about the (actual or suspected) non-compliance of the sustainability assurance client. It also sets out factors to consider when considering making such communications.

Question 8

Do you support expanding the scope of the extant requirement for PAIBs? (See paragraphs R260.15 and 260.15 A1 in Chapter 3 of the ED) [See paragraph 68 of this document]

We support expanding the scope of the extant requirement for PAIBs. The expansion introduces a responsibility for the Professional Accountant to consider disclosing (actual or suspected) non-compliance to the External Auditor or Sustainability Assurance Practitioner and to provide information necessary to enable them to perform their duties.

Determination of PIEs

Question 9

For sustainability assurance engagements addressed by Part 5, do you agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements? [See paragraphs 80 to 85 of this document]

We do agree with the proposal, however, there might be need to expand the definition of a PIE to cater for Entities that may not meet the PIE audit definition but have a significant impact when it comes to sustainability related matters.

Group Sustainability Assurance Engagements

Question 10

The IESBA is proposing that the International Independence Standards in Part 5 specifically address the independence considerations applicable to group sustainability assurance engagements. [See paragraphs 86 to 92 of this document]

- 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? [See paragraph 88 of this document]**
- 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”)?**

(a) We support the IIS in Part 5. We do not anticipate any practical issues or challenges regarding the application of proposed section 5405.

(b) (i) We support the independence provision. This will ensure consistency and uniformity in all the assurance engagements.

(ii) We agree with the proposed requirements under this part. This will enable the group sustainability assurance firm and component sustainability assurance firms to fulfil their responsibilities.

(iii) We agree with the proposed defined terms, because there are consistent with the terms used under group audit engagements.

Using the Work of Another Practitioner

Question 11

Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner plans to use the work of another practitioner who is not under the former’s direction, supervision, and review but who carries out assurance work at a sustainability assurance client. Do you agree with the proposed independence provisions set out in Section 5406? [See paragraphs 93 to 101 of this document]

Yes, we agree with the proposal.

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

Question 12

Do you support the proposed definition of “value chain” in the context of sustainability assurance engagements? [See paragraphs 102 and 103 of this document]

We support the definition; it clearly explains the distinction between the value chain for reporting and sustainability assurance engagements.

Question 13

Do you support the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity? [See paragraphs 104 to 110 of this document]

We support the provisions in Section 5407 because they ensure that adequate safeguards regarding independence are put in place.

Question 14

Where a firm uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity but retains sole responsibility for the assurance report on the sustainability information of the sustainability assurance client:

- (a) Do you agree that certain interests, relationships or circumstances between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm’s independence?**
- (b) If yes, do you support the approach and guidance proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships or circumstances with a value chain entity in Section 5700? What other guidance, if any, might Part 5 provide? [See paragraphs 111 to 114 of this document]**

a) Yes, we agree.

b) We support the approach and guidance in section 5700 as its provisions are deliberate in ensuring that the engagement leader takes responsibility for independence in cases where the sustainability assurance work has been performed by another sustainability assurance practitioner. The Statement of Assurance which is to be provided by the sustainability assurance practitioner also provides accountability that the

independence requirements were complied with. However, we believe that the IESBA should provide more guidance on factors that are relevant in evaluating threats as well as potential safeguards where threats to independence have been identified.

Providing NAS to Sustainability Assurance Clients

Question 15

The International Independence Standards in Part 5 set out requirements and application material addressing the provision of NAS by a sustainability assurance practitioner to a sustainability assurance client. Do you agree with the provisions in Section 5600 (for example, the “self-review threat prohibition,” determination of materiality as a factor, and communication with TCWG)? [See paragraphs 115 and 116 of this document]

We agree with the provisions of section 5600 because they ensure that there are adequate safeguards on threats to independence for the Firm providing non assurance services to a sustainability assurance Client. Furthermore, the provisions are also in line with independence standards for audit engagements.

Question 16

Subsections 5601 to 5610 address specific types of NAS. [See paragraphs 118 to 120 of this document]

- (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?**

Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements

- a) We agree with the provisions and coverage covered for each NAS as each has been clearly elaborated on. There are sufficient risk considerations for both sustainability assurance clients who are PIEs.
- b) There are none of which we are aware.

Question 17

Do you agree with, or have other views regarding, the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client's financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client)? [See paragraphs 123 to 131 of this document]

We agree with the proposed approach as it provides guidance on safeguards to be implemented in the event the Sustainability Assurance Practitioner also audits the Client's financial statements, however, a more proactive approach should be taken by defining a threshold or fee cap which should be used as a guide, for example 15% of the total fees received by a Firm in line with the audit engagements.

Other Matters

Question 18

Do you believe that the additional guidance from a sustainability assurance perspective (including sustainability-specific examples of matters such as threats) in Chapter 1 of the ED is adequate and clear? If not, what suggestions for improvement do you have?

Other than the matters in 14(b) and 17 above, we believe the guidance is adequate and clear.

Question 19

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

Sustainability Reporting

No other matters to raise. We believe the proposals have adequately addressed issues relating to ethics and independence for sustainability reporting. A glossary of terms is also included to cater for the revised definitions aligned to sustainability, for better understanding by the users.

Scope of Sustainability Reporting Revisions and Responsiveness to the Public Interest

Question 20

Do you have any views on how the IESBA could approach its new strategic work stream on expanding the scope of the Code to all preparers of sustainability information? [See paragraphs 133 to 135 of this document]

The IESBA should engage with a wide range of stakeholders including non-PA preparers, investors, regulators, and standard-setting bodies to understand their perspectives and needs regarding the expansion of the Code. This collaboration will ensure that the resulting standards are robust, practical, and widely accepted. Regarding oversight and enforcement, the IESBA should set up methods for monitoring adherence to the expanded Code and enforcing ethical standards for sustainability information preparers. This might include self-assessment by preparers and external oversight by regulators or professional bodies.

Question 21

Do you agree that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics? [See paragraph 138 of this document]

Proposed Revisions to the Extant Code

Yes, we do agree. The proposals clearly consider the public interest framework characteristics of coherence, relevance, clarity, implementability and enforceability.

Question 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? [See paragraphs 139 to 141 of this document]**
- (b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? [See paragraphs 143 to 153 of this document]**
- (c) Other proposed revisions? [See paragraph 155 of this document]**

Yes, the proposed revisions appear to be clear and adequate from a sustainability reporting perspective. They address various ethical considerations specific to sustainability reporting, such as conduct to mislead, value chain considerations, and forward-looking information. The examples provided help clarify the ethical expectations for Professional Accountants involved in sustainability reporting, enhancing transparency and accountability in this area.

Question 23

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

No other matters to raise.

Effective Date

Question 24

Do you support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISSA 5000 on the assumption that the IESBA will approve the final pronouncement by December 2024?

Aligning the effective date with that of the ISSA 5000 is supported.