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Ref: The African Regional Partnership Feedback to the IESBA Sustainability Exposure Draft Survey

The African Regional Partnership for the Advancement of Sustainability and SDG Reporting is pleased to have the opportunity to provide feedback on the International Ethics Standards Board for Accountants (IESBA) Sustainability Exposure Draft.

Established with the support of the United Nations Conference on Trade and Development (UNCTAD), the ARP is a collaborative initiative of multiple stakeholders representing 29 countries and comprising 58 members, along with 10 observer organizations. Supported by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) and its UNCTAD secretariat, the partnership facilitates the exchange of expertise and best practices in the region, assists members in developing national strategies and policies to build robust national frameworks for producing high-quality sustainability reports as well as measuring the private sector's contribution to the UN SDGs.

The survey on the IESBA Sustainability Exposure Draft was distributed among the ARP members. Feedback was gathered from around 15 countries represented by various categories of stakeholders, including regulators, government, professional accounting organizations, private sector, academia etc.

Feedback Summary

The ARP members demonstrated strong support for the IESBA Sustainability Exposure Draft (ED). While endorsing the proposals outlined in the ED, members also provided recommendations for further improvements. They emphasized the importance of ensuring compliance with current standards rather than relying solely on the moral code of sustainability assurance practitioners. Respondents also suggested to consider challenges in the group sustainability assurance engagements, including coordination, motivation, and time allocation. Furthermore, some members proposed to maintain independence provisions for group sustainability engagements separate from those of audit engagements to ensure objectivity.

The ARP members also underscored the importance of considering public interest to achieve impartiality, objectivity, and quality in the work carried out by assurance providers. They advocated for testing the implementation of the proposed standards by selected organizations to ensure consistency in application of the proposed measures. The members also recommended translating the ED into different languages to facilitate comprehension as well as ensure accessibility and effective application among professionals from diverse geographies.

Additionally, the ARP members recommended to take an approach for its new strategic work stream that advocates for inclusivity and collaboration among diverse stakeholders in order to achieve consensus in decision-making processes, aiming to avoid risks associated with adhering solely to mainstream thinking. This approach emphasizes consultation and

engagement with strategic partners and the international community at large, suggests considering the impact of non-compliance beyond the auditee and fostering communication with accountancy bodies across different countries and regions as well as highlights the importance of working collaboratively with other professional organizations.

The survey questions have been grouped into several categories. Aggregated answers to the specific questions shared by the ARP members are provided below.

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?
(b) Profession-agnostic and framework-neutral? [paragraphs 21 and 22]

100% of the respondents endorsed the proposals, highlighting a link between ethics and independence standards essential for audit engagements. These proposals ensure clarity and applicability for all sustainability assurance engagements, even for those who are not professional accountants, promoting inclusivity among all professionals. This guarantees consistent application of quality and professional skepticism throughout the engagement.

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

100% of the respondents affirmed that the proposals effectively serve the public interest by addressing clarity and conciseness, which will enhance public understanding of the standards and their purpose.

Definition of Sustainability Information

3. Do you support the definition of "sustainability information" in Chapter 2 of the ED? [paragraphs 24 to 26]

100% of the respondents support the proposed definition for 'sustainability information' as it covers the collection, classification, recording, measurement, maintenance, and approval of sustainability information (under proposed revised Parts 1 to 3 of the Code); the preparation or presentation of that information in the form of sustainability reports, statements or other disclosures (also under proposed revised Parts 1 to 3 of the Code); and the issue of an opinion on those disclosures (under new Part 5 of the Code). The definition also covers all non-financial information that should be used to collate the sustainability reports as proposed by the IESBA.

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? [paragraphs 30 to 36]

100% of the respondents agree with the scope of the ethics standards as well as the proposal that sustainability assurance engagements should cover all services for the same sustainability assurance clients.

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

95% of the responses support the proposed criteria for sustainability assurance engagements.

The respondent who disagreed with the proposal indicated that every engagement must be accountable, thus international independence standards must apply to all engagement, including those with different level of public interest.

Structure of Part 5

6. Do you support including Section 5270 in Chapter 1 of the ED? [Paragraphs 46 to 48]

100% of the respondents support the inclusion of the Section 5270 in Chapter 1 of the ED as its exclusion would compromise the performance of sustainability assurance engagements and undermine public trust.

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? [paragraphs 56 to 67 of this document]


95% of the respondents endorse the additional provisions aimed at facilitating communication between the auditor and the sustainability assurance practitioner.

The dissenting response suggested that both the auditor and sustainability practitioner must maintain public confidence by remaining impartial, objective, and ensuring their work is beyond reproach. They should be able to exercise discretion independently, without being influenced by any communicated suspicion.

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) [paragraph 68]

95% of the respondents support the expansion of the extant requirement for PAIBs.

The response that did not support the expansion indicated that the current system must be tested and can always be consistently reviewed in line with experience and competency.



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? [paragraphs 80 to 85]

100% of the respondents agree with the proposal to use the determination of a PIE for auditing the entity's financial statements. This will ensure consistent application of PIE requirements for reporting purposes.

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. [paragraphs 86 to 92]

(a) Do you support the IIS in Part 5 specifically addressing group sustainability assurance engagements? Considering how practice might develop with respect to group sustainability assurance engagements, what practical issues or challenges do you anticipate regarding the application of proposed Section 5405?

(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? [paragraph 88]

(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")?

95% of the of respondents endorse the proposal for independence considerations in addressing group sustainability assurance engagements.

The dissenting responses highlighted the need for additional considerations, stating, there are likely challenges related to coordination, motivation, and time allocation, which include assessing individual capacity, setting clear expectations, enhancing accountability, improving conflict resolution skills, and conducting evaluations.

Furthermore, the respondent noted that addressing the group outcomes often results in a perceived majority view, reduced creativity and productivity, and a group assuming their thoughts and reasons are evident to others. The response disagreed with the proposal that independence provisions for group sustainability assurance engagements should be aligned with those for group audit engagements in terms of level and objectives.

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? [paragraphs 93 to 101]

100% of the respondents agreed with the proposed independence provisions set out in Section 5406.

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? [paragraphs 102 and 103]

100% of the respondents support the proposed definition of value chain within the context of sustainability assurance engagements.

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? [paragraphs 104 to 110 of this document]

100% of the respondents support the provisions in Section 5407 for assurance work independence considerations for a value chain entity.

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? [paragraphs 111 to 114]

100% of respondents concur with the identification of independence threats that may emerge from the segregation of responsibilities and endorse the guidance offered to mitigate these potential threats.

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)? [paragraphs 115 and 116t]

100% of the respondents agree with the provisions in Section 5600.

16. Subsections 5601 to 5610 address specific types of NAS. [paragraphs 118 to 120]

(a) Do you agree with the coverage of such services and the provisions in the Subsections?

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

100% of respondents concurred with the inclusion of Non-Assurance Services (NAS) in the subsections. No additional comments were offered by respondents regarding other NAS within the scope of sustainability assurance engagements.

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)? [paragraphs 123 to 131]

100% of the respondents agreed with the proposed approach to address independence issues between audit engagements and sustainability 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?

100% of respondents expressed confidence in the clarity of the guidance. Additionally, they emphasized the necessity of early intervention measures to ensure strict adherence to the standards rather than relying solely on moral guidance. There was a suggestion for an implementation guide to promote consistency in application.

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

Only one concern was raised, advocating for the standards to be obligatory rather than merely influential, with suggested remedies in case of non-compliance.

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? [paragraphs 133 to 135]

The following views were expressed on the possible approach to IESBA's new strategic work stream:

The recommended approach advocates for inclusivity and collaboration among diverse stakeholders to achieve consensus in decision-making processes, aiming to avoid risks associated with adhering solely to mainstream thinking. It emphasizes consultation and engagement with strategic partners and the international community at large. Furthermore, it suggests considering the impact of non-compliance beyond the auditee and fostering communication with accountancy bodies across different countries and regions. Translation of ethical standards into various languages is seen as pivotal for ensuring comprehension and effective application among professionals from diverse cultural backgrounds. Additionally, the

importance of working collaboratively with other professional organizations is underscored as a key aspect of the proposed approach.

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? [paragraph 138]

100% of the respondents affirmed that the proposals effectively serve the public interest by addressing clarity and conciseness, which will enhance public understanding of the standards and their purpose.

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

100% of respondents agreed that the proposed revisions clarify the preparation and presentation of information, including data collection and measurement methods. The revisions also emphasize the need for professional accountants to exercise professional judgment and ensure ethical considerations are applied in preparing or presenting information.

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

There were no other matters raised by the respondents.

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?

100% of respondents support the proposal for the effective date.

25. Do you support the provisions that address using of the work of an external expert in Section 5390 in Chapter 1 of the ED?

100% of respondents confirmed the necessity of utilizing expert work to validate the results of assurance activities and bolster the credibility of the work conducted.



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