Agenda Item 9-B.3

IESBA Strategy Survey 2022

Comments on Survey Question 3

Survey Question 3

Are there other matters the IESBA should consider with regards to this strategic focus area?

Respondents	Comments
ACCA	A key issue to which we would like to draw IESBA's attention is the case where separate assurance providers providing assurance over financial statements and over sustainability information (which could be the case under the Corporate Sustainability Reporting Directive in the EU for example). Under the current requirements, a PA should take into consideration the climate-related risks and sustainability-related risks in the course of the financial statements audit work (for example, for the going concern statement). If two different assurance providers have a different opinion on a largely related subject matter, a different assurance opinion could be issued. And, in particular, if the auditor of the financial statements, requires a higher level of professional scepticism or applies the standards being governed by a perceived higher level of ethical and independence standards than other providers of sustainability assurance do, then a fundamental conflict might arise. Equally, an opinion over sustainability information by an assurance provider not being subject to the IESBA Code could impair the public perception over that separate opinion, given that they are not subject to the same regulation and inspection. So, in addition to our response in Question 2, we suggest that there are a number of arguments for IESBA to explore expanding its Code to non-PAPPs.
AE	We would like to reiterate the need for collaboration with all stakeholders in the entire sustainability reporting ecosystem. This should include SMEs which are also impacted by the developments around sustainability, as a part of the supply chain. In the EU, for instance, the scope of Corporate Sustainability Reporting Directive (CSRD) covers SMEs. Please also refer to our recent publications: Sustainability Assurance under the CSRD (May 2022)

Respondents	Comments
	FAQs on sustainability information assurance (November 2021) Setting up for high-quality non-financial information assurance in Europe (June 2020)
AIA	We have no other matters for the IESBA to consider except to caution that the Board carefully consider the impact of any proposed changes to the Code of Ethics on market structure. It is important we preserve competition and choice as this, we believe, will drive quality of services.
APESB	The role of external experts and understanding complex circumstances/information are likely to be other topics that will need consideration. We understand that the current Technology project has made proposals concerning both topics. We encourage the IESBA to consider whether these proposed revisions will be fit-for-purpose for sustainability-related professional activities as well. Regarding sustainability reporting and assurance, APESB believe that the IESBA should also consider the professional competence, skills and time required by PAPP/PAIB to meet any new requirements that might be added to the IESBA Code. If new requirements are put in place and applicable in a short time frame, there is a risk that PAPPs/PAIBs might not have sufficient time to develop the necessary skills, potentially resulting in reporting and assurance failures in a few years. There is also a potential risk that only the large accounting firms or environmental entities will have the requisite professional competence, capacity and skills to meet the new requirements in the IESBA Code. This may result in a concentration of providers leading to a lack of competition and an overload on limited providers, leading to reporting, assurance and ethical failures.
BDO	BDO believes that ethical guidance for individuals preparing sustainability reports from a management's perspective, is critical to achieving high-quality, globally consistent sustainability reports.
BICA	The IESBA should review the independence requirements to ensure they are strengthened in the advent of the envisioned sustainability standards.
CAANZ	Our comments are included in answers to questions 1 and 2.
CPAA	It is important that the IESBA keeps in mind the fact that discussions about organisational and economic sustainability involve matters that extend beyond merely reporting and assurance. Moreover, they extend beyond merely the "E" (environmental) in Environmental, Social and Governance. For example, in many jurisdictions the experience and skills of professional accountants are critical to ensure that organisations' governance, risk management and control arrangements are robust and effective. Moreover, there is an increasing demand for organisations to demonstrate that they have a "social licence to operate", with the clearest examples

Respondents	Comments
	of that being in terms of corporate responsibilities for, and responses to, modern slavery and human rights obligations. This has important implications for the roles of those professional accountants who are not involved in the reporting and assurance process. Moreover, it means that professional accountants' interactions with key stakeholders and the public at large, beyond the relationships formed through the reporting and assurance of information (e.g., employees), need to be considered.
CPAC	The PTC highlighted one additional matter that relates to the role of PAIBs, which is to suggest the IESBA considers encouraging or promoting sustainable practices within an organization. Similar to the ethical leadership that PAs are required to demonstrate, the IESBA could consider whether leadership in relation to sustainable business practices within an organization should also apply.
Cristian Munarriz	As sustainability reporting may involve some topics which involves many disciplines, a strong focus in competence should be considered.
CSCADG	The main area of concern is that there is a lack of a generally accepted reporting framework.
Deloitte	Deloitte Global considers that the objective of maintaining a global Code that is fit for purpose in the evolving environment is best achieved by the Code remaining principles based while adding guidance and examples to aid in consistent implementation. As noted above the Board should focus on effective implementation guidance on assurance services and the application of Part 4B
Dilip Jain from Crowe Global	Focus on small firms which have limited resources. Can some sort of scalability be incorporated within the Code particularly in case of firms providing audit and non-audit services?
EFAA	We have no other matters for the IESBA to consider except to caution that the Board carefully consider the impact of any proposed changes to the Code of Ethics on market structure. It is important we preserve competition and choice as this, we believe, will drive quality of services.
EY	We see two matters that should be considered: • The IESBA should work in close coordination with the IAASB's efforts on assurance on sustainability / ESG reporting. We believe it is important that the Board undertakes outreach activities to make its work to and timeline for developing independence standards for sustainability assurance services well known to stakeholders. This is to facilitate future adoption

Respondents	Comments
	and to reduce risk of jurisdictions creating a global patch work by initiating local standard setting initiatives instead of planning to use the updated IESBA Code for such assurance services.
FIPECAFI	Include some examples of conflict of interests and also some case of independence jeopardise.
Frederik Eloff from SAICA	Communication of changes in standards and the Code to PAPPs. In small medium practice environment pratitioners are quite busy. Emails and correspondence are not read and changes implemented in firms. The strategic focus area is important but the actual implementation of change has to happen at PAPPs level. How do member regulatory bodies respond to the need not just to circulate standars and Code changes, but to monitor the consideration thereof and implementation of it by practitioners.
HKCIPA	The IESBA is encouraged to reach out to regulators to express the importance of consistency in engagement performance and adhering to the high ethical values in the Code including those service providers who are non-professional accountants.
IAFEI	IESBA has been prudent and has set procedures in deriving strategic focus. Consultations on wider scope (not limited to practitioners but involve more the academe, regulators, and the public in general) on a global scope. Public interest should be a primary consideration,
ICAEW	ICAEW notes that in an emerging area such as this, care must be taken to ensure that any changes to the Code do not add significantly to expense, nor remove the ability to innovate. In the UK, increasing regulation and regulatory cost burden have led to some organisations opting out of non-statutory audits. ICAEW notes that TCFD requires ESG reporting for PIE and FS organisations (CSRD requires the same in Europe for all listed companies) to be within the scope of the financial statements or a separate associated document. Therefore, the same rules should apply to sustainability assurance as it currently does to audit and there should be no need to treat ESG and sustainability reporting (in its widest context e.g., GHG emissions, low and high pay etc) any differently than the core financial statements.
ICAS	Other than taking forward work in this area prior to the start of 2024-2027 strategy period, which IESBA is already doing, we do not believe there are any other matters IESBA should consider in relation to this area.
IDW	It is critically important that IESBA consider the relative costs and benefits of any standard setting in this area because the public interest would not be served if excessively stringent requirements were to price the profession out of the market, which would be detrimental to the public interest if other providers of such assurance engagements were to be subject to less

Respondents	Comments
	stringent requirements. The other issue that needs consideration is how ethical and independence requirements apply to assurance engagements that extend beyond the corporate group – that is, if assurance engagement providers need to use the work of other assurance engagement providers on information from outside the corporate group, such as suppliers. Simply requiring the other assurance engagement providers to follow the same requirements as the overall assurance engagement provider may not be feasible in practice.
IFAC SMPAG	We suggest IESBA consider the issue of supply chains with regard to sustainability services. The definition of engagement team (it could include supply chain auditors/ assurers too) could come into play with the IESBA's other recently issued ED related to the definition of engagement team and deserves a thorough consideration. One additional concern is that recent projects have had a very strong PIE focus, and we would ask the Board to ensure that non-PIEs are considered during outreach (in particular in relation to sustainability) and that scalability is considered with any new projects that are introduced. This may involve outreach beyond just comment letter feedback as many SMPs do not have the resources to respond to exposure drafts by issuing a formal comment letter.
Ikhlaas Dooreemeah from BDO International Limited	no
IRBA	We have no other comments, over and above what we have already raised in response to Questions 1 and 2.
ISCA	We suggest that IESBA consider whether there are any merits to working with bodies such as ISSB and Global Reporting Initiative (GRI), to develop the ethical requirements for PAIBs as preparers of sustainability information and for assurance service providers in sustainability reporting.
JICPA	We have no comment.
KPMG	As touched on in our response to question 1, the IESBA should consider the applicability of the PIE concept to sustainability assurance engagements and evaluate how the expectations and requirements of the Code should be differentiated for PIEs and non-PIEs. The IESBA should also consider if the requirements in Part 4B need to be strengthened as it specifically relates to sustainability disclosures, especially if such disclosures are given the same weight as financial disclosures. We also note that PAIBs also have a key role to play in preparing high-quality, reliable information to stakeholders in the sustainability arena and we believe it would be helpful to look at the provisions in the Code directed to PAIBs to ensure these

Respondents	Comments
	are appropriate given the significant increase in focus on this area (also see question 4).
LCPAA	We consider the 4 proposed areas are sufficient.
Leaf Excellence	Examining the scope of existing audit reports and standards as regards sustainability reports.
MIA	Is there a potential for IESBA to consider funding support from other organisations such as IOSCO or the Monitoring Group? These should be something that the Board should also consider as part of the SWP.
MNP	The standard-setting approach taken by the IESBA should not be a "one-size fits all" model. Focused stakeholder engagement for different types of entities (e.g. large public companies, mid-market/small public companies, non-public entities, governments, Indigenous communities, etc.) will be key in establishing fit-for-purpose ethical standards for sustainability assurance services provided to these entities. Further, there is a risk that requiring separate financial statement and sustainability assurance providers could result in disagreements between the two providers which management may not be able to resolve. Differences in opinions between separate financial statement and sustainability assurance providers could create inappropriate regulatory and public concern for companies.
OECD	**GOV/PSI** It can support public integrity by ensuring the necessary mandate or a legal framework. This may also include responsible business conduct, such as protecting human rights, the environment and consumer interests, and ensuring international labour standards, taxation standards, and corporate governance structures are in place. Moreover, public integrity in companies includes public integrity issues of how companies participate in the policy-making process through lobbying and political financing (e.g. "responsible influence").
PWC	No comments other than to note the importance of coordination with the IAASB, for example in relation to the acceptance of reasonable and limited assurance engagements, and its timeline on this (Sustainability Assurance ED targeted for Q3 2023).
RSM	We believe that the IESBA should also focus on the broader aspects of Environmental, Social and Governance ("ESG") requirements and reporting and not just Sustainability. There will likely be different threats to the fundamental principles of the IESBA Code depending on the subject matter of the information being assured and so it is important that the IESBA focuses on what organisations are required to measure and report on to the public. Again, it is important that the IESBA collaborates with other international bodies to understand what is measured and reported on, and play a role in promoting consistency before developing standards in this area.

Respondents	Comments
UKFRC	The potential emergence of new forms of assurance on subject matters outside the traditional horizons of professional accountants creates challenges around expertise. The IESBA may therefore wish to consider reviewing requirements around professional competence for both PAIBs and PAPPs to ensure that the Code remains fit for purpose.
Validor Management	N/A
WFE	We encourage IESBA to further align its code with the standards of the IAASB to ensure consistency and the seamless applications of both sets of standards.
WPK	NONE
XRB	• With the trend towards reporting and assurance of ESG information, we believe there is a need for the IESBA to consider the concept of PIE in this context. • We also encourage the IESBA to consider the implications of the definition of engagement team and the independence of experts in the context of this evolving landscape, recognising that going forward there will be an increasing need for a broader range of expertise.