

IESBA Sustainability**Question 1(a) - Agree****Regulators and Oversight Authorities, incl. Monitoring Group members****BAOA - Botswana Accountancy Oversight Authority**

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

ESMA - European Securities and Market Authority

Broad support for the general approach proposed by IESBA to the new Section 5 of the Code

Against this background, ESMA welcomes IESBA's proposal to develop ethics requirements for sustainability assurance, including International Independence Standards, that are grounded on existing principles applicable to the audit of financial statements, but duly adjusted, internationally recognised, profession-agnostic and framework-neutral. This approach is also in line with IOSCO's 2022 statement of support to the work of IESBA and IAASB in the field of sustainability assurance standards.

ESMA stresses the importance of IESBA's role to help bridge the gap between the two main groups of professionals that will be involved in the assurance of sustainability reporting: audit firms and conformity assessment bodies as well as other practitioners. Convergence towards the highest and most effective ethical and independence standards for those involved in sustainability assurance engagement is not only essential to enable financial supervisors to rely on the assurance work in their supervisory task, but it is of utmost importance for the credibility and reliability of the reporting vis-à-vis investors and other stakeholders. ESMA therefore supports both IESBA and the IAASB in taking a leading role at international level in fostering the dialogue and convergence across the diverse community of sustainability assurance practitioners.

NASBA - National Association of State Boards of Accountancy (US)

NASBA agrees that the proposals in Chapter 1 of the Exposure Draft are equivalent to the ethics and independence standards for audit engagements in the extant Code.

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

The PAAB agrees that the proposals in chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code.

UKFRC - United Kingdom Financial Reporting Council

Yes.

Investors and Other Users**DIR - Daiwa Institute of Research Ltd**

Yes.

SAAJ - The Securities Analysts Association of Japan

We basically agree with the four main objectives of the IESSA: Equivalent to Audits, Profession-Agnostic Standards, Framework-Neutral Standards, and Public Interest Framework.

Sustainability information faces the same challenges as financial information, including managing conflicts of interest. Therefore, we believe that the objective of equivalent to audit, which requires the same level of ethics and independence standards as those for financial statement auditing, is particularly important. This objective will also help ensure connectivity between financial and sustainability information, which is emphasized in the ISSB Standards and others.

Preparers and Those Charged With Governance

ICFOA - International CFO Alliance

Yes, we agree with the premise that sustainability assurance engagements on such information must be underpinned by the same high standards of ethical behavior and independence that apply to audits of financial information. High standards of ethical behaviour and independence apply regardless of the degree of assurance, meaning whether it applied to limited assurance or reasonably assurance – underlying ethics should be of a high standard.

Public Sector Organizations

AGNZ - Office of the Auditor General of New Zealand

Yes.

UNCTAD ARL - UNCTAD's Latin America Regional Alliance

I Agree – 75% of respondents

UNCTAD ARP - UNCTAD African Regional Partnership

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.

Independent National Standard Setter

NZAASB - New-Zealand Auditing & Assurance Standard Board

We strongly agree that ethical and independence requirements for assurance over sustainability information should be of the same high standard as those for financial audit engagements. It is in the public interest that sustainability assurance engagements follow the same high ethical and independence requirements as financial statements assurance.

Professional Accounting Organizations (PAOs)

AIC - Asociacion Interamericana de Contabilidad (Inter-American Accounting Association)

Yes. We agree, as from reading the proposed document, we note that Part 4A, is equivalent to the International Independence Standards proposed in that document, with some exceptions, as set out in paragraphs 4545 to 5050 of the Explanatory Memorandum and, as explained in paragraph 20 of that Memorandum, the provisions of the IESSA proposal have been drafted using the same language, as for the ethics provisions (including independence), that apply to financial statement audits, with the terminology modified only where necessary to make the application of the provisions with respect to sustainability clear, to maintain equivalence of the provisions between sustainability assurance engagements and audit engagements, and to minimize the problems of regulatory arbitrage that currently sometimes arise.

BICA - Botswana Institute of Chartered Accountants

The proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code. This equivalence ensures consistency and reliability in the application of standards across different types of engagements.

CAANZ - Chartered Accountants Australia and New Zealand

We acknowledge that the IESBA has largely replicated the ethics and independence standards for financial statement audits in the extant Code into the ED for sustainability assurance engagements, so they are broadly equivalent.

CFAR - Chamber of Financial Auditors of Romania

We agree that the proposals are equivalent to the ethics and independence standards for audit engagements in the extant Code.

ICPAU - Institute of Certified Public Accountants of Uganda

We agree that the proposals in the ED are equivalent to the ethics and independence standards for audit engagements to a large extent which we believe will most likely achieve the desired objective of sustainability information underpinned by the same ethical standards as those that apply to financial statements audits.

IICA - Institute of Indonesia Chartered Accountants

Yes

IPA - Institute of Public Accountants (Australia)

IPA agrees that the drafting has achieved these two main objectives of the IESSA.

ISCA - Institute of Singapore Chartered Accountants

We agree and support having the IESSA, contained in a new Part 5, to be equivalent to the ethics and independence standards for audit engagements in the extant Code, profession-agnostic and framework-neutral. This is consistent with the views we heard from PAs through our outreach.

JICPA - Japanese Institute of Certified Public Accountants

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

KICPA - Korean Institute of Certified Public Accountants

The KICPA agrees with the above description.

MICPA - Malaysian Institute of Certified Public Accountants

We agree with the proposal.

SOCPA - Saudi Organization for Chartered and Professional Accountants

SOCPA agrees that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code except for the exceptions made for part 2, which has not been included since it applies to PAs in business, who do not perform audits of financial statements, and this case would not have an equivalent in sustainability assurance.

Other Assurance Providers and Accreditation Bodies (non-PAs)

AccountAbility

Broadly we have found the ED to be expansive in its coverage, well written and coherent. IESSA is undoubtedly a critical step forward in fostering greater public trust in corporate sustainability disclosures. We do not see any indication that the new standards would not be responsive to the public interest, considering the Public Interest Framework's qualitative characteristics. We understand the IESBA views the IESSA as responsive to the public interest, particularly in terms of coherence with the overall body of the IESBA's standards. The proposed standards aim to align with the extant Code, using its structure and drafting conventions. The language and terminologies used in Part 5 of the proposed IESSA are as much as possible identical to those used in the extant Code, with necessary adaptations to meet the objective of profession-agnostic standards and to include sustainability-related examples in the application material. We agree that this approach ensures that the IESSA can be applied in the same way as the extant Code to achieve equivalence.

Accounting Firms and Sole Practitioners

EY - Ernst & Young Global Limited

Yes, we agree that by replicating Parts 1 through 4A of the Code, with appropriate modifications that are applicable to sustainability assurance services, the IESBA's proposed Part 5 results in ethics and independence standards for sustainability assurance engagements that are equivalent to those applicable to audit engagements.

MAZARS - Mazars Group

We agree that, as noted in the explanatory memorandum, it is imperative that, to enable a level playing field for all sustainability assurance providers in the public interest, sustainability assurance engagements should be underpinned by the same ethical standards for behaviour and independence that apply to audits of financial statements.

In this regard, the approach taken by IESBA to incorporate the provisions of the Code covering the fundamental principles, conceptual framework and compliance with the code in the new Part 5 provides an appropriate foundation for ethical standards relating to sustainability assurance engagements.

In reflecting the requirements of Part 1 (Complying with the Code, Fundamental principles and Conceptual Framework) and Part 3 (Professional Accountants in Public Practice) sections of the IESBA Code more or less in their entirety, the proposals in chapter 1 are considered to be equivalent to the ethics and independence standards, subject to comments in specific questions later in this response around Part 4 and the Independence Standards.

MU - Muhammad Umar - Mo Chartered Accountants

a) Yes, the proposals are similar to the ethics and independences standards for audit engagements in the extant code

PKF - PKF Global

PKF Global Response: We agree with Questions 1a and b.

RSM - RSM International Limited

We agree that the proposals in Chapter 1 of the IESBA's 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' (ED-IESSA or the ED) are equivalent to the ethics and independence standards for audit engagements in the extant International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code or the IESBA Code) due to the nature and public interest of sustainability assurance engagements.

Academia and Research Institutes

AFAANZ - The Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand

Yes. The proposed standards are generally equivalent to the extant Code.

DIRC - Deakin University Integrated Reporting Centre

We agree that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code and are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics.

NSU - Nova Southeastern University (Florida)

Question 1: All students provided positive feedback, with examples below.

- I agree with the conclusion that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant code. Paragraph 19 of the Explanatory Memorandum highlights consistency with regulator opinions in the United States (US) and the European Union (EU). In further analysis of the Exposure Draft, paragraph 5100.1a is vital in showing the equivalence to ethics and independence standards for audit engagements. The expectation of practitioners

of sustainability assurance “to have relevant knowledge, skills and experience to perform sustainability assurance engagements and have appropriate training to ensure their assurance skills are continually up to date with relevant developments” (IESBA, 2024) is approximately equal to ethics and independence requirements of audit engagement staff. The requirements that stood out to me the most are “relevant knowledge, skills, and experience” as well as “appropriate training.” I agree that the proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral. However, the Exposure Draft explicitly states that the proposals in the ED are meant to support or serve as a foundation, with the idea that practitioners build upon the standards.

- I agree with the proposals in Chapter 1 of the ED explaining that the IESBA sustainability assurance engagements should hold the equivalent to the ethics and independence standards for audit engagements. I agree with this because ESG is very important to many shareholders, but there should be no questions whether an assurance engagement is unethically done due to conflicts of interest. Additionally, an example that comes to mind is gas emissions. For example, if a scientist has stocks in a company with very high gas emissions, there could be a conflict of interest if the scientist were to perform their ESG evaluations of the company. This is why it is important for these engagements and standards to maintain independence and ethics. Additionally, I also agree with the profession-agnostic and framework-neutral standards. I agree with these standards because not all public accountants have the knowledge needed to perform an environment or social assurance engagement with a client. These engagements will need professionals from all types of backgrounds, so it is important that the IESSA be understood by all types of people with different professions and backgrounds.
- I do agree that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant code. I believe this because it is pointed out the importance of having high standards and ethical behavior like those found throughout audit engagements. It is also important to note that the same language was used which would promote consistency with the ethical and independent behaviors that auditors are held to. I think that if there is identical language, then the standards should be equivalent throughout. It will be important to update and amend these ethical standards while maintaining verbiage as the reporting standards are amended. I think that once that standards are mandated, there will be changes made based on what qualifies towards sustainability reporting, and this will require judgement and updated ethics standards. I do agree that the proposals in Chapter 1 of the ED are equivalent to profession-agnostic standards. Since it was recognized that there were various professions working together on sustainability assurance, it was important to consider a way to include everyone and make sure all parties can understand. I think that the first step was to understand that this is necessary, and the next will be to ensure that all parties can utilize and understand the IESSA. In the future it will be imperative to continue to test the different groups using this to ensure this is easily understood. I do agree that the framework-neutral standards are equivalent as they are interoperable with other standards as mentioned in the text. These standards combined will allow for a strong framework and set of

standards from the beginning. For both standards, it is important to remember that it will not be equivalent to the proposal as the standards it is being compared to are already tested. This will take time and sampling to ensure that all parties involved understand terminology.

- The IESBA drafted the proposed guidance in the same manner and to the same standards that apply to audits of financial information. The extant Code was used as a foundation for drafting the proposed IESSA guidance. So much work has already been done with respect to the high quality standards and expectations surrounding financial audits, it would be prudent to leverage that effort when drafting further guidance that is expecting to complement the financial audit.
- The IESSA Builds on and extends the ethical already in place in parts 1 to 4A (with some exceptions) of the existing international code of ethics for professional accountants. This alignment ensures that the ethical standards are applied to sustainability assurance. This approach ensures that practitioners engaged in sustainability assurance adhere to consistent ethical principles to maintain public trust and confidence. The IESSA is developed to be profession-agonistic, meaning it should be understandable and applicable by all practitioners of sustainability assurance engagements, including those who not professional accountants.
- I agree with the proposals listed in Chapter 1 of the Exposure Draft as they are cognizant of the public interest. There is high emphasis on ethics as it is instrumental in maintaining the public's trust. By taking into account, the Public Interest Framework characteristics of Coherence, Clarity and Conciseness, and Implementability and enforceability, the proposal put forth covered all areas in detail providing guidelines and consequences. The main theme is "High-quality ethics and independence standards alongside other reporting and assurance standards will help investors, customers, employees and other users of sustainability information to confidently rely on such information in their decision making". The standards are created for the Public interest ensuring full accountability and standards for professional accountants and sustainability assurance practitioners. Additionally, it emphasizes the importance of the professions to have the skills and knowledge but also to continually learn to stay abreast of new developments in the area.

Question 1(a) - Agree With Comments

Regulators and Oversight Authorities, incl. Monitoring Group members

IRBA - Independent Regulatory Board for Auditors

Question 1(a): Yes, with exceptions.

We agree with the IESBA's premise that sustainability assurance engagements must be underpinned by the same high standards of ethical behaviour and independence that apply to audits of financial information.

We agree that it is generally equivalent (noting some exceptions) in respect of:

- The requirements to comply with the IESBA Code,
- The fundamental principles,

- The application of the conceptual framework,
- Structure,
- Describing the facts and circumstances, including professional activities, interests, and relationships, that could be encountered by practitioners, which create or might create threats to compliance with the fundamental principles.

Our comments in respect of the exceptions are included in response to Question 6.

Public Sector Organizations

GAO - US Government Accountability Office

We believe the standard should not be issued unless there is parity in the International Ethics Standards Board for Accountants' (IESBA) Code requirements for both accountants and practitioners (nonprofessional accountants). This will serve the public interest and help ensure that the information provided is trustworthy and supports the consistent performance of high-quality assurance engagements and other services.

For audit engagements, we generally agree that proposed chapter 1, sections 5100 through 5700, for ethics and independence standards for sustainability assurance engagements is generally equivalent to the extant code for audits and review engagements shown in the following: part 1, Complying with the Code, Fundamental Principles and Conceptual Framework; part 3, Professional Accountants in Public Practice; and part 4A, Independence for Audits and Review Engagements.

However, for practitioners who perform professional activities and have professional and business relationships (not covered by chapter 1), the proposal is not equivalent to the extant Code in part 4B, Independence for Assurance Engagements Other than Audit and Review Engagements. Part 4B sets independence requirements for professional accountants. The proposal does not have equivalent independence requirements for practitioners who are not professional accountants. Instead, the proposal states in section 5100.2b (b) that a practitioner (nonprofessional accountant) is encouraged (not required) to follow part 4B for professional activities not covered by chapter 1. Because of this difference, there is not parity between professional accountants and practitioners in the independence requirements.

Independent National Standard Setter

APESB - Accounting Professional & Ethical Standards Board (Australia)

APESB supports the position that professional and ethical standards, including independence, should be consistent for audits of financial statements and for sustainability assurance engagements within the scope of Part 5 of the Code. Both types of information can be used to make capital investment decisions, and therefore, it is important that the information is reliable and accurate.

APESB agrees with the approach undertaken by the IESBA to create a new Part 5 applicable to sustainability assurance practitioners that closely replicates the ethics and independence standards for financial statement audit engagements in Part 4 of the extant Code.

While we agree that amendments should be made to ensure the provisions in the proposed Part 5 are specific to sustainability assurance practitioners, we have noted some differences to the extant provisions, which we believe are not necessary. For example, proposed paragraph 5300.6 A1, has an example of an advocacy threat as a ‘sustainability assurance practitioner promoting the interests of a sustainability assurance client. The extant paragraph 300.6 A1 has this example listed as a ‘professional accountant promoting the interests of, or shares in, a client.’

APESB believes that a sustainability assurance practitioner promoting shares could create an advocacy threat and, therefore, believes the wording for these examples should be consistent. APESB encourages the IESBA to re-consider any drafting differences between the Parts of the Code to ensure they are appropriate.

We also have some concerns about the proposed provisions relating to Value Chain Entities. APESB’s response to questions 12 to 14 below sets out our concerns.

Professional Accounting Organizations (PAOs)

ACCA - Association of Chartered Certified Accountants

We agree that the proposals in Chapter 1 of the ED are equivalent, wording, terminology and format is equivalent to the ethics and independence standards for audit engagements from the extant Code, specifically the proposed IESSA (International Ethics Standards for Sustainability Assurance) is equivalent to Parts 1 to 4A, with certain exceptions as noted in the ED. The use of ethics terminology and concepts such as the fundamental principles and independence, which are embedded in the IESBA Code of Ethics, also highlights the importance of there being rigour over the assessment of equivalent ethical, independence and quality management requirements to ensure that the provision of high- quality ethical standards in sustainability assurance are consistent globally and to minimize regulatory arbitrage issues such as courts interpreting differences in meaning when none was intended. Our outreach highlighted that the extant Code is based on and was built on experience of financial orientated thinking (in relation to the preparation and audit of financial reporting) and the question therefore arises as to whether the same can be applied in relation to the disclosure of sustainability information in all contexts due to its qualitative nature, whilst acknowledging the need for such standards.

We noted in our response to ED-ISSA 5000 that we believe that one of the key public interest aspects for effective sustainability assurance is the determination of how ethics, independence and quality management requirements are assessed to be “at least as demanding” as those established by the IESBA and how compliance with those standards will be monitored and enforced.

While it is the role of IESBA to put in place the framework of standards, via the ED-IESSA, against which sustainability assurance standards should be carried out, it is not for the Board to design the regulation and oversight arrangements, that is a jurisdictional matter. Where IESBA can play a part though, is in i) designing standards and requirements that lend themselves to the implementation of proportionate and effective oversight arrangements; and ii) crucially, committing to collaborating closely with national bodies and regulators as they design those arrangements. This will, in turn, help ensure that the desired outcome for this work, standards and arrangements that support high

quality and trusted assurance of sustainability information regardless of whether that assurance is provided by an accountant or a non-accountant, remains achievable.

AE - Accountancy Europe

We agree with the premise that sustainability assurance engagements must be underpinned by the same level of standards for ethical behaviour and independence as those apply to financial statement audits. In this regard, we appreciate why the IESBA has taken the extant Code as the starting point for developing Part-5. As noted in our detailed responses below, there is still a need to refine certain provisions which fail to address matters that are relevant specifically to sustainability.

We also agree that ethical standards for sustainability, especially for assurance, should be profession-agnostic. Accountancy Europe represents the European accounting and audit profession. Therefore, we are not in a position to comment on whether proposed Part 5 is capable of being understood and applied by non-PAs.

However, the Code with proposed revisions treats PAs and non-PAs differently as can be seen in the examples below:

- For non-professional accountant SAPs who perform professional activities and have professional relationships not covered by proposed Part 5, paragraph 5100.2b(b) only encourages application of the general conduct provisions of Parts 1 to 4B of the IESBA Code.
- Proposed para. 5100.6 A1 states unequivocally that “Upholding the fundamental principles and compliance with the specific requirements of this Part enable sustainability assurance practitioners to act in the public interest when providing sustainability assurance.” This is at odds with the counterpart in Section 100.6 A3 of the IESBA Code, which states: “Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest.”
- R5410.21 which presents an exception to paragraph R5410.20 and allows the firm may continue to be the sustainability assurance practitioner after five consecutive years if there is a compelling reason to do so having regard to the public interest. There is however a differential requirement for cases where there is no designated regulatory or professional body in the relevant jurisdiction.

CAI - Chartered Accountants of Ireland

For the most part, the provisions in the proposed IESSA are mostly equivalent to the ethics and independence standards for audit engagements in the extant Code. However, the proposed requirements relating to value chain entities are a significant departure from independence requirements for audits, which require independence from audit clients, not their suppliers or other value chain actors. Please see our response to question 13 in this regard.

The equivalence between the IESSA proposals and the ethics and independence standards for audit engagements merit the categorisation of sustainability assurance engagements as audit-related services, rather than non-audit services, a matter we raise further in our response to questions 15 and 17 of the consultation.

While the proposed IESSA is mostly equivalent to the ethics and independence standards for audit engagements in the extant Code, there are additional requirements applying only to professional accountants (PAs), such as requirements to comply with Parts 1 to 4B of the Code that are also relevant to sustainability assurance engagements. Other sustainability assurance providers, i.e. non-professional accountants (non-PAs), are only encouraged to apply these parts of the extant Code, meaning full equivalence is not achieved. See our response to question 4 of the consultation in this regard.

As highlighted in our response to question 2, and in our response to the IESBA consultation on Using the Work of an External Expert, while the ethics and independence standard proposals in the IESSA are mostly equivalent to those required for audit engagements, the enforceability and oversight of adherence to the IESSA for non-PAs is not equivalent to the highly regulated oversight framework PAs are subject to. See our response to question 2 of the consultation in this regard.

CBPS-CFC-IBRACON

We agree that the public interest in sustainability information should have the same weight and reliance as in the financial information from entities' financial reports, subject to independent audit engagement. Consequently, the expectations of users of the assurance report in relation to ethics and independence requirements should be the same as those met for audit engagements.

However, we emphasize again, in connection with what was already mentioned in our comments on the ISSA 5000 Exposure Draft last year, that non-accounting professionals performing assurance engagements may not have the same understanding of the requirements of the assurance engagement standards, ethics and independence requirements that accounting professionals already have, taking into account the following aspects:

- Accounting professionals, especially those in the audit category, have already followed these standards in a consolidated manner over decades;
- In many jurisdictions they are subject to required or voluntary continuing professional development (CPD) programs;
- They are subject to technical qualification exams for specific activities;
- They are required by regulation to maintain a quality management system (ISQM);
- They are subject to periodic inspections by regulators and are subject to independent review programs (e.g.: Peer review).

Finally, conveying accurately the existing requirements in the IESBA Code in relation to audit engagements to the (new) Part 5000 of the Code and requiring other non-accounting professionals to follow these requirements, can result in simplicity in understanding and, consequently, in failure to comply with these requirements, generating inconsistency in their application and, therefore, not meeting the expectations of the public interest. We recommend that, in addition to these requirements, IESBA can address other requirements such as the need for these other professionals to develop and implement quality management systems, as well as education programs focusing on professional skepticism. In addition, it would be appropriate for IESBA to collaborate with

other professional bodies in standardizing these requirements and fundamental principles in their characteristics of the profession.

CNCC-CNOEC - Compagnie Nationale des Commissaires aux Comptes

As drafted, we agree that the proposals in the ED for ethics and independence for sustainability assurance engagements (Part 5) are equivalent to the ethics and independence for financial audit. Indeed, they are almost copy-pasted from one another.

However, we believe that they have not been adapted enough to the specifics of sustainability assurance engagements (see our comments below on non-assurance services for example).

CPAC - Chartered Professional Accountants Canada Public Trust Committee

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.

EFAA - European Federation of Accountants and Auditors for SMEs

We agree that the proposals are equivalent to the ethics and independence standards for audit engagements in the extant Code.

We believe that the proposed IESSA is equivalent to Parts 1 to 4A of the Code, with certain exceptions as explained in paragraphs 45 to 50 that are fully justified.

While we agree in principle that the proposals emulate those for financial statement audit - reasonable assurance, which is the dominant form of assurance engagement – we note that this tends to make the proposals more complex and that presently, and for the foreseeable future, limited assurance is likely to be the dominant form of assurance for sustainability reporting. As such the proposed Part 5 is in effect drafted in anticipation of the day that reasonable assurance prevails. Perhaps Part 5 should be written with a greater emphasis on limited assurance.

HKICPA - Hong Kong Institute of Certified Public Accountants

Other than the anticipated implementation challenges explained in this Appendix, we support the proposed ethics and independence standards in ED-IESSA which we consider to be equivalent to those for audit engagements in the extant Code.

The proposed ethics and independence standards are especially relevant where sustainability information is increasingly becoming important for multiple stakeholders including investors, consumers, companies and governments as well as when service

providers outside of the accounting profession play a role in sustainability assurance. Having said that, these proposed standards would only work effectively when there is an established framework (including monitoring and enforcement) for sustainability reporting and assurance similar to the reporting and audit of financial statements. Many jurisdictions are still in the early stages of establishing the framework for sustainability reporting and assurance. Hence, there is a pressing need to ensure a level playing field for all sustainability service providers to foster trust and transparency among users of sustainability disclosures.

ICAEW - Institute of Chartered Accountants in England and Wales

We consider that a distinction may be drawn between equivalence of intent, and equivalence in practice.

Whilst we broadly agree with the proposed equivalence of intent, we have reservations about whether Sustainability Assurance Practitioners with a non-audit background will be able to fully understand the definitions and concepts used and/or be able to apply these provisions in a manner that is truly equivalent in practice and consistent to how they would be applied by those with an audit background. In this respect, we note that those with an audit background have the advantage of specific training and familiarity with a range of supporting guidance such as International Standard on Auditing (ISA) materials and an established professional skills training ecosystem.

In particular, the concept of “Independence” has a specific meaning and resonance in the audit concept, and this is something that may not be fully appreciated by those with a non-audit background.

As part of on-going engagement and outreach activity on these standards, we consider that it would be useful for IESBA to undertake focus groups with Sustainability Assurance Practitioners from non-audit backgrounds to gauge the depth of understanding of the terminology and concepts incorporated from audit, including terms such as “Professional Scepticism”; “Independence”; “materiality”; “direct” and “indirect” control; and the difference between “components” and “processes” etc.

Equally, there may be practices, processes and working definitions routinely used by Sustainability Assurance Practitioners with non-audit backgrounds that should usefully be incorporated into these standards.

We recognise that there will be, perhaps inevitably, a large accounting bias in the feedback to this consultation. We therefore consider it most important that IESBA continues its programme of engaging specifically with non-professional accountants to identify any potential issues with implementation and operability from that perspective. We note that IESBA is working with the International Accreditation Forum and their views will be helpful here.

We consider that it would be useful for IESBA to include a general guide to the use of the new Part 5 at the beginning which helps clarify some of these issues, and to include application material/supporting guidance written in plain and simple language, and with illustrative diagrams and case studies. This could usefully include guidance on how to handle conflict between the fundamental principles.

ICAS - The Institute of Chartered Accountants of Scotland

Yes – we agree that the proposals are, in general, equivalent to the ethics and independence standards for audit engagements in the Code.

We do however note the following:

Scope - Section 5100 - Complying with Part 5 – Introduction – General - Paragraph 5100.1

Paragraph 5100.1 states that ‘It is **of public interest** that sustainability assurance practitioners act ethically....’. The Professional Behaviour principle at paragraph R5115.1 requires a sustainability assurance practitioner to ‘Behave in a manner consistent with acting **in the public interest** in all professional activities and business relationships relating to sustainability assurance clients’.

We believe that it is ‘in the public interest’ that sustainability practitioners act ethically, rather than being ‘of public interest’, i.e. ‘of interest to the public’, and would therefore suggest the following amendment (in red) to paragraph 5100.1.

‘5100.1 It is **of in the** public interest that sustainability assurance practitioners act ethically in order to maintain public trust and confidence in sustainability information that is subject to assurance. High-quality ethics and independence standards alongside other reporting and assurance standards will help investors, customers, employees and other users of sustainability information to confidently rely on such information in their decision-making.’

We also note that although paragraph 5100.1 mentions investors, it does not refer to shareholders - this may be seen as taking a rather short-term view.

Scope - Section 5100 - Complying with Part 5 – Introduction – General - Paragraph 5100.1a

Paragraph 5100.1a states: “Sustainability assurance practitioners are expected to have relevant knowledge, skills and experience to perform sustainability assurance engagements and have appropriate training to ensure their assurance skills are continually up to date with relevant developments.”

This paragraph refers to the need ‘to have appropriate training to ensure their assurance skills are continually up to date with relevant developments.’ There is an argument that this should also refer to training in technical, professional, business and technology-related skills in relation to the specific engagement i.e. reflecting the wording of paragraph 5113.1 A3 within Subsection 5113 – Professional Competence and Due Care as noted below:

“Maintaining professional competence requires a sustainability assurance practitioner to have a continuing awareness and understanding of technical, professional, business and technology-related developments relevant to the professional activities undertaken by the practitioner. Continuing professional development enables a practitioner to develop and maintain the capabilities to perform competently within the professional environment.”

Scope - Section 5100 - Complying with Part 5 – Introduction – General - Paragraph 5100.4b

Paragraph 5100.4b states the following:

“5100.4b The criteria used for the reporting of sustainability information on which the sustainability assurance practitioner expresses an opinion might be framework criteria, entity-developed criteria or a combination of both. Framework criteria might be embodied in law or regulation or issued by authorized or recognized bodies that follow a transparent due process.”

We believe there ought to be a cross reference in this paragraph to the need for the practitioner still to consider the appropriateness of the framework. This is particularly the case in relation to entity-developed criteria.

Subsection 5115 – Professional Behaviour

Paragraph 5115.1 A1 states the following:

“5115.1 A1 Conduct that might affect public trust in sustainability information that is subject to assurance includes conduct that a reasonable and informed third party would be likely to conclude to have such effect.”

The equivalent paragraph in the extant Code states the following:

“115.1 A1 Conduct that might discredit the profession includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.”

We are not clear what the proposed paragraph is trying to say and therefore suggest the following amendments (in red) to bring the wording more in line with the extant wording in the Code:

5115.1 A1 Conduct that might **adversely** affect public trust in sustainability information that is subject to assurance includes conduct that a reasonable and informed third party would be likely to conclude **would** ~~to~~ have such **an** effect.

IDW - Institute der Wirtschaftsprüfer (Germany)

In our view, the introduction in Section 5100 should specifically refer to the public interest imperative for SAPs to adhere to equivalent high standards of ethical behavior as compared to financial statement auditor.

For non-professional accountant SAPs who perform professional activities and have professional relationships not covered by proposed Part 5, paragraph 5100.2b(b) only encourages application of the general conduct provisions of Parts 1 to 4B of the IESBA Code. In contrast, paragraph 5400.16a stipulates that when a firm performs both an audit or review engagement and a sustainability assurance engagement for the same client Part 4A and Part 5 apply to the firm, a network firm and the audit team members. This aspect of the proposal does not ensure equivalence, nor can it engender full confidence in assurance engagements performed by non-professional accountant SAPs. We urge IESBA to ensure a level playing field – beyond mere encouragement.

A fundamental further issue we have identified relates to the extent to which auditors and SAPs in adhering to the respective requirements set by IESBA will be deemed as acting in the public interest. Proposed para. 5100.6 A1 states unequivocally that “*Upholding the fundamental principles and compliance with the specific requirements of this Part enable sustainability assurance practitioners to act in the public interest when providing*

sustainability assurance.” This is at odds with the counterpart in Section 100.6 A3 of the IESBA Code, which states: “*Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest.*” The implication is that to act (fully) in the public interest auditors may sometimes need to go beyond the IESBA Code whereas SAPs will not need to do so. Further clarification is needed if this is not the intended message.

There are numerous differences between the proposals and the ethics and independence standards for audit engagements in the extant code, many of which are justified because they are sustainability specific. However, we are concerned that the proposals include additional material or use different wording that could be equally interpretable for audit engagements, many of which are not specific to sustainability. A few examples include:

- Different text used in para. 5110.1 A1 (iii) and R5115.1(c) et seq., which includes new text referring to public trust in sustainability information that is subject to assurance in place of discrediting the profession.
- Para. R5113.3, which adds a requirement to explain the implications of limitations inherent in the SAPs activities.
- Making 5114.1 A1 application material rather than a requirement (and changing it unnecessarily) suggests that IESSA is less demanding than parts 1 to 4A, notwithstanding the addition of R5114.2 (a).
- R5113.3 adds a requirement to explain the implications of inherent limitations of activities not in the corresponding section of the extant Code.
- R5411.2 (d) regarding using or disclosing information notwithstanding whether the information has become publicly available goes beyond the code for audit.
- There is also complexity as described 5120.5 A6 in financial audits, it is unclear why this section is required for sustainability and not in section 1 of the Code.
- R5320.9 KPIs do not correspond to balance sheet valuations and improper earnings management.

In responding to q. 9 below, we note that 5400.13a explains that when an entity is voluntarily treated as a PIE for the audit of its financial statements another firm serving as its SAP is not required to treat the entity as a PIE. Of course, this introduces divergence, which we do not see as necessarily helpful in the public interest, nor in view of the need to ensure a level playing field we refer to in our cover letter. We suggest this is an issue to be discussed with the IAASB as a matter of priority.

IFAC - International Federation of Accountants

The proposals in Chapter 1 of the ED are largely equivalent to the requirements for firms performing audits of financial statements in the extant Code. Significant duplication of the Code within the proposals for Part 5 ensure this, which may assist equivalence but is problematic for effectiveness.

Some areas of the Code rely on further context provided by the IAASB's ISAs. For example, ISA 600 (Revised) provides a contextual backdrop to facilitate understanding to Section 405 Group Audits in the Code. However, proposed ISSA 5000 did not include

detailed requirements and guidance for groups, which limits the effectiveness of duplicating extant requirements and guidance, even if there are revisions made to improve the context for sustainability.

Some of the requirements may also pose a challenge to creating a level playing field for PAs and non-PAs regarding equivalence with extant requirements. We note that in 5100.2b(b) sustainability assurance practitioners that are not PAs are “encouraged to apply Parts 1 to 4B of the Code to guide the practitioner’s general conduct” whereas PAs would be required to follow these other parts when conducting engagements. There are also some particular areas such as fraud or NOCLAR where it may be especially important to ensure equivalence to create a level playing field.

A further challenge to equivalence arises in R5410.21. This paragraph refers to situations where a sustainability assurance practitioner firm may stay on after a five year period and R5410.21 (a) (ii) states that “where there is no designated regulatory or professional body in the relevant jurisdiction, the firm consults with and obtains concurrence from those charged with governance (TCWG) of the sustainability assurance client that having the firm continue to provide the sustainability assurance service would be in the public interest.” For PAs, there will be a designated regulatory or professional body in most cases, so they will need to gain similar concurrence from them rather than TCWG. If the IESBA believes that concurrence from TCWG is an adequate safeguard, it is not clear why this could not be applied by choice in all circumstances. If this is not an adequate safeguard, then it is not clear why it is permitted in some cases. The requirement could be amended with R5410.21 (a) (iii) being added which allows all sustainability assurance practitioners to alternatively obtain the required concurrence from TCWG. The IESBA should also consider whether revisions to Section 410 of the extant Code are required as a result of the text in R5410.21 if equivalence is desired.

Finally, obtaining an equivalent level of ethics and independence may be difficult due to sustainability reporting and assurance’s early stage of development. Transitional relief may be necessary to enable compliance with specific aspects of Part 5. For example, some jurisdictions may have a limited number of experts for certain sustainability topics. Having a small number of experts could threaten an expert’s objectivity. Allowing transitional relief could allow experts to establish objectivity and/or allow for the development of the expert market.

MIA-Malaysian - Malaysian Institute of Accountants

We support the development of the IESSA as a set of global ethics and independence standards. We believe that having globally-operable standards will be important to fostering public trust in the reliability of sustainability information.

We also support the approach to include a new Part 5. It is positive that the same level of independence is required and that all assurance providers be subject to the same requirements. It is of critical importance that the IESBA and IAASB work jointly together with regard to the development of interoperable standards. The scope of these should be aligned to prevent one set of standards that is misaligned with another set of standards in terms of nature, definitions and scope. The definitions used in IESSA and International Standards on Sustainability Assurance (ISSA) 5000 should also be aligned as much as possible.

While we agree that as drafted the standard is essentially equivalent to those of the audit of financial statements, the different nature of sustainability reporting and characteristics unique to sustainability assurance may necessitate further tailoring of requirements and concepts for the standard to be appropriate and implementable. We have reflected some such considerations in our responses to the questions below. It is also important that the IESBA remains cognisant of not setting a standard that may not remain fit for purpose as sustainability reporting practices evolve. Hence, the standard should be principles-based as much as possible.

NBA - Royal Netherlands Institute of Chartered Accountants

We agree with the reaction of Accountancy Europe dated May 10, 2024.

PAFA - The Pan-African Federation of Accountants

The proposals outlined in Chapter 1 of the ED closely mirror the existing requirements found in the Code for firms conducting audits of financial statements. This alignment is primarily achieved through significant duplication of content from the Code within the proposed Part 5, which aims to ensure equivalence but poses challenges for effectiveness.

Certain aspects of the Code draw upon additional context provided by the IAASB's ISAs. For instance, ISA 600 (Revised) offers valuable contextual insights for understanding Section 405 Group Audits in the Code. However, the proposed ISSA 5000 lacks detailed requirements and guidance for group audits, thereby limiting the effectiveness of replicating existing requirements and guidance, even with proposed revisions aimed at enhancing sustainability context.

ISSA 5000 serves as a comprehensive standard covering both reasonable and limited assurance, with tailored requirements and application material for each. Thus, recognizing the need for IESBA to formulate ethics and independence standards suited to reasonable assurance engagements is understandable. Nonetheless, the landscape of assurance for sustainability is evolving at varying rates across jurisdictions, with some yet to mandate assurance and others requiring only limited assurance. Equating sustainability assurance to audit engagements would be pertinent only where reasonable assurance is sought, necessitating further exploration of the approach to accommodate the nascent nature of developments and the diverse nuances of sustainability assurance engagements.

SAICA - South African Institute of Chartered Accountants

SAICA agrees that the proposals in Chapter 1 of the ED are, in principle, equivalent to the ethics and independence standards for audit engagements in the extant Code. There are certain areas that we do not believe should be the same and we have included our comments to this in the various questions below.

In addition, we recommend the following:

- The IESBA maps the differences between the two Codes to assist non-PAs.
- General guidance should be developed for Part 5 including application material; and

- Guidance should be written in “non-professional accountants (PAs)” language.

SAICA further recommends that a reference group of “non-PAs” should be established to support with the development of the guidance.

WPK - Wirtschaftsprüferkammer (Germany)

We generally agree with the IESBA's approach. However, it needs to be further examined whether the requirements can be transferred 1:1 or whether any further specifics of sustainability assurance engagements need to be taken into account.

Other Assurance Providers and Accreditation Bodies (non-PAs)

JAB - Japan Accreditation Board

We support establishing ethical and independence standards equivalent to those for financial statement audits, and standards that are profession-agnostic and framework-neutral. Considering that there are matters specific to sustainability assurance, such as confirming the independence of value chain companies, it is preferable to have an option with transitional measures rather than regulations.

It is appropriate that IESSA has the same ethical and independence standards as financial statement audits. If you are considering immediate application, we recommend IESSA to provide option that the country can determine the transitional measures. (For example, about 1 year) It is possible to comply with the standard even in a framework that is not limited by occupation.

Accounting Firms and Sole Practitioners

Assirevi - Association of Italian Audit Firms

We agree with the proposed intent, except for some elements.

The key principles of equivalence to audit, profession-agnostic and framework-neutral standards are those that should inform the IESBA activity.

Conceptually, we appreciate and agree with the approach used in the ED to maintain the equivalence of the ethics (including independence) provisions between the sustainability assurance engagements and audit engagements and that these provisions apply to all sustainability assurance practitioners, including those who are not professional accountants (Pas) and in relation to any reporting or assurance framework.

With respect to the equivalence, we understand the aim of this approach to be aligned with the Public Interest Framework's qualitative characteristics.

Although we agree with the principle of equivalence, we believe that the lack of performance standards (or of a standard to perform sustainability assurance engagements) weakens the proposed ethics and independence standards. This lack makes those standards unrealizable and inapplicable in certain parts and exposes the stakeholders to multiple approaches and outcomes depending on which performance standards the sustainability assurance practitioner (SAP) will in fact adopt. This could lead to non-homogeneous and highly non-comparable assurance reports. Moreover, IESBA adopted the same words and approaches (save for minor changes in definitions and few examples and guidance) of the extant Code, highlighting into the ED the

substantial difference between audit or review of a financial statements and an assurance on sustainability information. We understand that this may be viewed as a practical “expedient”, but this approach, together with the lack of performance standards, would result in deployment issues, uncertainties, different approaches taken in practice, etc..

This is the case, for example, with an assurance engagement on “consolidated” or “group” sustainability information. The “consolidation” of sustainability information is different from the concept of consolidation of “component” financial information for group financial statements purposes. In effect, sustainability information may be consolidated or aggregated from the entity’s broader value chain and this aspect is specific to sustainability reporting and assurance.

The mere equivalence and translation of ethics and independence standards for group audit engagements without specific requirements and assurance procedures for group sustainability assurance engagements could generate the risk of different approach and inconsistent application of the proposed ethics and independence standards.

Another example of the limits of taking an equivalent approach to the independence standards for audit engagements is that of independence consideration about the “related entities”. Indeed, the definition of “related entities” for the group financial statements purposes is not appropriate for group sustainability assurance. We believe that this definition should be based on the performance requirements for sustainability assurance engagements to facilitate the assessment of the level of independence threats for this kind of engagements. Is the significant influence-material entity really “related entity” for an assurance engagement of this nature? We do not believe so.

Given the above considerations, we recommend that the practical application of the equivalence approach be revised to decline and tailor it to the characteristics and purposes of sustainability assurance engagements and to allow consistent implementation of the proposed ethics and independence standards in line with the Public Interest Framework characteristics.

KMPG - KPMG IFRG Limited

We agree that with these proposals, the IESBA has achieved the same high standards of ethical behavior and independence that apply to audit engagements in the extant Code.

We also acknowledge the Board’s decision to essentially duplicate the extant Code’s ethics and independence requirements in order to respond to the request for swift action to develop a global standard of ethics and independence requirements for sustainability assurance engagements (SAEs). This plan of action, however, may have unnecessarily created certain ethics and independence requirements that would likely not have been needed if the IESBA’s approach had instead been to start with a clean slate and develop standards solely to address the risks inherent to SAEs. As the proposals are currently drafted, there is a lack of adaptation of audit engagement ethics and independence requirements to the specific circumstances of SAEs.

While the resulting Part 5 will be familiar for professional accountants (PAs), we do have concern that the extent of provisions in Part 5 may be viewed as unnecessary or onerous and therefore create a barrier to adoption for practitioners who are not professional accountants (non-PAs) and who do not currently subscribe to a code of ethics and/or find

independence concepts unfamiliar. This unfamiliarity will be exacerbated by the terminology used in Part 5, as many of the terms and concepts originate from the auditing standards. To this end, our responses throughout this appendix are geared toward making the IESSA adoptable and operable for PAs and non-PAs alike.

We recommend the IESBA work through its partnership with the International Accreditation Forum and with other accreditation bodies for SAPs who are non-PAs to mandate adoption by non-PAs. We also suggest implementation guidance to assist non-PAs, in particular, with understanding key requirements and terminology in Part 5.

MOORE - Moore Global Network Limited

We agree that the proposals in Chapter 1 of the ED are similar to the ethics and independence standards for audit engagements in the extant Code. However, we recommend the following:

- The IESBA should map the differences between the two Codes. This will be to the benefit of non-accountants;
- Guidance for Part 5 and any other guidance written should be done in such a way that it is understandable to non-accountants.

PP - Pitcher Partners Advisors Proprietary Limited

Yes. We agree that the proposal is equivalent and professionally agnostic and framework neutral. However given the extensiveness of the Code, we are unsure whether non-professional accountants providing sustainability assurance will be able to easily and effectively understand and apply the requirements within the Code.

PwC - PricewaterhouseCoopers International Limited

Equivalence to the standards for audit engagements

We agree that, as drafted, the standards are essentially equivalent to those for the audit of financial statements.

However, while we agree that high-quality standards are needed, this does not necessarily mean that the standards need to be the same. In our view, there are characteristics unique to sustainability assurance that require further tailoring of requirements and concepts for the proposals to be appropriate and implementable.

The independence standard relating to the audit of financial statements has been established over a 20-year period, based on relatively consistent and well-established reporting frameworks. The limited tailoring that has been done by IESBA is insufficient to reflect the different nature of sustainability reporting, in particular to acknowledge the implications of how new and evolving sustainability reporting frameworks may define the reporting entity and its reporting boundary and how this relates to the concepts of the “group” and “related entities” used as the basis for the requirements in Part 5.

We believe that the approach to non-assurance services (NAS) needs to be revisited and clarified. Given the difference in what is reported compared to financial statements, we acknowledge that the proposed NAS prohibitions largely apply “if the service might create a self-review threat”. However, we question the need to include the full range and scope of services that are covered in Part 4A. It might be more useful, particularly for non-PAs,

to focus on those related services that are likely to be relevant in this context (such as engineering services) and apply the conceptual framework to all other NAS (akin to the approach in Section 950 of Part 4B). This would help make the standard more concise. Please see our responses to Questions 15 and 16.

We also note that sustainability reporting and assurance thereon is an emerging area and that there is therefore a lack of experience and established practice. It is important that the IESBA remains cognisant of not setting a standard that may not remain fit for purpose as sustainability reporting practices evolve. The standard cannot anticipate developments in this space which will emerge over the coming years and, therefore, should be principles based as far as possible. The IESBA can revisit the need for more specific requirements or additional guidance as those developments, including investor and regulatory expectations, evolve.

Academia and Research Institutes

NRS - Professor Nicole Ratzinger-Sakel

There seem to be differences with regard to the respective requirements set by IESBA and acting in the public interest for SAPs and public interest auditors. While for SAPs para. 5100.6 A1 states: “Upholding the fundamental principles and compliance with the specific requirements of this Part enable sustainability assurance practitioners to act in the public interest when providing sustainability assurance.”, for public interest auditors Section 100.6 A3 states: “Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest.” These two sentences are contradictory. SAPs act in the public interest when they comply with the Code. However, this is not true for public interest auditors. The latter have to go beyond the Code. These sentences require clarification.

Question 1(a) - Disagree

Professional Accounting Organizations (PAOs)

AICPA - American Institute of Certified Public Accountants Professional Ethics Executive Committee

Overall response: No. See our response to question 4 as well as detailed comments here.

Detailed comments: The literal execution of IESBA's objective to propose independence requirements for sustainability assurance engagements that are equivalent to the independence requirements for financial statement audits is inappropriate because the requirements should be developed with the goal of addressing significant threats. The subject matter of sustainability assurance engagements differs and therefore, threats can differ. A threats approach to drafting the standard would avoid requirements that are unnecessarily prescriptive and costly to the client (and therefore, investors and other stakeholders).

In IESBA's approved Sustainability Project Proposal, paragraph 13 explains that the part 4B requirements “are not sufficiently robust for providing assurance on sustainability reporting prepared under a general-purpose reporting framework” and indicated that the “more robust independence provisions that apply to audits of financial statements in Part

4A of the Code is the appropriate starting point [emphasis added] for developing ethics and independence standards for sustainability assurance engagements.”

Our expectation in using part 4A as a starting point for the proposed independence requirements for sustainability engagements is that requirements would be tailored appropriately to address relevant threats. The proposed requirements for related entities, and public interest entities (PIEs), are overly prescriptive and do not appropriately address relevant threats, as explained further below and in our response to question 9, respectively.

PAs have indicated to us that their firms may choose not to provide sustainability assurance to entities that are not already financial statement audit clients due to the additional cost of compliance created by the PIE and related entity requirements. If this occurs, it could limit the number of practitioners available to the entity.

Related entities

IESBA used the definition of “audit client” to draft the proposed definition of “sustainability assurance client,” which means that for those entities that are not publicly traded entities, the definition of “sustainability assurance client” includes entities that the client directly or indirectly controls. For publicly traded entities, it also includes all other related entities as defined in the IESBA code.

In financial statement audits and reviews, when the applicable reporting framework requires consolidated reporting, the related entities are generally the same entities within the organizational boundary that are required to be included for consolidated reporting and all those entities will generally have financial information that is included in the consolidated report.

In a sustainability assurance engagement, though consolidated reporting may be required, not all entities (or related entities) will have sustainability information that is included in the consolidated report. For sustainability reports that do not include information from related entities, sustainability assurance practitioners should be allowed to evaluate circumstances, including interests and relationships, with the related entity using the conceptual framework.

For example, a holding company could own a renewable energy company and a digital technology company, and the applicable general-purpose framework could require consolidated reporting of the holding company's material GHG emissions. The practitioner is engaged to perform a sustainability assurance engagement at the holding company. In this scenario, the sustainability information that is considered material by management and required to be reported may only be information that comes from the renewable energy subsidiary. If an immediate family member of a sustainability assurance team member is a director at the digital technology company but has no influence on the information subject to the sustainability assurance engagement, the proposal should allow for the SAP to use the conceptual framework to determine the course of action. Alternatively, the requirements could include certain exceptions, such as allowing for employment relationships or other relationships and circumstances, when the related entity does not report significant sustainability information that is subject to assurance and does not have influence over that information.

Using the same holding company and reporting situation as above, if a sustainability assurance team member had a direct financial interest in the digital technology company, it is not likely that the sustainability information being assured at the holding company would have a significant impact on the digital technology company. Considering that the sustainability information is not related to that subsidiary, a significant self-interest threat is unlikely to exist without any other factors present.

If the sustainability assurance engagement was performed at the renewable energy company and it meets the definition of a PIE for financial statement audit purposes, the employment and financial interest relationships with the digital technology company, a sister entity, would pose an even lesser independence threat to the engagement.

In the short term, related entities may not be required to report sustainability information because several reporting frameworks will require that sustainability information be reported only by the entities in a specific jurisdiction as an initial step and not by all entities within the organizational boundary. This makes it even more important that the requirements focus on the entities within the organizational boundary that report sustainability information that is subject to the sustainability assurance engagement to appropriately address threats to independence.

CPAA - CPA Australia

As outlined in our cover letter, CPA Australia acknowledges the IESBA's intention to achieve equivalence to the ethics and independence standards for audit engagements in the extant Code. However, the "lift and shift" approach taken by the IESBA (i.e., to pick up Part 4A and make relevant wording changes relevant to sustainability assurance) ignores the context in which Part 4A is written, as noted in our cover letter.

GAA - Global Accounting Alliance

On the matter of equivalence, the GAA members have concerns regarding additional requirements applying only to professional accountants (PAs), such as requirements to comply with Parts 1 to 4B of the Code that are also relevant to the sustainability assurance engagement. Non-professional accountants (non-PAs) are only encouraged to apply these parts of the extant Code, meaning full equivalence would not be achieved.

IWP - Institut Österreichischer Wirtschaftsprüferinnen

We agree that sustainability assurance engagements must be subject to equivalent, not the same, standards for ethical behaviour and independence as those that apply to financial statement audits; however, we believe that taking the extant Code as a blue-print is not the right approach to achieving this. Concepts and expectations from an independence perspective in a sustainability assurance engagement are not necessarily the same as for an audit, for which the detailed rules have been refined over decades following observations in practice which may not be valid for sustainability assurance. Consequently, we would be in favour of a lean, principle-based approach, based on a thorough analysis of the sustainability assurance specifics.

For example, the list of non-assurance services covered in Sect. 5600 might be substantially reduced. Just for illustration purposes: It is hard to conceive under which circumstances a valuation for tax purposes to a sustainability assurance client might affect the records underlying the sustainability information or the sustainability information

on which the firm will express an opinion (5604.17 A1). A much more relevant scenario, which is not covered explicitly, might for example be advice on measuring or estimating emissions, on developing strategies to reduce emissions to net zero by 2050, to develop policies and metrics for sustainability matters that later need to be reported etc.

Furthermore, the ethics and independence standards for both sustainability assurance and audit engagements need to respect, in our view, legislative decisions made. For illustration and non-exhaustive:

- Where law requires those charged with governance (TCWG) to establish a reporting system and have the necessary knowledge and skills to analyse the permissibility of a non-audit/assurance service and form an independent opinion, a requirement for the auditor or assurance provider to provide his analysis of the impact of the provision of the service on the firm's independence (R5600.22) unduly influences TCWG.
- If law clearly stipulates the scope and basis of accounting for the fees to the auditor/assurance provider to be disclosed by the client, requiring the auditor to discuss with TCGW the benefit of disclosing fees, in addition, in a different manner (R5410.30) ignores that a. such additional information does not increase transparency but adds confusion to the reader and b. in a two-tier governance system, TCGW may legally not be in the position to initiate additional disclosure.
- If the legislator takes the view that a familiarity threat arising from long association of personnel is at an acceptable level in a combination of roles in financial audit and sustainability assurance, or that such familiarity threat is generally at an acceptable level for sustainability assurance compared to the implications of strict rotation requirements on the local audit market, such restrictions should not be introduced through the back-door of the private Code, thus undermining the democratically legitimised prerogative of legislative to define public interest, or putting a substantial burden upon those willing to comply with the Code to continuously navigate between different and conflicting rule sets.

We encourage aligning terminology to the maximum extent possible with IAASB.

MIA-MALTA - The Malta Institute of Accountants

In certain sections, the Exposure Draft on International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA or ED) extends to setting out principles and guidance which involve the entity's value chain. Given that the nature of audit engagements is different, the scope of the IESSA is wider and therefore introduces principles and guidance that are more onerous and far-reaching making the IESSA by its very nature not equivalent to independence standards for audit engagements.

The Institute considers that it is crucial that the application of the IESSA principles and guidance apply to all practitioners equally whether such practitioners are Professional Accountants (PAs) or not. If non-PAs will be practising within the IESSA framework, and especially if such non-PAs will claim that their work is provided in terms of such framework, then the principles and guidance set out in the IESSA must apply to PAs and non-PAs in the same manner (i.e. it must be profession-agnostic). Certain principles and

guidance set out in the IESSA are only encouraged when it comes to non-PAs and therefore the proposal in the ED is not always profession-agnostic and framework-neutral.

In addition, in our opinion, it is still too early to understand all implications of extending independence requirements to the entire value chain and to determine whether all practical considerations have been taken into account. We consider that a study is necessary in order to delineate the parameters of the scope so as to ensure that a balance is reached between the extent of restrictions and the practical implications. In fact, this could be a specific project that IESBA could consider undertaking.

PICPA - Pennsylvania Institute of Certified Public Accountants

Financial reporting framework versus sustainability reporting - The committee supports robust independence requirements for SAPs. However, the committee does not necessarily support the approach in the proposal, which seems to mirror the independence requirements for financial statement audits. The committee notes that the content of a sustainability report differs from the financial reporting ecosystem; (i.e., the sustainability report may not include information from all the entities included in the financial statements). The committee believes that the related independence requirements should be tailored to the specifics of the sustainability report and not necessarily to all entities included in the financial statements. Using a threats and safeguards approach to independence would address this concern. The conceptual framework could then be used to address any related entities not included in the sustainability report.

Accounting Firms and Sole Practitioners

BDO - BDO International Limited

BDO disagrees, with the following additional comments:

BDO agrees that by basing the proposed Part 5 (IESSA) on Parts 1-4 of the IESBA Code, the IESBA has ensured the IESSA is generally equivalent to the Code's ethics and independence standards that apply to the conduct of professional accountants and to the performance of audit and review engagements.

BDO has made comments on significant aspects of the ED that are not, in BDO's view, equivalent to the Code's ethics and independence standards for audit and review engagements in response to Questions 4 and 13 below.

Given that the draft IESSA is based on, and incorporated into, the established IESBA Code, developed over many years by and for accountants, and includes concepts such as the 'fundamental principles', 'conceptual framework' and 'professional skepticism', BDO finds it difficult to conclude that it is either profession-agnostic or framework-neutral. However, BDO sees no reason why the IESSA could not be adopted and implemented by other standard-setting boards and firms performing sustainability assurance engagements from outside of the accounting profession.

Recommendations:

BDO does foresee that it will take those outside of the accounting profession longer to come to grips with the IESSA, taking steps to narrow the gap by enhancing their policies and procedures, and to implement it in an effective and consistent manner. This may

affect the usability and attractiveness of the standard for non-PA practitioners. The impact of this should be carefully considered by the IESBA, given that its use will be voluntary for many non-PA practitioners. BDO also recommends that the IESBA takes this into consideration when deciding on the effective date.

DTTL - Deloitte Touch Tohmatsu Limited

Deloitte Global notes the proposals in Chapter 1 are substantially “equivalent” to the ethics and independence standards for audit engagements in the extant Code as the language and concepts are replicated almost exactly from Part 4A of the Code. We support robust independence standards, but Deloitte Global does not agree with the approach taken to achieve this equivalence in developing Part 5. Rather than starting with Part 4A, we believe strengthening the provisions in Part 4B of the Code would be a more effective and balanced approach, especially since not all financial statement audit terms and concepts will be applicable to the sustainability reporting and assurance ecosystem. For example, Deloitte Global has concern about:

- The reasonableness of using the same criteria to determine the “related entities” of a sustainability assurance client, when not all related entities might contribute to the sustainability information in the client’s report in the same way that a related entity’s financial information contributes to a set of financial statements (for example, an equity method investee of a sustainability assurance client). Under the Greenhouse Gas (“GHG”) Protocol, entities may adopt one or two approaches for consolidating GHG data, the equity share or the control share approach, within which the entities in scope are determined by the operational boundary that may vary, for example, between wholly owned versus joint operations. Using the audit concept of “related entities” in sustainability assurance might result in the overreach of independence considerations to entities that are not included in the scope of a client’s sustainability reporting. This is particularly impactful for a sustainability assurance practitioner that is not also serving as the client’s financial statement auditor.
- The group sustainability assurance requirements as discussed in our response to Question 10.
- The criteria for determining whether a self-review threat exists when providing a non-assurance service to a sustainability assurance client as discussed in our responses to Questions 15 and 16.

In addition, by replicating Part 4A, the proposed IESSA lacks concepts, examples and guidance specific to sustainability assurance engagements that would enable practitioners to understand how to apply the independence requirements within the sustainability reporting and assurance environment. This will be especially important for sustainability assurance practitioners who are not accustomed to using the Code.

Lastly, we recognize the IAASB is continuing to work on ISSA 5000. In the absence of a final sustainability assurance framework, it is difficult to assess whether this approach will result in the ethics and independence standards for sustainability assurance engagements being applied in an equivalent manner to audit engagements (an objective of this project).

Deloitte Global is concerned with the ability to ensure consistent understanding and application of the proposed IESSA. This may lead to difficulties from a regulatory perspective to review, inspect, and enforce the standard. Further, it would likely create a lack of consistency that is not transparent to users of sustainability reporting.

GTIL - Grant Thornton International Limited

GTIL agrees that developing high quality ethical, including independence, requirements for sustainability assurance engagements, is in the public interest.

However, we do not believe the requirements necessarily should be the same as financial statement audit engagements because the threats present in a sustainability assurance engagement may be different than those present in financial statement audit engagements. We believe IESBA should have spent additional time analyzing the threats that could arise in a sustainability engagement to see if they are comparable to those in financial statement audits.

Question 1(a) - No Specific Comment

Regulators and Oversight Authorities, incl. Monitoring Group members

ACRA - Accounting and Corporate Regulatory Authority (Singapore)

CEAOB - Committee of European Auditing Oversight Bodies

IAASA - Irish Auditing & Accounting Supervisory Authority

IFIAR - International Forum of Independent Audit Regulators

IOSCO - International Organization of Securities Commissions

SGX - Singapore Exchange Limited

Investors and Other Users

Ceres Accelerator

IAIP - Indian Association of Investment Professionals (CFA Society India)

MSCI - Morgan Stanley Capital International

NBIM - Norges Bank Investment Management

Preparers and Those Charged With Governance

Asma Jan Muhammad

BD - Bruno Dirringer

Professional Accounting Organizations (PAOs)

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

INCP - National Institute of Public Accountants of Colombia

NYSSCPA - New York State Society of CPAs

Other Assurance Providers and Accreditation Bodies (non-PAs)

IAF - International Accreditation Forum

Accounting Firms and Sole Practitioners

BKTI - Baker Tilly International

Academia and Research Institutes

NNN - Nada Naufal Director at the American University of Beirut

Others

IBA - The International Bar Association

IIA - The Institute of Internal Auditors

Question 1(b) - Agree

Regulators and Oversight Authorities, incl. Monitoring Group members

BAOA - Botswana Accountancy Oversight Authority

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

ESMA - European Securities and Market Authority

Broad support for the general approach proposed by IESBA to the new Section 5 of the Code

Against this background, ESMA welcomes IESBA's proposal to develop ethics requirements for sustainability assurance, including International Independence Standards, that are grounded on existing principles applicable to the audit of financial statements, but duly adjusted, internationally recognised, profession-agnostic and framework-neutral. This approach is also in line with IOSCO's 2022 statement of support to the work of IESBA and IAASB in the field of sustainability assurance standards.

ESMA stresses the importance of IESBA's role to help bridge the gap between the two main groups of professionals that will be involved in the assurance of sustainability reporting: audit firms and conformity assessment bodies as well as other practitioners. Convergence towards the highest and most effective ethical and independence standards for those involved in sustainability assurance engagement is not only essential to enable financial supervisors to rely on the assurance work in their supervisory task, but it is of utmost importance for the credibility and reliability of the reporting vis-à-vis investors and other stakeholders. ESMA therefore supports both IESBA and the IAASB in taking a leading role at international level in fostering the dialogue and convergence across the diverse community of sustainability assurance practitioners.

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

The PAAB agrees that the proposals are profession agnostic as the standards are capable of being understood and applied by all practitioners of sustainability assurance engagements, including those who are not PAs, and the proposed standards are also framework neutral.

UKFRC - United Kingdom Financial Reporting Council

Yes.

Investors and Other Users

DIR - Daiwa Institute of Research Ltd

Yes.

Public Sector Organizations

AGNZ - Office of the Auditor General of New Zealand

Yes.

GAO - US Government Accountability Office

The proposed independence standards appear to be written in a profession-agnostic and framework-neutral manner.

UNCTAD ARL - UNCTAD's Latin America Regional Alliance

I Agree - 67% of respondents

UNCTAD ARP - UNCTAD African Regional Partnership

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.

Professional Accounting Organizations (PAOs)

AIC - Asociacion Interamericana de Contabilidad (Inter-American Accounting Association)

As explained in paragraph 21, the IESBA agreed to develop global agnostic (including independence), ethical standards for sustainability assurance engagements such, that the IESSA should be understandable and applicable by all professionals performing assurance engagements, including those who are not accounting professionals, therefore, the IESBA has developed the proposed IESSA using terminology that is intended to be understandable to all sustainability assurance professionals.

BICA - Botswana Institute of Chartered Accountants

The proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral, which is essential to ensure broad applicability and relevance across various professional contexts and reporting frameworks.

CFAR - Chamber of Financial Auditors of Romania

We agree that the proposals are profession agnostic and framework neutral.

IICA - Institute of Indonesia Chartered Accountants

Yes

IPA - Institute of Public Accountants (Australia)

IPA agrees that the drafting has achieved these two main objectives of the IESSA.

JICPA - Japanese Institute of Certified Public Accountants

We agree that the proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral.

KICPA - Korean Institute of Certified Public Accountants

The KICPA agrees with the above description.

MICPA - Malaysian Institute of Certified Public Accountants

The proposed IESSA requirements are similar to the requirements under existing IESBA Code for the audit and review of financial statements (Part 4A). We agree with the proposal.

Accounting Firms and Sole Practitioners

MU - Muhammad Umar - Mo Chartered Accountants

b) The standards meet both criteria

PKF - PKF Global

PKF Global Response: We agree with Questions 1a and b.

Academia and Research Institutes

NSU - Nova Southeastern University (Florida)

Question 1: All students provided positive feedback, with examples below.

- I agree with the conclusion that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant code. Paragraph 19 of the Explanatory Memorandum highlights consistency with regulator opinions in the United States (US) and the European Union (EU). In further analysis of the Exposure Draft, paragraph 5100.1a is vital in showing the equivalence to ethics and independence standards for audit engagements. The expectation of practitioners of sustainability assurance “to have relevant knowledge, skills and experience to perform sustainability assurance engagements and have appropriate training to ensure their assurance skills are continually up to date with relevant developments” (IESBA, 2024) is approximately equal to ethics and independence requirements of audit engagement staff. The requirements that stood out to me the most are “relevant knowledge, skills, and experience” as well as “appropriate training.” I agree that the proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral. However, the Exposure Draft explicitly states that the proposals in the ED are meant to support or serve as a foundation, with the idea that practitioners build upon the standards.
- I agree with the proposals in Chapter 1 of the ED explaining that the IESBA sustainability assurance engagements should hold the equivalent to the ethics and independence standards for audit engagements. I agree with this because ESG is very important to many shareholders, but there should be no questions whether an assurance engagement is unethically done due to conflicts of interest. Additionally, an example that comes to mind is gas emissions. For example, if a scientist has stocks in a company with very high gas emissions, there could be a conflict of interest if the scientist were to perform their ESG evaluations of the company. This is why it is important for these engagements and standards to maintain independence and ethics. Additionally, I also agree with the profession-agnostic and framework-neutral standards. I agree with these standards because not all public accountants have the knowledge needed to perform an environment or social assurance engagement with a client. These engagements will need professionals from all types of backgrounds, so it

is important that the IESSA be understood by all types of people with different professions and backgrounds.

- I do agree that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant code. I believe this because it is pointed out the importance of having high standards and ethical behavior like those found throughout audit engagements. It is also important to note that the same language was used which would promote consistency with the ethical and independent behaviors that auditors are held to. I think that if there is identical language, then the standards should be equivalent throughout. It will be important to update and amend these ethical standards while maintaining verbiage as the reporting standards are amended. I think that once that standards are mandated, there will be changes made based on what qualifies towards sustainability reporting, and this will require judgement and updated ethics standards. I do agree that the proposals in Chapter 1 of the ED are equivalent to profession-agnostic standards. Since it was recognized that there were various professions working together on sustainability assurance, it was important to consider a way to include everyone and make sure all parties can understand. I think that the first step was to understand that this is necessary, and the next will be to ensure that all parties can utilize and understand the IESSA. In the future it will be imperative to continue to test the different groups using this to ensure this is easily understood. I do agree that the framework-neutral standards are equivalent as they are interoperable with other standards as mentioned in the text. These standards combined will allow for a strong framework and set of standards from the beginning. For both standards, it is important to remember that it will not be equivalent to the proposal as the standards it is being compared to are already tested. This will take time and sampling to ensure that all parties involved understand terminology.
- The IESBA drafted the proposed guidance in the same manner and to the same standards that apply to audits of financial information. The extant Code was used as a foundation for drafting the proposed IESSA guidance. So much work has already been done with respect to the high quality standards and expectations surrounding financial audits, it would be prudent to leverage that effort when drafting further guidance that is expecting to complement the financial audit.
- The IESSA Builds on and extends the ethical already in place in parts 1 to 4A (with some exceptions) of the existing international code of ethics for professional accountants. This alignment ensures that the ethical standards are applied to sustainability assurance. This approach ensures that practitioners engaged in sustainability assurance adhere to consistent ethical principles to maintain public trust and confidence. The IESSA is developed to be profession-agnostic, meaning it should be understandable and applicable by all practitioners of sustainability assurance engagements, including those who not professional accountants.
- I agree with the proposals listed in Chapter 1 of the Exposure Draft as they are cognizant of the public interest. There is high emphasis on ethics as it is instrumental in maintaining the public's trust. By taking into account, the Public Interest Framework characteristics of Coherence, Clarity and Conciseness, and Implementability and

enforceability, the proposal put forth covered all areas in detail providing guidelines and consequences. The main theme is “High-quality ethics and independence standards alongside other reporting and assurance standards will help investors, customers, employees and other users of sustainability information to confidently rely on such information in their decision making”. The standards are created for the Public interest ensuring full accountability and standards for professional accountants and sustainability assurance practitioners. Additionally, it emphasizes the importance of the professions to have the skills and knowledge but also to continually learn to stay abreast of new developments in the area.

Question 1(b) - Agree With Comments

Regulators and Oversight Authorities, incl. Monitoring Group members

ACRA - Accounting and Corporate Regulatory Authority (Singapore)

We support the IESBA's objectives of creating a profession-agnostic and framework-neutral standard. As 43% of sustainability assurance engagements are conducted by non-accountant SAPs globally, this approach will promote consistent ethical behaviour and independence across all SAPs.

Accountant SAPs

Currently, accountant SAPs apply Part 4B when conducting sustainability assurance engagements in accordance with ISAE 3000 and ISAE 3410, which are the most used sustainability assurance standards by audit firms. As the Proposed IESSA is primarily developed based on the more rigorous requirements in Part 4A, accountants SAPs will need more time to adapt their systems and practices to comply. They also highlighted that with ISSA 5000 being an assurance standard, it may be more conceptually aligned with Part 4B (for assurance engagements), as compared to Part 4A (for audit and review).

Non-accountant SAPs

Non-accountant SAPs will apply the proposed Part 5, which incorporates elements of Parts 1, 3 and 4A. The accounting and auditing concepts and terms in Part 5 may present challenges for non-accountant SAPs, who operate under different business models, standards and practices. For instance, ISO/IEC 17029 do not include detailed requirements in Part 4A and Part 4B for assessing financial interests, loans and business relationships held by an individual's immediate family in relation to the firm's clients.

We propose that the IESBA to tier the requirements, allowing jurisdictions to:

- commence with the baseline requirements, including those mirroring Part 4B of the extant International Independence Standards.
- have the option to introduce the stricter requirements set out in proposed Part 5, which mirrors Parts 1, 3 and Part 4A later, when jurisdictions mandate comprehensive sustainability assurance.

This will enable jurisdictions to tailor the requirements to their coverage and scope of mandatory assurance, and provide more time for all SAPs to transit to requirements mirroring Part 4A.

IRBA - Independent Regulatory Board for Auditors

Question 1(b): Partially yes, with comments for your consideration below.

We agree that the proposals are framework neutral.

We note the difficulty in writing a profession agnostic code based on terminology that might not be understood by all sustainability assurance practitioners. We acknowledge that the proposed IESSA was developed using neutral terminology where possible however, we note that it contains many concepts that are unique to assurance, and therefore more may need to be done after exposure to make these additions to the code more profession diagnostic. Some of these examples include:

- The scoping of the International Independence Standards (IIS) in Part 5, which refers to “general-purpose framework”, “attestation” versus “direct engagements”, “underlying subject matter”, “applicable criteria”. It is self-evident that these concepts related to the work that is the traditional expertise of professional accountants.
- The expectation that the firm will have designed, implemented, and operated an appropriate system of quality management as a prerequisite to the performance of high-quality sustainability assurance engagements. We question how a non-professional accountant will be able to assess if a quality management system is “at least as demanding as the International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” or understand the examples provided in accordance with ISQM 1 and therefore meet the expectation.
- Section 5405, Group Sustainability Assurance Engagements. The proposed requirements in this section are aimed at achieving the effect of the requirements in International Standard on Auditing (ISA) 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) (ISA 600(Revised)), which are audit specific.

We agree with the IESBA that supporting non-professional accountants in achieving a full understanding of all the provisions of Part 5 will require education, training, and bridging guidance, because the gap the standards are trying to breach is not a gap in language but a professional gap where some terminologies, conceptually, are not neutral. A solution worthy of observing is whether other professions adopt Part 5, and with it takes on the other obligations to support members of their profession.

NASBA - National Association of State Boards of Accountancy (US)

As noted previously, while profession-agnostic and framework-neutral standards may work, NASBA is concerned about enforceability outside of the CPA framework.

Investors and Other Users

SAAJ - The Securities Analysts Association of Japan

Given that sustainability assurance is already performed not only by professional accountants (PAs), but also by a variety of practitioners who are not professional accountants (non-PAs), the objective of profession-agnostic standards, which aims to apply to all sustainability assurance practitioners, is also important.

Multiple sustainability disclosure standards are expected to coexist globally, including the ISSB Standards, jurisdictional standards based on the ISSB Standards, European standards, and U.S. standards. While we expect standard setters and regulators in each jurisdiction to improve the interoperability of these standards, we also believe that the objective of framework-neutral standards is important given this coexistence.

However, for the IESSA to function as a global baseline ethics and independence standard, it will need to be adopted in most jurisdictions. In addition, to achieve the objective of profession-agnostic standards, each jurisdiction will need to establish an infrastructure, including qualifications and continuing education, to raise the awareness and level of assurance practitioners other than PAs. Therefore, we encourage the IESBA, in cooperation with the IAASB, to work on this matter with the International Organization of Securities Commissions (IOSCO) and the regulators in each jurisdiction.

Preparers and Those Charged With Governance

ICFOA - International CFO Alliance

Yes, in principle we agree with the profession-agnostic and framework-neutral approach of the Code. We strongly support the use of common language with the extant Code which will facilitate implementation (i.e.: familiarity for PAs in particular), and prevent the emerge of an alphabet soup in ethics related standards.

Moreover, we believe that additional guidance may be needed to support its implementation among other non-accounting professionals entering into assurance services professions. It would be unwise to assume that all professions are familiar with the common language used in the proposals, for example, in reference to the fields of audit, corporate governance, internal controls frameworks, etc.

Independent National Standard Setter

APESB - Accounting Professional & Ethical Standards Board (Australia)

APESB is supportive of the IESBA's proposal to develop profession-agnostic and framework-neutral standards. We are aware that in different jurisdictions, a range of practitioners, in addition to professional accountants, may be permitted to perform assurance on sustainability information. We believe it is in the public interest to have a globally consistent ethical framework for sustainability assurance engagements.

While we support having a profession-agnostic standard, we note that the language and terminology used in the proposed Part 5 are inherent to accounting practitioners. APESB believes it is important to maintain consistent language across the Code to avoid opportunities for arbitrage, however, this may create challenges for non-professional accountants in understanding the nuances in the extant terminology.

APESB encourages the IESBA to consider developing additional guidance and non-authoritative materials, incorporating examples and case studies, to assist and educate sustainability assurance practitioners who are not professional accountants in understanding the terminology and the specific meanings relating to ethics and independence requirements for conducting sustainability assurance engagements.

Stakeholders have expressed mixed views to APESB on the creation of a profession-agnostic standard. The concerns raised relate to whether non-professional accountants

would voluntarily adhere to the proposed Part 5 of the Code if not required by legislation or regulation to apply it.

Professional Accounting Organizations (PAOs)

ACCA - Association of Chartered Certified Accountants

We agree that the proposals in Chapter 1 of the ED are, in strict terms, profession agnostic and framework neutral ethical standards and that they set the global baseline for ethical standards for sustainability reporting and assurance. IESSA needs to be capable of being understood and applied by all practitioners of sustainability assurance engagements, including those who are not PAs. We note that it is important that the proposals are profession-agnostic as there are several types of practitioners currently performing sustainability assurance engagements including non-PAs.

This is a very challenging task to deliver against. Whilst we acknowledge the effort placed by the IESBA to seek to ensure that the standard is profession agnostic, we remain concerned that some practitioners, particularly non-PAs, may not be familiar with certain ethical terminology and concepts used. As noted in our general comments, we understand that this terminology and relevant concepts are necessary as the standard is addressing the provision of ethical standards for sustainability assurance. However, we believe that non-PAs may need additional implementation guidance or simplified proposals to enable their understanding. This is an important public interest issue that IESBA will need to address in the final standard to ensure the profession-agnostic and framework neutral standards are effectively applied in practice. In that context, feedback from this consultation from non-accountants will be crucial in designing final standards that will be adopted fully in practice.

AE - Accountancy Europe

We agree with the premise that sustainability assurance engagements must be underpinned by the same level of standards for ethical behaviour and independence as those apply to financial statement audits. In this regard, we appreciate why the IESBA has taken the extant Code as the starting point for developing Part-5. As noted in our detailed responses below, there is still a need to refine certain provisions which fail to address matters that are relevant specifically to sustainability.

We also agree that ethical standards for sustainability, especially for assurance, should be profession-agnostic. Accountancy Europe represents the European accounting and audit profession. Therefore, we are not in a position to comment on whether proposed Part 5 is capable of being understood and applied by non-PAs.

However, the Code with proposed revisions treats PAs and non-PAs differently as can be seen in the examples below:

- For non-professional accountant SAPs who perform professional activities and have professional relationships not covered by proposed Part 5, paragraph 5100.2b(b) only encourages application of the general conduct provisions of Parts 1 to 4B of the IESBA Code.
- Proposed para. 5100.6 A1 states unequivocally that “Upholding the fundamental principles and compliance with the specific requirements of this Part enable

sustainability assurance practitioners to act in the public interest when providing sustainability assurance.” This is at odds with the counterpart in Section 100.6 A3 of the IESBA Code, which states: “Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest.”

- R5410.21 which presents an exception to paragraph R5410.20 and allows the firm may continue to be the sustainability assurance practitioner after five consecutive years if there is a compelling reason to do so having regard to the public interest. There is however a differential requirement for cases where there is no designated regulatory or professional body in the relevant jurisdiction.

AICPA - American Institute of Certified Public Accountants Professional Ethics Executive Committee

Overall response: Yes, we agree that overall IESBA has proposed profession-agnostic and framework-neutral requirements; however, we have concerns with this approach as described in our detailed comments and in the “IESBA issuance of profession-agnostic standards is not in the public interest” section of this comment letter.

Detailed comments: Although the IESBA code does not currently require a PA to use standards issued by the IAASB, the code is meant to be interoperable with IAASB standards or jurisdictional equivalents, and this supports IESBA's strategy to minimize fragmentation.

While we understand that non-PAs may be using quality management and assurance standards developed by organizations other than the IAASB, we do not believe the IESSA should be used unless a regulatory or other oversight body provides for use of the IESSA *and* oversees the services or the SAP (emphasis added). Doing so will help to maintain the strength of the IESBA code and minimize stakeholder confusion.

CAANZ - Chartered Accountants Australia and New Zealand

We agree that the proposals are reporting framework neutral and suitable for use irrespective of the underlying reporting framework used to prepare the sustainability information.

However, we have concerns about the useability of the ED for non-professional accountant practitioners (NPAPs). The extant Code is written for professional accountants who are required to use the IAASB assurance framework. So, by virtue of taking Parts 1 to 4A of the IESBA Code and largely replicating them for proposed Part 5, terms and phrases used in the IAASB suite of standards are included. These terms and phrases may not be well understood by NPAPs. Without extensive non-authoritative materials and support for NPAPs, few will be able to apply the Code correctly.

CAI - Chartered Accountants of Ireland

We believe the IESSA proposals are largely profession-agnostic. However, we have significant concerns regarding the rate of voluntary adoption or level of regulatory enforcement of Part 5 of the Code that will be undertaken by non-PAs providing sustainability assurance services.

Our key concerns are outlined in our response to question 2 of the consultation. In addition, while we acknowledge the IESBA position regarding use of similar language and terminologies that apply to audits of financial statements, outlined in paragraph 20 of the Explanatory Memorandum, we are concerned that a combination of unfamiliarity with the language and terminologies amongst non-PA sustainability assurance providers, and unfamiliarity with the systems and processes required to implement and ensure adherence to the requirements of the Code, will discourage voluntary adoption of the IESSA proposals.

CBPS-CFC-IBRACON

We agree that the public interest in sustainability information should have the same weight and reliance as in the financial information from entities' financial reports, subject to independent audit engagement. Consequently, the expectations of users of the assurance report in relation to ethics and independence requirements should be the same as those met for audit engagements.

However, we emphasize again, in connection with what was already mentioned in our comments on the ISSA 5000 Exposure Draft last year, that non-accounting professionals performing assurance engagements may not have the same understanding of the requirements of the assurance engagement standards, ethics and independence requirements that accounting professionals already have, taking into account the following aspects:

- Accounting professionals, especially those in the audit category, have already followed these standards in a consolidated manner over decades;
- In many jurisdictions they are subject to required or voluntary continuing professional development (CPD) programs;
- They are subject to technical qualification exams for specific activities;
- They are required by regulation to maintain a quality management system (ISQM);
- They are subject to periodic inspections by regulators and are subject to independent review programs (e.g.: Peer review).

Finally, conveying accurately the existing requirements in the IESBA Code in relation to audit engagements to the (new) Part 5000 of the Code and requiring other non-accounting professionals to follow these requirements, can result in simplicity in understanding and, consequently, in failure to comply with these requirements, generating inconsistency in their application and, therefore, not meeting the expectations of the public interest. We recommend that, in addition to these requirements, IESBA can address other requirements such as the need for these other professionals to develop and implement quality management systems, as well as education programs focusing on professional skepticism. In addition, it would be appropriate for IESBA to collaborate with other professional bodies in standardizing these requirements and fundamental principles in their characteristics of the profession.

CNCC-CNOEC - Compagnie Nationale des Commissaires aux Comptes

As a matter of principle, the French profession is favorable to opening the “market” of sustainability assurance to non-PAs. In France, it is a situation we already know because when we transposed the previous directive (Non-Financial Reporting Directive-NFRD) in 2017, we were one of the few Member States to require sustainability assurance (it was an option not a requirement in the directive) on the non-financial information published by companies under the NFRD, and already at that time the French Government opened the market to auditors and to other assurance service providers.

The French profession never asked for any monopoly on that matter and the French Government, when transposing the CSRD, used the option of allowing independent assurance service providers (IASPs) to provide sustainability assurance to CSRD clients.

However, the underlying condition for allowing different actors (PAs and non-PAs) to provide sustainability assurance engagements in the context of the CSRD is that such sustainability assurance engagements be provided by all actors on a level playing field.

This entails that sustainability assurance engagements should be provided by PAs and non-PAs under the same ethical and independence standards.

We understand that it is the objective pursued by IESBA in drafting this ED.

So, when it comes to the question whether the ED is profession agnostic and framework neutral, we agree that it is both profession agnostic and framework neutral and that it provides a level playing field between PAs and non-PAs, but only for sustainability assurance engagements covered under part 5 of the Code.

When it comes to all other situations not covered under Part 5, it does not completely achieve such a level playing field between PAs and non-PAs, since it then requires PAs to apply Part 1 to 4B of the Code and simply encourages non-PAs to do so. We understand that IESBA could consider in the future requiring application of Part 1 to 4B of the Code to non-PAs.

CPAA - CPA Australia

The proposals in Chapter 1 of the ED appear to be written as reporting framework neutral. While efforts have been made to write Part 5 in a “profession agnostic” manner (from the perspective of a sustainability assurance practitioner), it is unlikely that a professional who is not from the accountancy profession will be able to readily read, understand and implement the provisions in Chapter 1. There is significant accountancy profession bias in the wording of the Chapter. While this consistency of language is explained – i.e., the IESBA is concerned about regulatory arbitrage – it creates a barrier and disincentive to adoption by other professionals. The IESBA may wish to consider the use of more simple language and a focus on conciseness in Part 5.

CPAC - Chartered Professional Accountants Canada Public Trust Committee

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.

EFAA - European Federation of Accountants and Auditors for SMEs

We agree that the proposals are profession agnostic and framework neutral.

In the European Union (EU) we anticipate that some Member States may take up the option afforded them in the CSRD to open-up the sustainability assurance market to allow small- and medium- sized accounting practices (SMPs) that do not presently conduct audits to perform sustainability assurance engagements. These SMPs may be unfamiliar with some of the fundamental terminology and concepts in those parts of the Code relating to audit engagements. EFAA, therefore, recommends IESBA consider developing non-authoritative guidance for SMPs offering assurance for the first time.

We trust that the standard can be used for assurance engagements on sustainability reports prepared in accordance with the SME sustainability reporting standard for voluntary use by non-listed SMEs (VSME) under development by EFRAG (for the European Commission).

GAA - Global Accounting Alliance

If the Code is to evolve towards becoming framework-neutral and profession-agnostic in application, the GAA believes it essential for the IESBA to engage broadly across both transnational and national regulatory environments to ensure the equivalent public protections are in place so that public trust in the profession is not eroded. This, I see, as essential to the broadest possible adoption of IESSA, its application within a level playing field of assurance providers and the preservation of both the public interest and market confidence.

HKICPA - Hong Kong Institute of Certified Public Accountants

We consider that the ED-IESSA meets the objective of being profession-agnostic, as long as non-professional accountant practitioners (non-PA practitioners) commit to comply with the requirements in ED-IESSA when undertaking sustainability assurance engagements. Non-PA practitioners are expected to perform a thorough gap analysis to compare their existing procedures and policies with the relevant requirements and take steps to ensure their compliance with ED-IESSA by addressing any identified shortcomings and supplementing them. We would also like to emphasize that the ED-IESSA can only truly be profession-agnostic in practice if there is a robust and effective monitoring and enforcement system that is implemented consistently across both professional accountant practitioners (PA practitioners) and non-PA practitioners.

We suggest the IESBA coordinate with regulators and global accreditation bodies to promote the consistent use of a global framework of high-quality ethics standards for sustainability assurance. In particular, in the IESBA's partnership with the International Accreditation Forum (IAF), it would be useful for the accounting profession and users of sustainability disclosures if the IESBA and IAF have a roadmap on how and when IAF would incorporate the IESSA as part of the accredited verification activities of ISO compliant programs as they apply to assurance of sustainability information and the expectation on members of IAF. Public information as to IAF members' compliance status

with IAF's standards similar to adoption status of IESBA Code by IFAC members would foster trust and transparency.

In addition, we request that the IESBA persist in its endeavors to educate market players about the benefits of following high quality ethics (including independence) standards in sustainability assurance engagements. We believe education plays an important role in promoting such benefits which would in turn lead to public trust and confidence and support healthy growth in the sustainability assurance market.

ICAEW - Institute of Chartered Accountants in England and Wales

We wish to emphasise that ICAEW supports the overall intent behind these proposals, which -in broad terms- is to produce a consistent set of standards that would be applicable by Sustainability Assurance Practitioners undertaking Sustainability Assurance Engagements; thereby raising standards and increasing the reliability of sustainability information and the opinions expressed upon that information. Given the heightened public expectations in this area, we consider that there is a clear public interest in pursuing these aims.

As a general principle, we consider that to be truly "profession agnostic", standards must be consistently interpreted and understood; and uniformly enforced.

As noted above, Sustainability Assurance Practitioners from a non-audit background or who are not members of a regulated profession, may not have the same instinctive application of (or indeed-adherence to) the proposed standards and ethical framework as that of Professional Accountants who will have undergone specific training in this regard during their route to qualification and who are required to engage with them in their routine professional lives. It is therefore most important to consider the usability of the proposed standards from the perspective of those with a non-audit background, particularly where compliance by them with the proposed standards will be voluntary.

We have concerns about the enforcement of these proposed standards, in relation to Sustainability Assurance Practitioners who may not be members of a Professional Body with a Code of Conduct and transparent enforcement mechanisms. Indeed, there is a potential risk of devaluing the standards in circumstances where unregulated sustainability assurance practitioners claim to be following the standards but are not, and there is no effective sanction against them. Put another way, there is the potential to create confusion in the minds of the public and users of sustainability assurance information about the status of the persons preparing sustainability information and the standards adhered to. This may be further complicated by jurisdictional features which may allow for a regulatory landscape with various professional and regulatory actors charged with oversight, governance, and supervision.

The concern is to ensure that there is proper application and oversight of these standards, and it is not clear if this can be achieved on a voluntary basis.

Whilst the standards are intended to be framework neutral, the wording of the different reporting frameworks in place, may have the potential to open up inconsistencies in the application of the standards.

An important example relates to the important issue of quality management standards. In the proposed wording of ISSA 5000 (at Section 29), the IAASB stipulates the use of ISQM 1 or a standard that “are at least as demanding”.

The absence of any objective criteria or mechanism to evaluate or determine whether quality management systems are comparable or truly equivalent, opens up the real possibility that some Sustainability Assurance Practitioners may in fact employ a lower standard of quality management in the conduct of their Sustainability Assurance Engagements. The potential for divergence on key issues such as this, cannot be in the public interest.

In this regard, it is worth noting that there is a cost to compliance with standards. Where Sustainability Assurance Practitioners claim to be applying the same standard but in practice employ different standards based on interpretation of the standard itself (or in the context of a particular framework), there is a potential risk of creating barriers to entry and distorting competition in the sustainability assurance market.

A further concern is whether the detailed independence provisions in relation to issues like the value chain will require such a significant investment in quality management, disclosure processes, procedures, and employee time, as to deter smaller practitioners and firms from undertaking such engagements.

More generally, we emphasise the importance of simplicity; and the desirability of ensuring that definitions of key terms are as consistent as possible across all relevant standards, guidance and reporting frameworks (including those produced by IESBA, IAASB and ISSB).

ICAS - The Institute of Chartered Accountants of Scotland

Yes – we agree the proposals in Chapter 1 are profession-agnostic and framework neutral, although we do note in our responses to other questions areas where we believe further guidance may be required to assist with navigation and understandability.

However, we do have concerns that the IESSA is a large, complicated document and that the sheer volume of information may be difficult for users to address. A consequence of this may be that it will act as a barrier to non-PAs entering the market, or remaining in the market, and that it may only be professional accountants (PAs) who are willing to use it. We agree that there should be a strong Code in this area, however, we believe there may be a need for transitional arrangements and that a simpler approach to begin with would be more effective.

We believe there is a need to focus on the key issues now that people can understand at the outset and then undertake a longer-term project for the detail as the market matures – the IESSA could be the right document in a few years’ time when there is a stronger market of PAs and non-PAs.

We believe there is a need for a skeleton document around what needs to be achieved. Such a document could build on the existing Code requirements for PAPPs whilst providing guidance for non-PA providers to address stakeholder concerns about greenwashing.

ICPAU - Institute of Certified Public Accountants of Uganda

We believe that the proposals provide an appropriate global baseline for the performance of assurance engagements over sustainability information and that the proposals in the ED are profession-agnostic and framework-neutral as they support the consistency, comparability, and reliability of sustainability-related information. We believe that this will serve to enhance public trust in sustainability information.

However, we envisage challenges during the adoption and/ application of the proposals for non-accountant professionals which may cause resistance, especially from jurisdictions with high rates of non-accountants participating in sustainability assurance. This may be augmented by the fact that in some jurisdictions, the relevant legal regimes that support the mandate of the respective accountancy organisations may not directly bring the responsibility of sustainability reporting into the ambit of the accountancy organizations' regulation. As such it is uncontested that in a number of jurisdictions, there are non-accountants likely to participate in sustainability assurance. This challenge is multi-fold. For example, the overarching objective of the Sustainability project as cited under paragraph 35 of the explanatory memorandum is to develop “ethics and independence standards for use by all assurance practitioners in sustainability assurance engagements”, we have concerns about the ability of the Code to be applied consistently by all assurance practitioners. This is based on the fact that there are a number of concepts within the proposed Code that mirror the International Code for professional accountants. While we may find this to be very helpful, our reservations are that non-accountant assurance practitioners may not be sufficiently familiar with such provisions to be able to use them to support the performance of their engagements, yet there may be instances when additional reference may be made to the international Code when applying the standard.

IFAC - International Federation of Accountants

We support IESBA's mission to develop profession-agnostic and framework-neutral ethics and independence standards for sustainability assurance. As IOSCO stated, “this work will serve to support the consistency, comparability and reliability of sustainability-related information provided to the market, enhancing trust in the quality of that information.” However, we recognize this view is not supported by all our member organizations.

We believe Part 5 is technically profession-agnostic, but several significant challenges arise in the practical application of the standards. Part 5 must be developed to encourage broad adoption and harmonization in the way sustainability assurance engagements are conducted by all authorized practitioners. In this pursuit, it is imperative that the ethics and independence standards are genuinely profession-agnostic to allow jurisdictions that do not have the ability or predilection to limit the performance of sustainability assurance to the accountancy profession to adopt Part 5. We are concerned that the current proposed standards may be too onerous for non-accountancy professionals to apply which could dissuade some jurisdictions – particularly those that have high rates of non-accountancy sustainability assurance (e.g., Asia) – from adopting Part 5.

Further, even if “adopted” by jurisdictions or “required” under terms of the agreement between IESBA and the International Accreditation Foundation (IAF), the ability of non-PAs to effectively implement, as well as the ability of regulators to effectively enforce, the

provision of Part 5 to non-PAs, may lead to a two-tier ecosystem for sustainability assurance that diminishes investor and user confidence in sustainability disclosures even as reporting and assurance evolves from voluntary to mandatory regulatory practices.

In IFAC's *The State of Play: Sustainability Disclosure and Assurance 2019 – 2022 Trends & Analysis*, we found that 33% of non-PAs that provided assurance over sustainability information in 2022 cited the use of the IESBA Code or another internationally recognized ethics code or standard when using ISAE 3000 (Revised). This data suggests there is not currently widespread familiarity with the Code amongst non-PA practitioners – requiring a significant change in current non-PA practice, which may partly be due to the Code's current complexity.

We view the agreement reached between IESBA and the IAF regarding non-PA practitioners as a positive development, and we support extending required use of the Code for sustainability assurance to others too. However, this development only adds to the importance of making the requirements understandable so they can be applied consistently by both PAs and non-PAs. Further, the success of a profession-agnostic approach depends on effective oversight and enforcement in local jurisdictions; otherwise, a two-tier system of practitioners could evolve (i.e., regulated professional accountants vs. un-regulated non-professional accountant practitioners).

IFAC believes stakeholders' interests are best served by avoiding diverging ethics and independence standards as these are the foundation for high-quality and decision useful sustainability disclosure. It is also important to recognize that the adoption, implementation, and monitoring of compliance with Part 5 will be costly and will require adequate time.

As noted in our response to question 1(a), duplicating the Code requirements and guidance in Part 5 creates challenges. The pursuit of equivalence with requirements for audit engagements through this means will lead to Part 5 being seen as onerous by both PAs and non-PAs, reducing the attractiveness to adopt for those with a choice. Barriers will also be created through the language used, which is heavily biased towards the accountancy profession. This will, at best, require a long transition period for non-PAs to become familiar with, but is more likely to discourage adoption and use. Arguably, the language used may also create issues in respect of several Public Interest Framework characteristics including coherence, clarity, and conciseness for some intended users. While there are some helpful pointers within application guidance to direct users unfamiliar with use of language in the Code, more needs to be done to make adoption and implementation easier. The drafting mechanisms are different in standards designed for PAs than other professions, so there are some significant hurdles to navigate.

Finally, sustainability assurance providers may need the support of other professionals (e.g., engineers) to provide information or expertise to complete engagements. These professionals may have existing guidance within their industries or in their jurisdictions which could cause problems where there is interaction with Part 5, so this may be an area where users need specific guidance or support. Independence requirements may be one key area of difference. For instance, we note that in other developing areas of assurance, such as cyber security, AI and similar, there are organizations that both design and assess control environments for entities, so independence does not exist as a concept in

the same way that it does for PAs applying the Code in assurance engagements. Guidance should also be added to help identify key elements of what may already be in place in other ethical frameworks and provide some general advice on how to manage conflicting requirements. Where there are two competing requirements, it would make sense to adopt the ‘higher’ of these, but in the event of directly conflicting requirements, principles-based requirements and guidance may be needed to resolve.

ISCA - Institute of Singapore Chartered Accountants

Whilst we are of the view that Part 5 is profession-agnostic and framework-neutral, paragraph 5400.3f states the expectation that the SAP has a system of quality management designed, implemented and operated in accordance with applicable quality management standards. For example, proposed International Standard on Sustainability Assurance (ISSA) 5000 requires compliance with ISQM 1 or other legal, regulatory or professional requirements that are at least as demanding as ISQM 1.

SAPs who are non-PAs currently apply and are familiar with terms and concepts used under ISO/IEC 17029 Conformity assessment – General principles and requirements for validation and verification bodies. We understand that ISO/IEC 17029 contain ethical principles and requirements. However, there is a lack of clarity over the similarities or differences between ISO/IEC 17029 and the IESSA and ISQM 1.

Hence, we view the strategic partnership of the IESBA and the International Accreditation Forum (IAF) as a necessary and important step to facilitate the adoption of the IESSA by SAPs who are non-PAs, especially with IAF’s stipulation to national accreditation bodies around the world that IESSA are to be used when accrediting and authorizing conformity assessment bodies to carry out assurance work on corporate sustainability disclosures.

In order for the IESSA to be adopted by all SAPs, it is critical for non-PAs to be clear what needs to be done, whether they can continue to apply ISO/IEC standards (for example, ISO/IEC 17029) or are there fundamental differences between ISO/IEC standards and ISQM 1 that require them to top up work. Clarity is key to obtain buy in from SAPs who are non-PAs to adopt the IESSA for there to be a level playing field for all SAPs.

To support the adoption of the IESSA by SAPs who are non-PAs, we also urge IESBA to collaborate with and obtain the commitment of IAF and other conformity assessment and accreditation bodies to mandate IESSA as the go-to ethics and independence standard.

MIA-Malaysian - Malaysian Institute of Accountants

We agree that the IESSA is profession-agnostic and framework-neutral, but we believe that it will nevertheless be difficult to achieve consistent application. It may be especially challenging for non-professional accountants (non-PAs) to understand the relevance of the proposed concepts such as “fundamental principles”, “conceptual framework” and “professional skepticism” developed over years by and for professional accountants to a sustainability assurance engagement. The standard, as written, may therefore not be consistently adopted (or adopted at all), especially by those service providers who are not professional accountants. A more measured, stepped approach to developing independence requirements in alignment with corresponding assurance standards relevant to these types of engagements may be required to ensure better adoption.

Therefore, we believe that the IESBA will need to devote significant strategic focus on promoting full and timely adoption as well as effective implementation of the Code with the new Part 5. The main challenges of the extension of scope will be the need to raise awareness and continue working with local regulatory bodies to ensure there is a mechanism for enforcement. If the proposed IESSA lacks enforceability for non-PAs who are not subject to the quality control or inspections of a regulatory body, the intended objectives of this project may not be fully realised due to the absence of accountability measures. We also recommend that the IESBA consider this in determining the effective date of the proposed standard.

NBA - Royal Netherlands Institute of Chartered Accountants

We agree with the reaction of Accountancy Europe dated May 10, 2024.

PAFA - The Pan-African Federation of Accountants

We support IESBA's efforts to develop ethics and independence standards for sustainability assurance that are profession agnostic and framework neutral. Echoing IOSCO's sentiment, this initiative promises to bolster the consistency, comparability, and reliability of sustainability-related information disseminated to the market, thereby enhancing trust in its quality.

While we acknowledge that Part 5 is technically designed to be profession-agnostic, we believe that there is a potential for challenges in application. We are concerned that the current draft standards might prove overly burdensome for non-accountancy professionals to navigate, potentially deterring certain jurisdictions—especially those with a significant presence of non-accountancy sustainability assurance— from embracing Part 5. The inability of non-accountancy entities to grasp and adhere to Part 5, or to inconsistently or inadequately implement the standard, could precipitate a bifurcated assurance framework. We firmly believe that stakeholders' interests are best served by maintaining cohesive ethics and independence standards, which serve as bedrocks for delivering high-quality and decision-worthy sustainability disclosures. Moreover, it's crucial to acknowledge that adopting, implementing, and ensuring compliance with Part 5 will entail substantial costs and necessitate ample time for effective execution.

It is therefore imperative that Part 5 is tailored to foster widespread acceptance and uniformity in the execution of sustainability assurance engagements by all accredited professionals, thereby enabling jurisdictions without the capacity or inclination to confine sustainability assurance to the accountancy profession to embrace Part 5.

SAICA - South African Institute of Chartered Accountants

SAICA agrees that the proposal in Chapter 1 of the ED is profession-agnostic and framework-neutral. Non-adoption by non-PAs will result in challenges in terms of both PAs and non-PAs working together.

The proposed standard is framework-neutral, however regarding profession agnosticism, it is written in a language that may be difficult for non-PAs to interpret and understand. To be properly profession agnostic, standards need to be able to be consistently interpreted and applied and then enforced. We are uncertain if this can be fully achieved given the voluntary basis of sustainability reporting and assurance.

Furthermore, we do not see a reason that the IESSA cannot be adopted and implemented by other standard-setting boards and firms performing sustainability assurance engagements from outside of the accounting profession. However, we do believe that it may take a long time for those from outside of the accounting profession to grasp the concepts such as "fundamental principles", "conceptual framework" and "professional scepticism" that professional accountants are familiar with. We therefore propose guidance as mentioned in question 1 above to allow non-PAs to have better understanding of the principles and requirements.

SOCPA - Saudi Organization for Chartered and Professional Accountants

SOCPA agrees that the proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral and intended to be understandable and applicable to all practitioners, including those who are not PAs. However, SOCPA believes using generic terminology across professions could lead to misinterpretations by practitioners with different backgrounds. The specific terms used in one profession could have a different meaning in another.

Additionally, a framework-neutral approach for ethics standards might not provide enough specific guidance for practitioners as each profession could have profession specific independence requirements as well. There could be instances in which these standards contradict ethics standards specific to another profession. A solution to this could be for the ethics standards to have a hierarchy to be included to address such situations.

WPK - Wirtschaftsprüferkammer (Germany)

We agree with the IESBA's approach. Although the IESBA cannot oblige non-PAs to use the standards, the proposed provisions are a good offer to non-PAs to commit themselves to comply with them in order to achieve high-quality uniform global ethics (including independence) standards for sustainability assurance engagements. Since the provisions in the proposed IESSA are principally based on the ethics (including independence) provisions for professional accountants as well as for the audit of financial statements, sufficient application guidance is necessary to make sure that non-PAs will be able to understand and apply the provisions in the same way as PAs.

Other Assurance Providers and Accreditation Bodies (non-PAs)

AccountAbility

We agree that the proposals in Chapter 1 of the ED can be deemed profession-agnostic and framework-neutral, and believe the standards will provide a clear and consistent approach to ethics and independence for all providers of sustainability assurance, regardless of whether they are PAs or non-PAs. However, we have the following considerations:

A profession-agnostic approach means that the standards should be not only understandable but also applicable to all practitioners of sustainability assurance engagements, including those who are not professional accountants (PAs). Furthermore, framework-neutral standards need to be developed in a way that they can underpin any reporting or assurance framework used to prepare or assure sustainability information. We note that while consultation has been sought widely, the IESBA has primarily

considered global sustainability reporting and assurance standards developed by the ISSB and IAASB to ensure interoperability with those standards.

AccountAbility acknowledges that many of our assurance providers are sustainability professionals rather than PAs. While the IESSA uses terminology that aims to be understandable by all sustainability assurance practitioners, our concern lies in implementing the code among non-PAs who have not previously adhered to the extant code. We believe that while the additional guidance provided in Chapter 1 of the ED from a sustainability assurance perspective is generally adequate and clear, there is room for improvement to enhance clarity and usability. While beyond the scope of this consultation, AccountAbility would welcome more simplified guidance material and complimentary training resources to be shared with users, to support IESBA in promoting the Code's adoption among non-PAs. Clearly, for the standards to become a global baseline, they must be adopted by jurisdictions around the world - and this will require training, education, and qualifications to enhance the capabilities of non-PA sustainability assurance practitioners. We expect that IESBA will continue working together with other stakeholders, including IAASB, IOSCO, and regulators, to develop this infrastructure to facilitate and accelerate global adoption. For example, unlike IESSA, the IAASB's ISSA 5000 exposure draft does not have specific provisions for assurance work at, or with respect to, value chain entities. Moving forward, IESBA could perhaps encourage and coordinate with IAASB to provide additional clarification or guidance on this matter.

IAF - International Accreditation Forum

We agree and commend the work done in order to write the Code with the objective of being profession-agnostic and framework-neutral. Some paragraphs however might need slight corrections, grouped by relevant cluster and commented below.

Competence requirements

[see mainly the following points: 5100.1a, Subsection 5113, 5120.16 A2, 5320.3 A4, 5390.6 A2 to A6, R5390.12, 5390.20 A1, 5390.21 A1]

It should be requested that - albeit at a high level, given that we are discussing a code that addresses ethical aspects - some criteria for determining competence be included.

Taking in to consideration the amplitude of the different topics that might fall under the concept of “sustainability”, and given the absence of a formal and objective way to assert the acceptable level of competence of a sustainability practitioner, it is suggested to introduce a bare minimum requirement to assess such a competence level, similarly to the approach described in chapters from 5390.6 A2 to 5390.6 A6 for establishing the minimum competence of external experts.

Reference to Parts 1 to 4B of the Code

[see mainly the following points: 5100.2a, 5100.2b]

We accept the idea to encourage non-accountants to take in consideration the other parts of the IESBA Code (Parts 1 to 4b), but, considering that those non-accountants might be subjected to other codes or conduct rules, sometimes even stricter, which could be sometimes imposed by regulations and laws whenever acting as notified bodies or

classification societies, we suggest to introduce the concept of “equivalent code of conduct”.

In particular, the text could be modified as following:

5100.2b (b)

“A practitioner who is not a professional accountant is encouraged to apply Parts 1 to 4B of the Code to guide the practitioner's general conduct or equivalent ethical codes of practice”

Sector-agnostic terminology

[see mainly the following points: 5110.1 A1 and Chapter 2]

Without delving in every term used, we believe that some terms are very specific for the accounting profession.

We auspicate that terminology differences will be addressed in guidelines and other documents that the interested parties will make available.

References to roles, structure, responsibilities

[see mainly the following points: overall framework, also 5300.7 A5, R5310.7, 5400.11]

Some requirements imply a very specific firm and/or team structure, roles and separation of responsibilities, that might not be suited for every non-accounting organization.

We recognize the need of allocating tasks and responsibilities under specific functions or roles with given authorities, but we recognize the difficulty to align such responsibilities to the organizational model proposed, which is very specific to the accounting model.

Specifically, we must take into consideration that in regulated sectors that would follow the requirements of this Code, some responsibilities might be imposed by laws and regulations, thus making impossible to comply with the Code, such as national GHG and Carbon trading schemes, where the assurance decision is, by law, a responsibility required to the qualified auditor/practitioner, or when acting as a notified body, where regulations may attribute specific tasks to define roles.

Cooling-off period

[see mainly the following points: 5325.8 A3]

Given the nature of activities performed by non-accountants, it is believed that imposing a flat cooling-off period, such as the two years referenced in the ISQM2 for the role of technical reviewer to be sub-optimal, and it would be preferable to leave the firms/CABs the ability to determine their own cooling-off periods, based on assessment of risks (eg. familiarity, advocacy, self-review,) and, in case, adopting suitable countermeasures.

Passages not relevant to non-accountants

[see mainly the following points: Section 5380, Section 5520, Section 5521, Section 5522, Section 5523, Section 5524, Section 5525]

All activities recalled in indicated sections refers to activities that are specific for the accountants, that would have no correspondence for non-accounting practitioners.

Accounting Firms and Sole Practitioners

EY - Ernst & Young Global Limited

Yes, we agree the proposals of Part 5 are profession-agnostic and framework neutral. We are supportive of the IESBA's effort for developing profession-agnostic and framework-neutral ethics, including independence, standards for sustainability assurance engagements. We support a new Part 5 that will include, on a stand-alone basis, the relevant ethics and independence standards for sustainability assurance engagement.

While we support the proposed approach, we acknowledge that there will be practical implementation and adoption challenges to overcome, and we believe it will be critically important for the IESBA to commit to a strategic prioritization of addressing these challenges through stakeholder outreach and engagement, including with those charged with governance ("TCWG") of entities reporting their sustainability information, non-PA SAPs, local sustainability standard setters and regulators, and sustainability assurance accreditation organizations. This outreach and engagement should include a focus on helping the stakeholders understand the relevance of the proposed ethics and independence requirements and application material (e.g., education on why and when they apply); educating non-PA SAPs on the application of the provisions of Part 5 as well as the underlying conceptual framework of the Code to a sustainability assurance engagement through webinars and other non-authoritative material ("NAM"); and communicating to local standards setters, regulators and accreditation organizations on the importance of non-PAs adopting Part 5 and Part 4B.

In terms of being profession-agnostic, and recognizing that some non-PA SAPs will be structured as corporate entities rather than as firms, we note that the proposals in Part 5 include the use of the term Network Firm in relation to an SAP. It is not readily clear in all cases how the concepts of Network and Network Firm will apply to an SAP that is structured as a corporation. For example, it does not appear that a corporate SAP's sister entities would be captured as a Network Firm when element (a) of the definition of Network is not met in regard to its sister entities. Also, it would not appear that an investor with control over or significant influence in a corporate SAP would be captured as a Network Firm when the elements of (a) and (b) of the definition of Network are not met. With the objective of being profession-agnostic, we believe Part 5 needs to take into consideration that non-PA SAPs structured as a corporation will need additional guidance to assist in understanding which of the entities within the corporate structure will be included in their Network, and therefore which of these entities will be subject to the provisions of Part 5.

KMPG - KPMG IFRG Limited

We support the IESBA's direction to create proposals that are profession-agnostic and framework-neutral. However, we believe the proposals fall short of this given how Part 5 was developed using essentially the same language from the provisions applicable to audits of financial statements without sufficiently recognizing the differences in SAEs or in the practitioners who provide the assurance.

While feedback from non-PAs will give the most direct viewpoint, we are concerned that non-PAs (or the bodies that govern them or provide accreditation) may conclude that

adopting the proposed standard is too challenging. This is exacerbated by the fact that the requirements have not been sufficiently adapted for SAEs. The result may be that non-PAs seek to apply alternative ethical requirements. We do not believe that outcome would be in the public interest.

We believe it would be advantageous for the Board, if they have not done so, to explore existing ethical frameworks that non-PAs use in practice presently to understand if these existing frameworks are at least as demanding as the IESSA. This knowledge would also guide the development of implementation guidance to specifically help non-PAs bridge the gap between Part 5 and those current ethical frameworks that are not as demanding as the IESSA. We recommend that the IESBA consider the support needed for SAPs who are not PAs and work with other bodies, including IFAC, NSS, education providers, and professional bodies or associations that SAPs might be members of to develop these resources, including training and materials addressing these concepts in more depth.

Additionally, given the objective of the IESSA is to be framework-neutral, we do not agree with including independence provisions for group SAEs at this time. As compared to other topics taken on by the IESBA, there is no approved or proposed audit or assurance performance standard that the group SAE section of the IESSA standard takes reference from. The IESBA's Definition of Engagement Team and Group Audits standard was developed on the framework of ISA 600 and other quality management standards and this proposed standard should follow a similar sequence. Although we understand the IAASB is now planning to add high-level content regarding groups to ISSA 5000, without a fully developed standard that would apply to group sustainability assurance, we believe interpretation and implementation will be an issue, especially for non-PAs who are unfamiliar with the group audit framework in ISA 600 (Revised). Our comment under question 10 addresses this idea further.

With the goal for Part 5 to be profession-agnostic and therefore applicable to practitioners from diverse professions, we believe the IESBA should consider creating a first-time implementation guide similar to what the IAASB is planning for implementation of ISSA 5000. Such a guide would assist in making the IESSA more easily understood, encouraging greater adoption by all sustainability assurance practitioners (SAPs), especially those who do not currently prescribe to ethics or independence standards.

As non-PAs may not have a practical understanding of the difference between limited assurance and reasonable assurance engagements without reference to a relevant framework, we suggest this is a topic that the IESBA should coordinate with IAASB for inclusion in the suggested implementation guide.

MAZARS - Mazars Group

By incorporating a new Part 5 of the Code (International Ethics Standards for Sustainability Assurance - IESSA) the IESBA has developed an ethical code which is both profession agnostic, which can be applied by either professional accountants (using extant Parts 1-4) or other assurance practitioners using Part 5 (and referring to other parts for guidance as appropriate). IESSA, having been built on the existing IESBA Code which itself is framework neutral, can be applied to any sustainability reporting or sustainability assurance framework. However, we question whether the use of predominantly audit/accounting language in the proposed Section 5 achieves the

objective of being truly profession agnostic. We suggest that the IESBA may wish to consider whether it could provide more clarity for non-accountants around the key concepts (e.g. fundamental principles, threats).

MOORE - Moore Global Network Limited

Yes, we agree that the proposals are profession-agnostic and framework-neutral. However, given that the sustainability assurance providers are not necessarily professional accountants, we believe that more guidance and training will be necessary for those that are not professional accountants.

PP - Pitcher Partners Advisors Proprietary Limited

Yes. We agree that the proposal is equivalent and professionally agnostic and framework neutral. However given the extensiveness of the Code, we are unsure whether non-professional accountants providing sustainability assurance will be able to easily and effectively understand and apply the requirements within the Code.

PwC - PricewaterhouseCoopers International Limited

Profession agnostic

We agree that the proposal is essentially profession-agnostic and that this approach is important. However, we observe that, at some 185 pages, Part 5 is a very long and complex standard (even for PAs). We can envisage that non-PAs who are not already familiar with the structure of the Code and the audit and assurance principles and definitions adopted from Part 4 might find it difficult to understand. To ensure the Board achieves its public interest objectives (see our response to Question 2), we believe implementation support materials will be needed to explain key concepts. In addition, we suggest that prior to finalisation, the proposed standard would benefit from a rigorous edit to ensure that it is as concise as possible. See our comments in response to Question 16 relating to NAS as an example.

We also note that the Code does not address the ethical considerations for non-PA preparers, nor do the proposals in the ED. In our view, it is important that this gap is addressed on a timely basis so that an expectation gap in terms of their ethical responsibilities does not emerge. We support IESBA's plans to address this as part of a future project.

Framework neutral

We support the objective of developing the IESSA to be reporting and assurance framework neutral. With respect to the assurance framework, we stress the necessity of coordination between the IESBA and IAASB. While the goal of the IESBA is to be framework neutral, it is important, as the explanatory memorandum acknowledges, for the IESSA and ISSA 5000 to work coherently together and be consistent. See our responses to questions 3, 5 and 9-12 for further comments in that regard.

RSM - RSM International Limited

We agree that the proposals in Chapter 1 of the ED are framework-neutral. However, we do not believe that the proposals in Chapter 1 of the ED are necessarily profession-agnostic as described in paragraph 21 of the EM, which states that 'the IESSA should be

capable of being understood and applied by all assurance practitioners of sustainability assurance engagements, including those who are not PAs [sic]' in order for the standards to be profession-agnostic. In addition, paragraph 21 of the EM states that 'the IESBA developed the proposed IESSA using terminology that it intends to be understandable by all sustainability assurance practitioners. It appears that the standard is currently structured to closely mimic the extant Code for audit and other assurance engagements.

The IESBA Code has been written for professional accountants (PAs). As such, PAs generally have extensive experience in understanding, implementing and complying with the provisions of the Code. In order to promote consistent implementation, application and compliance among all sustainability assurance practitioners (SAPs), we encourage the IESBA to consider issuing a 'start-up guide' and/or other background information. Notwithstanding our concern over the scope of the proposed Part 5, International Ethics Standards for Sustainability Assurance (Including International Independence Standards), of ED-IESSA detailed in question #2, we suggest including guidance to assist SAPs who are non-professional accountants (non-PAs) in implementing ED-IESSA, since non-PAs may not have the same experience in understanding and complying with the IESBA Code as PAs. In addition, we recommend that the IESBA seek to work with non-PA SAPs to ensure consistent implementation and application between PA and non-PA SAPs.

In addition, it appears there may be differing independence requirements for SAPs who are PAs and SAPs who are non-PAs. Paragraph 5100.2a of ED-IESSA states,

When a sustainability assurance practitioner performs a sustainability assurance engagement that is not within the scope of the International Independence Standards in this Part, Part 4B of the Code sets out the applicable independence standards.

In addition, paragraph 5400.3e in the proposed Part 5 of ED-IESSA, which is part of the International Independence Standards (IIS), states,

Part 4B of the Code sets out International Independence Standards for other sustainability assurance engagements that are not within the scope of the International Independence Standards in this Part.

These paragraphs in Part 5 of ED-IESSA imply that SAPs who are non-PAs should also comply with Part 4B of the Code, Independence for Assurance Engagements Other than Audit and Review Engagements, when performing sustainability assurance engagements that are outside of the scope of the IIS in ED-IESSA. However, paragraph 42 of the EM states,

Although **Part 4B is currently applicable to PAs only**, as mentioned above, other sustainability assurance practitioners are also **encouraged to comply** with its provisions when performing other **sustainability assurance engagements outside of the scope of the IIS** in the proposed IESSA. As part of its Strategy and Work Plan 2024-2027 (SWP), the IESBA will consider how the Code might be enhanced, whether through **revision of the extant Part 4B or the development of a Part 4B equivalent in the new Part 5**, to ensure that all independence standards for sustainability assurance engagements are addressed in the Code in a profession-agnostic manner. **[emphasis added]**

Based on solely what is in the proposed Code, it is unclear whether SAPs who are non-PAs are required to comply with Part 4B when they perform a sustainability assurance engagement that is not within the scope of the IIS in Part 5, and it is also unclear of the IESBA's intent. Notwithstanding our concern over the scope of the proposed Part 5 of ED-IESSA detailed in question #2 and to be profession-agnostic, we believe the IIS should be equivalent for all SAPs regardless of whether they are a PA or a non-PA, as alluded to in the last phrase of paragraph 42 of the EM.

In addition, Parts 1-4B of the Code are only applicable to PAs per paragraph 36 of the EM. Accordingly, we believe Part 5 should not necessarily refer to Part 4B of the Code in order to incorporate and apply it to other sustainability assurance engagements not within the scope set in paragraphs 5400.3a and 5400.3b of ED-IESSA. Rather, we encourage the IESBA to develop a Part 4B equivalent in the new Part 5 as suggested in paragraph 42 of the EM.

Whether or not a Part 4B equivalent in the new Part 5 is developed, we recommend that IESBA clarify in the Code (rather than just the EM) if the referred to portions in Part 4B are required for non-PA SAPs and ensure independence requirements are equivalent for all SAPs regardless of whether they are a PA or a non-PA for each type of sustainability assurance engagement (i.e. engagements within the scope of 5400.3a, 5400.3b, or other sustainability assurance engagement).

Academia and Research Institutes

NRS - Professor Nicole Ratzinger-Sakel

I believe that some terms used in Part 5 will be difficult to understand correctly by non-PAs, as they have a specific meaning in the accounting profession; however, this meaning is not clear to non-PAs. The latter might need further guidance.

Others

IBA - The International Bar Association

IBA appreciates that IESSA is intended to be profession-agnostic and framework-neutral, and therefore will apply to legal practitioners (and their firms) who undertake SAEs.

We make the following comments on this approach.

Profession-agnostic approach

Legal professionals are subject to jurisdiction-specific professional conduct rules, which have some overlap with the fundamental principles in IESSA, including in relation to confidentiality and managing conflicts of interest. IESSA does not specify how it should be applied by sustainability assurance practitioners (SAPs) who are subject to other rules that govern their professional conduct.

We recognise that assurance services may entail different ethical and independence considerations to those that are relevant to providing legal services. For example, generally, professional conduct rules contain duties with respect to lawyers' conduct toward clients, while the five principles contained in IESSA do not set out such requirements, but emphasise that SAPs must 'behave in a manner consistent with acting

in the public interest in all professional activities and business relationships relating to sustainability assurance clients’.

If IESSA is to be effectively implemented by legal practitioners, it must be drafted in a manner that is consistent with – and does not undermine – the jurisdiction-specific professional conduct duties of lawyers.

We recognise that IESBA has made efforts to avoid conflicts between IESSA and laws and regulations: the introductory section of IESSA provides that if there are circumstances where laws or regulations preclude a sustainability assurance practitioner from complying with certain provisions in Part 5, then those laws and regulations prevail, and the practitioner shall comply with all other provisions of that Part. Further, the principle of professional behaviour requires SAPs to comply with relevant laws and regulations. The general application guidance for IESSA notes that ‘some jurisdictions might have provisions that differ from or go beyond those set out in this Part. Practitioners in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.’ Further, the confidentiality provisions recognise that a ‘legal or professional duty or right’ to disclose or use confidential information constitutes an exception to the general confidentiality rules in IESSA (although other parts of IESSA do not recognise the potential existence of legal or professional duties).

Despite these qualifications, in our view, if IESSA is to be effectively implemented by legal practitioners (either voluntarily, or under regulatory obligation), then it must clearly address how it is to be applied by SAPs who are subject to existing professional conduct rules. As described in our response to Question 4 (below), in our view, the most appropriate approach is for IESSA to apply to the conduct of SAEs, while existing professional conduct rules govern all other aspects of dealing with a sustainability assurance client. IESSA should make clear that this is how it is intended to be implemented, so that jurisdictional laws or regulations that adopt IESSA reflect this approach.

Profession-specific guidance

We expect that legal practitioners will be hesitant to apply IESSA voluntarily when undertaking a SAE if they do not have a clear understanding of how it interacts with their professional conduct obligations. Therefore, specific application guidance about how to apply IESSA for practitioners who are subject to other professional conduct rules may be warranted.

Complexity

The complexity of the draft may present a barrier to jurisdictional adoption of IESSA, and to effective implementation by legal practitioners. A transition period for non-PAs to become familiar with the IESSA may be warranted.

Framework neutral

IBA supports the framework-neutral approach of IESSA, particularly given the rapidly evolving nature of sustainability reporting and assurance standards. It will be important for IESBA to continue to coordinate with IAASB to maximise consistency in approach and terminology between ISSA 5000 and IESSA.

Question 1(b) - Disagree

Independent National Standard Setter

NZAuASB - New-Zealand Auditing & Assurance Standard Board

We commend the work that the IESBA has done with the International Accreditation Forum. This strategic partnership is a significant first step towards a profession agnostic standard. However, we are concerned that the proposals may not look and feel profession agnostic. While we understand the intent behind using the same language as the current Code of Ethics, we note that the language and structure of the requirements may be unfamiliar to practitioners from non-accounting professions.

We have heard the following concerns regarding the “lift and shift” approach, that has largely replicated existing requirements from the extant Code, from practitioners from various backgrounds:

- the use of financial statements audit terminology and the lack of plain language make the requirements hard to interpret and apply for those unfamiliar with the extant Code;
- the length and complexity of the requirements might lead to inconsistent interpretations and inconsistent application;
- there could be a high cost of implementation of these proposals in smaller organisations and organisations not familiar with the extant Code, creating a barrier to participate.

We urge the IESBA to issue appropriate guidance to facilitate consistent interpretation and application of the proposals, refer to our response to question 18.

Professional Accounting Organizations (PAOs)

IDW - Institute der Wirtschaftsprüfer (Germany)

The copy and paste approach used in developing proposed Part 5 will likely mean that IESSA will be difficult for non-audit practitioners to interpret and implement in practice. Many common terms are used throughout the standards that have a narrower understanding within the accounting profession and will require further guidance for non-PAs.

There are also numerous instances where a course of action is suggested as a possible safeguard, including consulting a professional body (e.g., 5115.2), although not all SAPs may be expected to have such a body at their disposal. Arguably in some such instances different practicable safeguards might be envisaged. That said, we note “new” text in para. R5410.21 (a) (ii) dealing with fee dependency issues that would allow an exception to take account of circumstances where, in the relevant jurisdiction, an SAP has no designated regulatory or professional body from whom concurrence to overstepping the Code’s fee dependency thresholds for a limited period may be sought. In this case, recourse to those charged with governance (TCWG) is permitted. To engender a level playing field, on the assumption that IESBA believes this is an adequate safeguard, it ought to apply to all SAPs (i.e., (iii) ought to be added to allow all SAPs to alternatively obtain the required concurrence from TCWG).

We also suspect that non-PAs may find it difficult to identify with much of proposed Part 5 if they typically provide services or perform work not specifically addressed therein. They also may be less able to identify with activities such as custody of client assets or tax planning services that are traditionally more likely to feature in the accountancy profession. We therefore suggest IESBA consult fully with non-PA SAPs to ensure Part 5 is adequately tailored to this constituent.

Our concern is that such aspects of the proposals could limit the uptake of Part 5 by non-PAs and lead to diversification in practice, which is not in the public interest. We therefore urge the IESBA to ensure all SAPs can identify with Part 5.

The new text addressing complexity (proposed 5120.5.A6-A8) is – at best – confusing. It appears to refer to the potential complexity in the subject matter of a sustainability assurance engagement. If so, matters such as “Being alert to any developments or changes in the facts and circumstances and assessing whether they might impact any judgments the sustainability assurance practitioner has made.” (5120.5A7) and “Analyzing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.” and “Using technology to analyze relevant data to inform the sustainability assurance practitioner’s judgment.” as well as “Consulting with others, including experts, to ensure appropriate challenge and additional input as part of the evaluation process.” (5120.5 A8) ought to be issues for the IAASB to address in ISSA 5000, as these are performance issues. If this is not intentional, we suggest further clarification be added to ensure SAPs understand IESBA’s intent in this context.

IWP - Institut Österreichischer Wirtschaftsprüferinnen

We agree that the ethical standards for sustainability, especially for assurance, should be profession-agnostic.

The Code with proposed revisions treats professional accountants and other sustainability assurance providers differently; for example, other sustainable assurance providers who perform professional activities and have professional relationships not covered by proposed Part 5, paragraph 5100.2b(b), are only encouraged to apply the general conduct provisions of Parts 1 to 4B of the IESBA Code.

MIA-MALTA - The Malta Institute of Accountants

As already explained above, the proposals in Chapter 1 of the ED are not always profession-agnostic and framework neutral in that non-PAs are only encouraged (as opposed to being bound) to apply certain principles and guidance set out in IESSA.

In addition, it is crucial for IESBA to ensure that regulatory bodies support and adopt the objectives of this Code to ensure that the public interest will be served.

The Institute also believes that there is the need for further clarity to strengthen the requirement for all sustainability assurance practitioners to not only comply with ethical requirements that are applicable for PAs, but also apply a system of quality management that is at least as rigorous as the IAASB’s suite of quality management standards.

NYSSCPA - New York State Society of CPAs

Concerns about Extending the Applicability of the IESBA Code to Non-Accountants, Including Adoption and Implementation Challenges that May Arise

While we agree with the public interest merits of elevating ethics and independence standards for sustainability reporting and assurance, we question IESBA's approach. In particular, some principal drafters of this letter have expressed significant concerns about the ramifications of the IESBA promulgating ethics and independence standards for non-accountants. The IESBA should further clarify its reasons for doing so. In the U.S., for example, each state promulgates and enforces its own jurisdictional ethics code for professional accountants which is substantively aligned to the AICPA Code of Professional Conduct and the IESBA Code. We anticipate adoption and implementation challenges with Proposed Part 5 and question whether it will be possible to promulgate it for non-accountants. Further, we are unclear as to how the IESBA's expanded standard setting responsibilities should be reflected in each jurisdiction. In this regard, we encourage the IESBA to further consider the following questions: 1) How will the Proposed Part 5 be enforced for non-accountants? and 2) If the IESBA is now promulgating ethics standards for non-accountants, should it change its name to reflect this change?

If the IESBA moves forward with the Proposed Part 5, we recommend that the Board consider undertaking a global communication and rollout strategy to promote consistent understanding of how Part 5 should be used. Targeted efforts will be needed for non-accounting professionals working at non-audit firms who currently provide sustainability assurance. We anticipate that non-accounting professionals will need additional time to familiarize themselves with the requirements in Part 5 most of which are based on Parts 1-4 of the extant Code which is already well understood by professional accountants.

Conclusion

We recommend that the Proposed Part 5 be placed in a separate document which will simplify compliance and enforcement for both audit and non-audit firms that provide sustainability assurance, and accordingly, the Proposed Part 5 should not be added to the IESBA Code.

Accounting Firms and Sole Practitioners

BDO - BDO International Limited

BDO disagrees, with the following additional comments:

BDO agrees that by basing the proposed Part 5 (IESSA) on Parts 1-4 of the IESBA Code, the IESBA has ensured the IESSA is generally equivalent to the Code's ethics and independence standards that apply to the conduct of professional accountants and to the performance of audit and review engagements.

BDO has made comments on significant aspects of the ED that are not, in BDO's view, equivalent to the Code's ethics and independence standards for audit and review engagements in response to Questions 4 and 13 below.

Given that the draft IESSA is based on, and incorporated into, the established IESBA Code, developed over many years by and for accountants, and includes concepts such

as the ‘fundamental principles’, ‘conceptual framework’ and ‘professional skepticism’, BDO finds it difficult to conclude that it is either profession-agnostic or framework-neutral. However, BDO sees no reason why the IESSA could not be adopted and implemented by other standard-setting boards and firms performing sustainability assurance engagements from outside of the accounting profession.

Recommendations:

BDO does foresee that it will take those outside of the accounting profession longer to come to grips with the IESSA, taking steps to narrow the gap by enhancing their policies and procedures, and to implement it in an effective and consistent manner. This may affect the usability and attractiveness of the standard for non-PA practitioners. The impact of this should be carefully considered by the IESBA, given that its use will be voluntary for many non-PA practitioners. BDO also recommends that the IESBA takes this into consideration when deciding on the effective date.

DTTL - Deloitte Touch Tohmatsu Limited

As noted above, Deloitte Global considers that as currently drafted, the IESSA is not sufficiently grounded in sustainability reporting and assurance concepts and relies too heavily on mirroring the independence standards for financial statement audits and this detracts from the proposed standard being profession-agnostic. Furthermore, a standard that is overly complex and challenging to implement may lead to lack of adoption, or if adopted, inconsistency in application and therefore lower quality outcomes, which is not in the public interest.

Consistent application of a profession-agnostic, framework-neutral standard will require implementation guidance and application material that (1) recognizes the differences in professional experience and familiarity with the IESBA standards that may exist across sustainability assurance practitioners, thereby providing a bridge from these different knowledge bases and experience, and (2) is closely aligned with the ISSA 5000 implementation guidance and application material when released. While the IESBA has not communicated whether there is a plan to develop this material to ensure consistent implementation of the IESSA, it is critical for the IESBA to consider this as part of the overall project and the strain on staff resources before undertaking other efforts like extending the applicability of the Code to preparers of sustainability information to non-professional accountants (see Question 20). It is also critical the IESBA maintains close collaboration with the IAASB to ensure alignment of the material.

GTIL - Grant Thornton International Limited

Furthermore, professional accountants in public practice adhere to audit, assurance, and quality management frameworks that are robust and comprehensive and support compliance and adherence to the requirements in the Code. Unless sustainability assurance practitioners are subject to a similar regulatory environment as professional accountants in public practice, which monitor compliance with these frameworks, we do not agree that a framework-neutral approach will achieve quality in sustainability assurance engagements.

We note that The Monitoring Group, in their 6 February 2024 press release, stated that, “The standards will provide a global framework for assurance engagements over

sustainability information prepared under any reporting framework and that can be used **by all practitioners, both professional accountants and non-accountant assurance providers.**” (emphasis added) It is unclear, however, how these proposed standards will be applied to non-accountants. Nor is it clear how non-accountants will be held accountable for adherence to the standards.

Furthermore, we have the following concerns regarding the proposal:

- The standard mirrors the independence requirements for financial statement audits and the terminology used in the standard is not based on sustainability assurance concepts and will be confusing for non-Professional Accountants to understand.
- The complexity of the standard will be difficult for assurance service providers who are not Professional Accountants to operationalize, leading to inconsistent adoption and application of the Code, which we believe is not in the public interest. We also believe the complexity of the standard will present challenges for Professional Accountants to operationalize.

Academia and Research Institutes

AFAANZ - The Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand

No.

There are limits to the extent to which it is profession-agnostic, largely because it is equivalent to the extant Code, which accountants are familiar with and other professions are not.

Question 1(b) - No Specific Comments

Regulators and Oversight Authorities, incl. Monitoring Group members

CEAOB - Committee of European Auditing Oversight Bodies

IAASA - Irish Auditing & Accounting Supervisory Authority

IFIAR - International Forum of Independent Audit Regulators

IOSCO - International Organization of Securities Commissions

SGX - Singapore Exchange Limited

Investors and Other Users

Ceres Accelerator

IAIP - Indian Association of Investment Professionals (CFA Society India)

MSCI - Morgan Stanley Capital International

NBIM - Norges Bank Investment Management

Preparers and Those Charged With Governance

Asma Jan Muhammad

BD - Bruno Dirringer

Professional Accounting Organizations (PAOs)

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

INCP - National Institute of Public Accountants of Colombia

PICPA - Pennsylvania Institute of Certified Public Accountants

Other Assurance Providers and Accreditation Bodies (non-PAs)

JAB - Japan Accreditation Board

Accounting Firms and Sole Practitioners

Assirevi - Association of Italian Audit Firms

BKTI - Baker Tilly International

Academia and Research Institutes

DIRC - Deakin University Integrated Reporting Centre

NNN - Nada Naufal Director at the American University of Beirut

Others

IIA - The Institute of Internal Auditors