

IESBA Sustainability**Overarching comments****Regulators and Oversight Authorities, incl. Monitoring Group members****ACRA - Accounting and Corporate Regulatory Authority (Singapore)**

Overall, we believe the proposals in the Exposure Drafts align with the IESBA's objective to mitigate greenwashing and improve the quality of sustainability disclosures. These well-crafted proposals also address the key concerns of investors and other stakeholders.

We have summarised below key areas where refinements could be beneficial. Our responses to the specific questions in the consultation paper are provided in Appendices A and B.

Tiering the requirements to facilitate implementation

Globally, jurisdictions are embracing diverse approaches for mandatory assurance requirements. While upholding a high standard of ethics and independence is essential, certain jurisdictions may also require more time to acquaint the SAPs from various backgrounds with these requirements.

We propose the tiering of the proposed Part 5 of the IESBA Code in the following manner:

- Commence with the baseline requirements, including those mirroring Part 4B of the extant International Independence Standards. This will establish a strong foundation for sustainability assurance practices and help grow the pool of SAPs. As ISSA 5000 is an assurance standard, it may also be more conceptually aligned with Part 4B (for assurance engagements), rather than Part 4A (for audit and review); and
- Allowing the option to introduce the stricter requirements set out in the proposed Part 5, which mirrors Parts 1, 3 and 4A later. The IAASB and the International Organisation for Standardisation (ISO) may develop more rigorous requirements for areas such as group assurance and value chain entities as sustainability assurance evolves. The stricter ethics and independence requirements could be introduced when jurisdictions mandate comprehensive sustainability assurance, allowing more time for both accountant SAPs and non-accountant SAPs to adapt their systems and processes.
- The integration of a tiered approach into the Proposed IESSA would obviate the need for jurisdictions to create their own tiering, thereby fostering consistency of ethics and independence requirements worldwide.

Adapting the terminology and requirements in Part 5 to better align with the circumstances and practices of non-accountant SAPs

In Singapore, our TIC firms are applying ISO/IEC 17029 and ISO 14064-3 for the verification of GHG emissions.

During our engagement, we noticed variations in practices between accountant SAPs and non-accountant SAPs, which could pose practical challenges in applying the Exposure Drafts. For example:

- the non-assurance services specified in subsections 5601 to 5610 of the Proposed IESSA do not encompass services commonly offered by non-accountant SAPs.

It would be beneficial to list prohibited services more relevant to non-accountant SAPs and provide guidance for evaluating and mitigating independence threats for permissible services. These services include laboratory testing, product life-cycle assessments, transition planning (including de-carbonisation), ESG rating services and classification services.

- certain key roles in the Proposed IESSA such as engagement leader, engagement quality reviewer, group audit firm, and component audit firm, may be unfamiliar to non-accountant SAPs.

It would be helpful to provide explanations and implications for these roles and terms, and develop a 'translator dictionary' to align roles and terms used in ISO/IEC 17029 and ISO 14064-3.

We encourage the IESBA to collaborate with the IAF and the ISO to contextualise the Proposed IESSA for non-accounting SAPs. This will foster a consistent and high-quality ethics and independence framework for sustainability assurance globally.

We extend our appreciation to the IESBA for the opportunity to contribute to this consultation. We hope that our feedback will be useful for the IESBA's ongoing deliberations.

CEAOB - Committee of European Auditing Oversight Bodies

In examining the ED-IESSA, the CEOAB focused on the provisions for audit and sustainability assurance engagements. As a result, this letter does not identify all comments that would be needed on the provisions applicable to professional accountants (PA) when not performing such engagements.

The CEOAB consistently encourages the IESBA to enhance the quality, clarity and enforceability of the Code, even though legal ethical rules or provisions in force at the national level in EU and EEA member states, which exist in some areas covered by the Code, will continue to supersede those of the Code.

The CEOAB continues to believe that the Code should be clear and enforceable and allow for engagements to be performed on a consistent basis. The Code should incorporate provisions required to ensure appropriate behaviour: this means that the IESBA should include clear ethical principles along with clear requirements, to promote appropriate ethical behaviour and outcomes.

The CEOAB would like to reiterate its support for the IESBA's project to develop ethics (including independence) standards for sustainability assurance. Developing international standards that provide a reference framework at international level might help to foster appropriate behaviour by practitioners.

As sustainability and financial reporting is expected to develop towards an equal footing over time, the CEOAB strongly believes that the ethical provisions concerning sustainability assurance engagements and audit engagements should be equivalent. Accordingly, the CEOAB is particularly supportive of the premise by the IESBA that the

same high standards of ethical behaviour and independence that apply to audits of financial information should be complied with in sustainability assurance engagements. It is also in the public interest to use consistent language in the provisions applicable to the audit of financial statements and to the provisions applicable to assurance of sustainability information, wherever practicable. Differences in language should be on an exceptional basis.

In this context, it will also be essential for the IESBA to ensure consistency of the requirements for audit and sustainability assurance engagements going forward. The proposed structure with duplicate provisions might make this challenging (e.g. the fundamental principles for PAs in part 1 and in part 5 for sustainability assurance practitioners (SAPs)) as part of the future maintenance.

Regarding the provisions for sustainability assurance engagements, the CEAOB continues to appreciate close coordination between the IESBA and the IAASB to ensure terms and definitions are as consistent as possible in order to facilitate global consistency in the standards and their application.

The CEAOB supports the IESBA's proposal to align the effective date of the final IESSA with the effective date of ISSA 5000 by the IAASB.

In the same vein, the CEAOB further supports the IESBA's intention to proceed with addressing matters that have only been covered in a general and overarching way by the proposed assurance standard on sustainability reporting (ED-ISSA 5000) such as group audits, to facilitate alignment between the IESBA and the IAASB on this topic.

In the CEAOB's letter dated 7 July 2023 relating to the IESBA Strategy and Work Plan for 2024-2027 we welcomed initiatives to reach out to a wide range of stakeholders even outside the accounting profession and get an understanding of the ethical frameworks assurance providers outside the audit profession use. We encourage the IESBA to continue the dialogue with all relevant stakeholders and invite the IESBA to establish avenues to obtain further feedback on the final provisions after an initial implementation period, as part of a post-implementation review or through other ways of getting an understanding how the IESSA is applied. To ensure that terminologies and provisions adopted have the effects as intended by IESBA, the post implementation review would benefit from a specific focus on feedback from new users, outside the traditional IESBA audience to assess consistency of application of the provisions by all SAPs, whether or not familiar with the extant Code for PAs.

We also want to re-emphasize from said letter that the objective of achieving global acceptance of the Code, including adoption of part 5 by non-accountants, should not come at the cost of lowering the quality of the Code, which would be detrimental to the public interest.

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.

Importance of keeping close coordination between IAASB's and IESBA's respective standards

ESMA understands that, prior to issuing its proposals, IESBA has coordinated with the IAASB on a number of subjects. We also concur with the fact that developing framework-neutral ethics requirements implies maintaining neutrality not only from jurisdictional initiatives, but also to some extent from the IAASB's international sustainability assurance standard. Nevertheless, ESMA would recommend maintaining consistency between the IAASB's approach to define sustainability information and sustainability matters in the proposed ISSA 5000 and the proposed IESBA approach to define sustainability information. In our view, eliminating unnecessary divergence between IESBA's and the IAASB's standards would not undermine their neutrality, but rather improve their interoperability.

Similarly, we note that IESBA has proposed requirements for situations where sustainability assurance takes place at group level. On the contrary, the proposals on ISSA 5000 have remained at a more high-level in this area. With the objective of fostering consistency between their respective standards, ESMA encourages IESBA to continue working with the IAASB to consider converging on the way the respective standards address group sustainability assurance engagements.

Lastly, it is important to achieve a consistent understanding between the proposed Section 5 of the IESBA Code and ISSA 5000 on the notion of value chain and its relationship with the boundaries of groups, as further explained in our comments.

IAASA - Irish Auditing & Accounting Supervisory Authority

In examining the ED-IESSA, IAASA focused on the provisions for audit and sustainability assurance engagements. As a result, this letter does not identify all comments that would be needed on the provisions applicable to professional accountants (PA) when not performing such engagements.

IAASA continues to believe that the Code should be clear and enforceable and allow for engagements to be performed on a consistent basis. The Code should incorporate

provisions required to ensure appropriate behaviour: this means that the IESBA should include clear ethical principles along with clear requirements, to promote appropriate ethical behaviour and outcomes.

IAASA would like to reiterate its support for the IESBA's project to develop ethics (including independence) standards for sustainability assurance. Developing international standards that provide a reference framework at international level might help to foster appropriate behaviour by practitioners.

As sustainability and financial reporting is expected to develop towards an equal footing over time, IAASA strongly believes that the ethical provisions concerning sustainability assurance engagements and audit engagements should be equivalent. Accordingly, IAASA is particularly supportive of the premise by the IESBA that the same high standards of ethical behaviour and independence that apply to audits of financial information should be complied with in sustainability assurance engagements. It is also in the public interest to use consistent language in the provisions applicable to the audit of financial statements and to the provisions applicable to assurance of sustainability information, wherever practicable. Differences in language should be on an exceptional basis.

In this context, it will also be essential for the IESBA to ensure consistency of the requirements for audit and sustainability assurance engagements going forward. The proposed structure with duplicate provisions might make this challenging (e.g. the fundamental principles for PAs in part 1 and in part 5 for sustainability assurance practitioners (SAPs)) as part of the future maintenance.

Regarding the provisions for sustainability assurance engagements, IAASA continues to appreciate close coordination between the IESBA and the IAASB to ensure terms and definitions are as consistent as possible in order to facilitate global consistency in the standards and their application.

IAASA supports the IESBA's proposal to align the effective date of the final IESSA with the effective date of ISSA 5000 by the IAASB.

IAASA further supports the IESBA's intention to proceed with addressing matters that have only been covered in a general and overarching way by the proposed assurance standard on sustainability reporting (ED-ISSA 5000) such as group audits, to facilitate alignment between the IESBA and the IAASB on this topic.

In IAASA's letter dated 6 July 2023 relating to the IESBA Strategy and Work Plan for 2024-2027 we welcomed initiatives to reach out to a wide range of stakeholders even outside the accounting profession and get an understanding of the ethical frameworks assurance providers outside the audit profession use. We encourage the IESBA to continue the dialogue with all relevant stakeholders and invite the IESBA to establish avenues to obtain further feedback on the final provisions after an initial implementation period, as part of a post-implementation review or through other ways of getting an understanding how the IESSA is applied. To ensure that terminologies and provisions adopted have the effects intended by IESBA, the post implementation review would benefit from a specific focus on feedback from new users, outside the traditional IESBA

audience to assess consistency of application of the provisions by all SAPs, whether or not familiar with the extant Code for PAs.

We also want to re-emphasize from said letter that the objective of achieving global acceptance of the Code, including adoption of part 5 by non-accountants, should not come at the cost of lowering the quality of the Code, which would be detrimental to the public interest.

IFIAR - International Forum of Independent Audit Regulators

The IFIAR welcomes and supports the efforts of the IESBA to develop ethics (including independence) standards for sustainability assurance. Ethical and independence standards for sustainability assurance engagements that are at least as demanding as audit engagements is in the public interest. This includes the use of consistent terminology that is used in the provisions applicable to the audit of financial statements and to the assurance of sustainability information, wherever practicable. Deviations in language should be on an exceptional basis.

We support the close coordination between the IESBA and the IAASB to ensure terms and definitions are as consistent as possible in order to facilitate global consistency in the standards and their application.

We support the IESBA's proposal to align the effective date of the final provisions of IESSA with the effective date of ISSA 5000 by the IAASB.

We further support the IESBA to proceed with addressing matters that have been covered by proposed assurance standard on sustainability reporting (ED-ISSA 5000) only in a general and overarching way such as group audits.

We have identified several areas, which need further clarification, additional requirements and more comprehensive guidance to support a consistent understanding and application of the provisions of the Code. Please refer to our comments in the following sections.

Notwithstanding our comments in this letter, we refer back to the importance of continuing to prioritize ethics and independence standards for professional accountants that we highlighted in our comment letter dated 26 July 2023 on IESBA Strategy and Work Plan for 2024-2027.

IOSCO - International Organization of Securities Commissions

General observations

IOSCO commends the IESBA for its timely development of the IESSA in response to the public interest need for high-quality ethics (including independence) standards to cover all sustainability assurance providers (SAPs).

IOSCO supports the general approach taken in the IESSA, including:

- the consideration of the standard-setting characteristics set out in the Public Interest Framework (PIF) as criteria to assess the proposed standards' responsiveness to the public interest;

- building upon the provisions in Parts 1 to 4A in developing standards applicable to sustainability assurance engagements (proposed Part 5) to the extent those parts are fit-for-purpose; and
- the consideration of an international standard that is principles-based but provides sufficient details to promote consistent application and behavior by all sustainability assurance providers (i.e., profession-agnostic) and that is suitable for use across all reporting and assurance frameworks (i.e., framework-neutral).

IOSCO also makes the following general observations:

We continue to encourage the IESBA to closely coordinate with the International Auditing and Assurance Standards Board (IAASB) (collectively the Boards) to address topics of mutual importance. Specifically, we encourage the Boards to closely coordinate their work towards convergence and consistency of definitions, terms and key concepts used by both Boards in their respective sustainability-related proposed standards, such as that of “sustainability information”, to promote interoperability, especially for non-professional accountants who might be using the Boards’ standards for the first time. We believe profession-agnostic standards should provide, or be supplemented by, clear guidance suitable for use by all types of assurance providers, including guidance on key definitions and terminology.

We have previously communicated, through prior comment letters, some specific observations where we believe the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) could be strengthened, including observations related to enforceability, the strength of requirements, the use of substantive safeguards, the need for more stringent prohibitions, and guidance on how to evaluate materiality in the Code. We note that these comments are focused primarily on the application of the Code to assurance over information reported by public interest entities. Due to these considerations, we urge the IESBA to consider reviewing and revising the Code as it relates to public interest entities as a matter of high priority once it has finalized the IESSA. While we acknowledge that any further revisions will need to be considered separate from finalizing the Proposals, we believe further work to strengthen the Code in Parts 1 to 4 and proposed Part 5 will serve the public interest and enhance trust in, and reliability of, financial and sustainability information provided to investors and other users.

IRBA - Independent Regulatory Board for Auditors

From a public interest perspective, we acknowledge the need for high standards of ethics and independence in sustainability assurance engagements, equivalent to those of financial statement audits. However, there are inherent distinctions between these types of engagements, making it challenging to achieve equivalence. Additionally, striving for profession-agnostic and framework-neutral standards introduces complexity, as different professions have divergent practices. Thus, whilst we agree on the importance of all of these objectives, achieving perfect or close alignment without compromising certain aspects remains challenging.

Despite our observations, we commend the IESBA for the development of this exposure draft and for achieving this in such a short period, based on needs in certain markets. The exposure draft is well received, and we are broadly supportive of its objectives.

In our responses to specific questions, we elaborate on concerns related to:

The Public Interest Framework, specifically whether the complexity of the proposals and the length of Part 5 satisfy the qualitative characteristics of standards that are responsive to the public interest, because of how it impacts current users of the IESBA Code.

The feasibility of the new independence provisions in Sections 5406, Another Practitioner involved in a Sustainability Assurance Engagement for a single entity or group and 5407, Independence considerations relating to assurance work at or with respect to, a Value Chain Entity.

The current approach to assessing independence when a firm performs both audit and sustainability assurance engagements for the same client, including whether the combination of independence guidelines across different Parts of the IESBA Code is synergistic.

We also emphasise the need for continued coordination between the International Auditing and Assurance Standards Board (IAASB) and the IESBA as the sustainability assurance landscape develops, because continued coordination between the two bodies will ensure harmonisation between the auditing and the ethics standards and will ultimately facilitate interoperability and ease of application.

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

As noted in the Explanatory Memorandum to the Exposure Draft, the IESBA has engaged closely with the International Auditing and Assurance Standards Board (IAASB) to address matters of mutual interest to ensure that the IESBA's final sustainability-related standards will be consistent and interoperable with the proposed International Standard on Sustainability Assurance (ISSA) 5000.

While NASBA commends the IAASB's and the IESBA's efforts on developing foundational standards for sustainability assurance engagements and establishing some level of standards with accountability and consistency, since the framework is open to all, including non-CPAs, the concern is enforceability of the proposed ISSA and IESSA.

We refer you to NASBA's comment letter dated November 23, 2023, on the Proposed International Standard on Sustainability Assurance 5000 – General Requirements for Sustainability Assurance Engagements and Proposed Confirming and Consequential Amendments to Other IAASB Standards. Noted in NASBA's response to the proposed ISSA, a 2021 joint benchmarking study sponsored by the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA) titled "The State of Play in Sustainability Assurance" considered a range of subjects including the use of the ISAE 3000 standards by non-CPA service providers. The report indicated that over 50% of the reports by other non-CPA service providers utilized alternative language to reference their use of the ISAE 3000 standards. In other words, less than 50% directly stated that their work was "in accordance with" ISAE 3000. The others utilized language such as "based on", "commensurate", "including" and "utilized the

same verification principles”. While the motives of those utilizing the alternative language are not fully known it can be assumed that in a number of cases it serves as an admission that they do not or were not otherwise able to meet the “at least as demanding” thresholds related to independence or quality management. That behavior does not appear to meet the spirit or the substance of the requirements of the proposed ISSA 5000 nor the proposed IESSA and would not be in the public interest.

There is an established framework for enforceability with respect to those that have CPA licenses. Unanswered questions exist as to what enforceability mechanisms exist for non-CPAs. The proposed ISSA and IESSA are predicated on the notion that non-CPAs are going to follow the standards to the same rigor and equivalency as CPAs. There is a risk to the public that non-CPA practitioners will not adhere to the requirements set forth in the proposed ISSA and IESSA and then it would be left up to individual jurisdictions to determine if they have the authority to take any disciplinary action. There is a further risk that the public may be misled as to the adherence to the standards by non-CPAs and may place unwarranted reliance on their work.

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

The PAAB is in agreement with quite a number of proposals in the ED including the fact that the proposals in Chapter 1 of the ED 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

The FRC is supportive of the IESBA's proposed ethics and independence standards for sustainability assurance, which can form a robust, global, profession agnostic and framework neutral set of ethics and independence standards, in the public interest.

However, there are some areas we feel the proposal can be enhanced, including the applicable ethics and independence requirements for assurance work with respect to a value chain entity. In scenarios where the firm assures the sustainability of a value chain entity, without carrying out work at that entity, we think the firm should consider, based on the nature of the information to be assured and the assurance work, if a reasonable and informed third party would conclude that they should be independent of both the client and the value chain entity.

Investors and Other Users

Ceres Accelerator

Ceres believes that the IESBA's Exposure Draft on International Ethics Standards for Sustainability Assurance and ethics standards for sustainability reporting sets forth an appropriate framework for ethical conduct by sustainability assurance practitioners. We also endorse the approach that the standards apply regardless of the provider's professional background.

The IESBA draft states that “[t]he goal of these standards is to mitigate greenwashing and elevate the quality of sustainability information, thereby fostering greater public and institutional trust in sustainability reporting and assurance.” Ceres believes that the

standards fully address these goals and that the standards, when adopted, will reduce the presence of "greenwashed" sustainability reporting.

Accordingly, we support the IESBA's efforts and urge it to move forward with the adoption of the proposed standards.

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

The proposed International Ethics Standards for Sustainability Assurance for setting out a framework of expected behaviors and ethics provisions for sustainability assurance practitioners and professional accountants involved in sustainability reporting and "Using the Work of an External Expert" is a positive step. We realize that the new proposed standards come as companies globally gear up to begin reporting on sustainability and climate-related risks, opportunities, and impacts. We have some suggestions concerning the proposal and its adaptability for Indian markets, which we have put forth in our comments.

MSCI - Morgan Stanley Capital International

MSCI welcomes the opportunity to provide feedback to the International Ethics Standards Board for Accountants' ("IESBA") public consultation on the draft standards for Sustainability Assurance and revisions to the Code relating to sustainability assurance and reporting ("the IESBA Proposals").

As a leading provider of sustainability and climate data to investors, MSCI analyses sustainability reporting by companies worldwide. We have welcomed the introduction of the reporting standards developed by the International Sustainability Standards Board and similarly welcome the IESBA Proposals. As a user of sustainability data, our comments are limited to a broad support of the IESBA Proposals and do not provide more detailed comments which are better suited to the relevant professional bodies and practitioners.

The material increase in published sustainability data has provided investors with a better understanding of the material Environmental (including climate), Social and Governance risks facing a company and how the company manages the risk. As a greater number of investors request data and tools from MSCI to assist them with their assessment of companies, we have encouraged the increased disclosure of comparable quantitative data but have stopped short of advocating for the sustainability reporting to be assured. In our assessment, given the nascency of the sector, it was more important that the market established a norm – to disclose – rather than – not to disclose. Through the actions of policymakers, regulators and investors, we have now reached a broad norm to disclose sustainability data, albeit imperfect. Investors and users now demand enhanced quality of sustainability disclosures, targets and commitments.

By its nature, sustainability data, both quantitative and qualitative, involves subjective judgments (for example, selecting a base year or explaining a commitment to reduce emissions) and reporting standards are still new, or yet to be developed. This leaves open the risk for greater, and possibly inconsistent, judgment by a preparer or a reviewer of sustainability data. So as not to lose trust in this process, it is critical that in making judgements, a preparer or an assurance practitioner has a set of ethical principles to draw

on to help guide behavior. This will increase the level of trust in the reported data and in its assurance.

Data reported in accordance with reporting standards, and assured through new assurance standards, all under an umbrella of ethical conduct, will set the environment for the ongoing effective development of the industry, as the data becomes more open to challenge and analysis. The IESBA Proposals is the key ethical component in this matrix. The profession-agnostic and framework neutral standards will serve as the baseline requirement for ethical standards to be applied by assurance practitioners globally. The IESBA Proposals complement the proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements (“ISSA 5000”). For instance, the ISSA 5000 is proposed to be adopted by the Committee of European Auditing Oversight Bodies (CEAOB) by incorporating it into the Delegated Act that shall adopt limited assurance sustainability standards. Similarly, the IESBA Proposals could act as a minimum set of requirements for jurisdiction-specific standards for assurance practitioners as assurance of sustainability reports / underlying data points become mandatory.

We also welcome the coordinated efforts of IESBA and the International Audit and Assurance Standards Board (IAASB) in agreeing on the effective dates of implementation of their respective proposed standards. An alignment of the IESBA’s effective date of implementation with the ISSA 5000 would be a welcome step resulting in a seamless implementation of the standards by the assurance practitioners and professional accountants.

NBIM - Norges Bank Investment Management

We welcome IESBA’s objective to establish globally accepted ethical standards for sustainability reporting and assurance. We need reliable and credible sustainability information from companies to properly assess and compare their exposure to, and management of sustainability risks. Global ethical standards for sustainability reporting and assurance will be key to promote ethical behaviour in preparers, assurers, and other stakeholders, thereby fostering trust in non-financial information and underpinning well-functioning markets.

It is important to recognise that assurance of sustainability reports may be conducted by a variety of professionals, not just certified professional accountants (CPAs). Therefore, we strongly support IESBA’s intention for the Code to be profession agnostic. Simpler terminology, a principle-based approach as well as dedicated guidance and outreach would benefit assurance providers without a traditional accounting background. It would also alleviate compliance costs with the Code for smaller and non-CPA firms. It is important that the same ethical standards apply to all providers of assurance, across professions and jurisdictions, to achieve trust in sustainability information and ensure a level playing field. We therefore encourage IESBA to focus on the readability and accessibility of the Code so that it can work as a global standard for a wider range of practitioners than its original audience.

We also support the framework neutral approach of the standards. Allowing the Code to be applicable irrespective of the specific sustainability reporting framework or standard

being used, whether global or jurisdiction-specific, will enable it to be applied more universally. We especially value the alignment and coordination of the IESSA with the ISSA 5000 standard under development by the International Auditing and Assurance Standards Board, as both standard setters play a key role in enhancing the quality and trust of sustainability assurance worldwide. To achieve this aim and ensure that the IESSA can be compatible with national and industry-specific regulations, we encourage IESBA to further focus on the principle-based nature of the standard and its simplification.

SAAJ - The Securities Analysts Association of Japan

We welcome that the IESBA has published the ED. Sustainability information is becoming increasingly important for analysts and investors in forecasting future cash flows and performance. Representing the interests of users of sustainability information, we have been advocating the urgent need for high quality, consistent, and comparable global sustainability disclosure standards.

Therefore, we welcomed the publication by the International Sustainability Standards Board (ISSB) of its inaugural IFRS Sustainability Disclosure Standards (ISSB Standards) in June 2023. We also welcomed the IAASB's Exposure Draft on International Sustainability Assurance Standards 5000 (ED-5000), which will provide a global baseline for ensuring the reliability of sustainability information. We submitted our comment letter on ED-5000, basically agreeing with the proposals.

With the publication of the ED, there will be a complete set of disclosure standards, assurance standards and ethics and independence standards for sustainability information. We hope that these three standards will work together to make sustainability reporting effective in the financial and capital markets.

While we basically agree with the main proposals of the ED, we provide below our general comments and suggestions for improvement from the perspective of analysts and investors as users.

Preparers and Those Charged With Governance

Asma Jan Muhammad

I am writing to express my sincere commendation and appreciation for the exemplary efforts undertaken by yourself and your team at the International Ethics Standards Board for Accountants (IESBA) in advancing sustainability assurance ethics standards.

The recent publication of the IESBA Exposure Draft on International Ethics Standards for Sustainability Assurance (IESSA) marks a significant milestone in the field of sustainability reporting and assurance and reflects the IESBA's steadfast commitment to promoting ethical practices and integrity in sustainability assurance and reporting processes.

The comprehensive nature of these proposals demonstrates the IESBA's proactive stance in addressing the ethical challenges inherent in sustainability assurance and reporting. By providing clear guidelines and standards, the IESBA is empowering professionals to navigate complex ethical dilemmas with confidence and integrity.

ICFOA - International CFO Alliance

Broadly, we support the direction that the IESBA Board is taking to expand the scope of the Code to include both PAs non-PAs when performing sustainability assurance activities. We further recognize the challenges associated with expanding the scope of the Code, and actively encourage the Board to consider specific implementation guidance and support resources to aid in adoption particularly for non-PA communities. Apart from ethics and independence guidelines relating to assurance practices, these supporting resources could potentially include material on the concepts of sustainability and stakeholders other than financial market participants to impart the importance of the greater public interest.

Public Sector Organizations

AGNZ - Office of the Auditor General of New Zealand

Our main concern is that the proposed standard is based on the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) that we do not consider meets the IESBA's mission to set standards that provide a cornerstone to ethical behaviour, or to establish and maintain public trust in information. We have expressed our concerns about the Code with the IESBA previously and have not repeated them in this submission.

GAO - US Government Accountability Office

We support the IESBA's efforts to develop ethics and independence standards for all sustainability assurance practitioners and to revise the IESBA's Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) to address ethics issues that might arise in sustainability reporting.

We believe the standard should not be issued unless there is parity in the IESBA's ethics and independence requirements for both accountants and practitioners (nonprofessional accountants). We believe parity is essential to serve the public interest and help ensure the consistent performance of high-quality assurance engagements and other services. We have provided suggestions to clarify the Code and aid practitioners in understanding and consistently applying the ethics and independence standards, particularly the conceptual framework to independence for sustainability assurance.

UNCTAD - UNCTAD's African Regional Partnership

Feedback Summary

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

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

Additionally, the ARP members recommended to take an approach for its new strategic work stream that advocates for inclusivity and collaboration among diverse stakeholders in order to achieve consensus in decision-making processes, aiming to avoid risks associated with adhering solely to mainstream thinking. This approach emphasizes consultation and engagement with strategic partners and the international community at large, suggests considering the impact of non-compliance beyond the auditee and fostering communication with accountancy bodies across different countries and regions as well as highlights the importance of working collaboratively with other professional organizations.

Independent National Standard Setter

APESB - Accounting Professional & Ethical Standards Board (Australia)

APESB is supportive of the IESBA's project to establish professional and ethical requirements in the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) relating to sustainability reporting and assurance. In particular, we support the establishment of robust independence standards that apply to all sustainability assurance engagements, regardless of the profession of the assurance provider.

APESB congratulates the IESBA on its strategic partnership with the International Accreditation Forum (IAF) to advance the use of a common framework of high standards of ethical conduct to underpin trust in the assurance of sustainability information. We believe this is an important first step towards accepting these new global ethical requirements as best practice and addressing the public interest in ensuring that sustainability information is credible, comparable, and, therefore, capable of being subject to assurance.

APESB have received feedback from stakeholders who are concerned about the ability of non-professional accountants being able to understand and operationalise the requirements in the proposed IESSA easily. We encourage the IESBA to consider the development of a guidance document to assist these practitioners in applying the principles outlined in the IESSA to practical actions and outcomes. This will also support consistent application of, and compliance with, the IESSA by all practitioners.

In developing APESB's response to the IESBA's Sustainability ED, we have considered a local submission to the APESB on this exposure draft and Australian stakeholders' feedback from a roundtable event conducted by APESB on 26 March 2024. The stakeholders who attended the roundtables included standard setters, regulators, professional accounting bodies, accounting firms and consultants.

APESB's key recommendations are noted below. In addition, Appendix A provides APESB's responses to the IESBA's specific and general questions.

Recommendations

APESB's key recommendations in relation to the Sustainability ED for the IESBA's consideration are:

Consider the introduction of selection criteria to identify which value chain entities subject to assurance should be evaluated for threats to independence.

Develop guidance or non-authoritative materials, incorporating examples and case studies, to assist non-professional accountants in understanding the ethics and independence requirements for conducting sustainability assurance engagements.

Perform a critical review of differences when material in the proposed Part 5 is based on material from other parts of the Code to ensure limited opportunities for arbitrage or inconsistent application of requirements across different types of assurance engagements.

Provide guidance on evaluating and addressing threats relating to acting with insufficient expertise within Part 5 by including guidance material from extant Section 230 or highlighting relevant guidance in the proposed Part 5 within proposed Section 5270.

Develop additional guidance or non-authoritative materials on group independence considerations (Section 5405) to enhance non-professional accountants' understanding of these requirements.

Amend proposed paragraph R5407.6 from a requirement to guidance material (as it does not impose any additional requirements on the sustainability assurance practitioner).

Include a transitional period (for example, 2 to 3 years) for the provisions relating to value chain entities to allow the sustainability assurance market and practices to mature.

Enhance the guidance in proposed Section 5700 by including the information from paragraphs 112 to 113 of the IESSA Explanatory Memorandum and including guidance on examples of factors to evaluate threats and safeguards for value chain entities.

Update proposed paragraph 5601.5 A3 to include more specific examples of sustainability-related tasks that would be considered routine or mechanical.

Conduct a review of the proposed provisions to ensure they are user-friendly, consistent and simplified where possible. This includes reviewing the paragraph numbering system in the proposed Part 5 to reduce complexity or to clarify the system applied.

NZAuASB - New-Zealand Auditing & Assurance Standard Board

The NZAuASB broadly supports the IESBA's proposed revisions relating to assurance over sustainability information. Given the degree of public interest in sustainability information, we agree that ethics and independence for sustainability assurance practitioners should be at the same high standard as for financial auditors.

We do have the following matters to highlight:

Profession agnostic

We commend the IESBA for working closely with the International Accreditation Forum (IAF) with the objective to develop a profession agnostic standard. The announcement of this strategic partnership is a significant first step towards achieving this goal.

We urge the IESBA to continue working with the IAF, and others, to identify gaps or inconsistencies in understanding by various professions. It is in the public interest that there is consistent application of the ethical and independence requirements.

We are concerned that the proposals may not look and feel profession agnostic. The “lift and shift” approach has largely replicated material from Part 4A. The terminology used in the exposure draft is different from terminology used by other professions. We question whether the proposals will be consistently understood by all assurance practitioners. We recommend that a comprehensive education and familiarisation effort is developed to enable consistent application by a wide range of practitioners.

Complexity of the proposals

We are concerned that the proposals are long and complex. This complexity is heightened in the sections on group sustainability assurance engagements (s5405); independence considerations relating to assurance work at, or with respect to, a value chain entity (s5407); and the sub-sections on specific non-assurance services (ss5601 – ss5610). Given the developing nature of both sustainability reporting and the associated assurance market, we recommend that these sections or sub-sections could be removed or shortened for the introduction of Part 5, proportionate to the stage of maturity of the market. These matters may be better first explored by demonstrating the principles of the Code in non-authoritative guidance. If necessary, these sections could be added or expanded in due course.

We note the misalignment of definitions and scope of these proposals with the IAASB’s draft ISSA 5000. We consider this will add to complexity. We encourage the IESBA and the IAASB to continue to work closely together to minimise differences and ensure the requirements are aligned and interoperable. If it is necessary for definitions to differ, we strongly recommend that the defined term differs, rather than using the same term to mean different things.

Importance of competence

We consider that the competence and independence of the assurance practitioner are of equal importance, especially for sustainability information, where the breadth of competence needed may be extensive. We encourage the IESBA to strengthen the focus on competence of the sustainability assurance practitioner in the underlying subject matter including local considerations, which may be critical to enable the exercise of professional scepticism.

Professional Accounting Organizations (PAOs)

ACCA - Association of Chartered Certified Accountants

PART A: GENERAL COMMENTS

We are supportive of the direction that the IESBA has taken in the development of ED-IESSA, setting the global baseline for ethics when it comes to sustainability reporting and assurance.

We commend the IESBA for accelerating the development of its standards meeting the EU timeline, considering the Corporate Sustainability Reporting Directive (CSRD), the associated reporting frameworks and the IAASB's Proposed Standard on Sustainability Assurance, ISSA 5000.

It is important to bear in mind that CSRD has added article 25b to the Audit Directive, which states that the independence requirements for statutory audit apply *mutatis mutandis* for sustainability assurance which makes the ED-IESSA pertinent and timely to ensure appropriate application and interpretation of the requirements.

Alongside the EU, international bodies such as IOSCO and others have requested that the same level of independence and objectivity ethical principles are applied to sustainability reporting and assurance as for any other financial reporting engagement.

While we find that ED-IESSA provides a substantial and firm ethics foundation for sustainability assurance engagements, our outreach feedback suggests that there is a need for more specificity in addressing some of the more complex aspects such as the Independence requirements, Value Chain Entity interpretation, Groups, and enforcement for non-PAs. Therefore, in our view and for non-PAs that may not be as familiar with the extant Code terminology, additional guidance to introduce practical application of the standards would be necessary.

We commend the close work with the IAASB (particularly in relation to their proposed ISSA 5000) and stress the importance of remaining closely aligned as the respective projects on ethics and on assurance proceed. Consistency so far as possible should be sought around issues such as definitions of terms, sustainability in a group context and the concept of a value chain.

We commend the institution of the sustainability reference group which includes non-accountants to act as a sounding board for the development of the ED by IESBA. The ED is relevant for investors, those charged with governance and regulators, not only PAs, so it is important that all stakeholders are included and listened to. It will be particularly important to pay attention to the voice of the non-accountants engaged in the provision of sustainability assurance services, to understand whether IESBA has been successful in practice in producing proposals that are understandable and useable for this very important stakeholder group.

We encourage the IESBA to continue its work on future priorities and workplan for developing additional supporting guidance for sustainability assurance. This will enable local regulators and standard setters to determine where they may need to fill gaps or develop additional local requirements and support them in their own enforcement agenda of ED-IESSA. We also encourage the board to consider where it may be able to facilitate development of guidance in cooperation with national standard setters or professional bodies.

From an enforcement standpoint, clarity, enforceability, and practicality are paramount considerations in evaluating ED-IESSA. We believe therefore that it is important that in each jurisdiction, effective oversight of the assurance work performed is established to ensure that the work is performed in accordance with the assurance standard(s) approved within the jurisdiction. We encourage further clarity on how the standards accommodate the unique perspectives and expertise of sustainability assurance practitioners outside of the accountancy profession and how this will be regulated in practice.

We do not agree at a high level with the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client's financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client), as noted in our answer to question 17 below.

We encourage the IESBA to ensure clear guidelines and protocols for communication between auditors and sustainability

assurance practitioners to ensure professional independence, objectivity, and confidentiality are maintained while addressing NOCLAR (non-compliance with laws and regulations) issues. Producing this guidance may require co-ordination with professional bodies and we are happy to provide support in this regard, for example in what is required to be documented on how NOCLAR judgements are made.

We are supportive of the IESBA's approach in recognising that expectations will evolve in relation the ethical standards for sustainability assurance engagements, and the associated ethical standard may need to be refined over time as well as supplemented by additional standard(s) when needs are identified going forward.

PART B: OUTREACH FEEDBACK

We conducted three separate roundtable discussions to garner feedback on ED-IESSA. Due to the extent of the questions and the limited time for our response we were unable to discuss all questions in detail. We therefore focused on the key areas for our discussions. Feedback from our outreach has informed our responses to the individual consultation questions where relevant and we also set out below some of the key elements of the feedback for the Board's attention (this includes comments from members of ACCA's Ethics Global Forum).

During our outreach we discussed the challenges and considerations related to implementing ED-IESSA noting a mix of curiosity, concern, and acknowledgment of the complexities involved in this process. Overall, the sentiment in the meeting was a blend of cautious optimism and apprehension, with participants recognizing both the potential benefits and challenges associated with the proposed changes to the code.

There was a recognition of the complexity of the issue and the need for careful consideration of numerous factors, including regulatory requirements in different jurisdictions and the evolving nature of sustainability assurance practices globally. Participants acknowledged the importance of specialization and expertise in this field and

emphasized the need for clear guidelines and standards to ensure the integrity and effectiveness of sustainability assurance engagements.

Participants raised questions about stakeholder engagement, enforcement, monitoring, and the potential impact on various sectors, including small practitioners and non-accountants. Overall, there was a sense of navigating uncharted territory and the need for careful consideration and collaboration in addressing these issues.

Participants discussed various aspects of sustainability reporting, assurance, and ethical considerations in accounting practices with a sense of engagement and mutual understanding as they delved into complex topics and shared insights, with the outputs to various questions noted below. Overall, the tone was positive and constructive and focused on addressing challenges and finding solutions.

There was a mix of sentiments expressed, reflecting both interest and concern regarding the proposed changes and their implications. Some participants expressed curiosity and clarification on various aspects of the proposed revisions, such as the scope and applicability of the new standards. We engaged in thoughtful discussion, raising questions about the potential impact on firms and the challenges they may face in providing a broader range of services to clients while maintaining independence and managing conflicts of interest.

AE - Accountancy Europe

Sustainability reporting and assurance should be given the highest priority by all stakeholders including the IESBA. We agree that ethical standards for sustainability assurance should be profession-agnostic, framework-neutral and principles-based.

Sustainability reporting is still evolving and many entities will likely face challenges in establishing the necessary reporting systems within tight legislative deadlines as is the case in the European Union. It is therefore imperative that such entities have access to technical assistance. In this regard, the Code should aim for the highest level of ethical standards while not inadvertently limiting the availability of professional services by unnecessarily stringent rules.

Proposed requirements and application material are quite prescriptive and complex. Supporting guidance and further clarification will be needed to foster adoption and for consistent application in practice. There is still room for simplification and customisation considering sustainability-specific matters and examples.

One of our fundamental concerns is the fact that the IESBA's proposals do not exhibit equal treatment to professional accountants (PAs) and other service providers. There has to be level-playing field for all professions performing sustainability assurance engagements. In addition, the IESBA should reconsider proposed provisions and notions regarding cases where financial statements auditor performs the sustainability assurance engagement.

The IESBA and IAASB should align their terminologies and timelines to the maximum extent possible, for the projects that are within the scope of both Boards' mandate.

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

Though PEEC agrees that it is important for those reporting and assuring sustainability information to have clear guidance on relevant ethical requirements, including independence, when carrying out those activities, we have significant concerns with the proposed IESSA.

The proposed IESSA does not satisfy the Public Interest Framework

As a result of the effort to make the IESSA profession agnostic and equivalent to part 4A, as described below, the proposed IESSA has several deficiencies. The proposed IESSA

- lacks clarity;
- is not interoperable with the proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance due, in part, to several inconsistencies;
- is premature;
- and will undermine the public trust in PAs.

Therefore, the proposed IESSA does not meet the characteristics of the Public Interest Framework (framework). IESBA should take all steps necessary to address these deficiencies, even if that means re-exposing or deferring portions of the proposed IESSA.

IESBA's issuance of profession-agnostic standards is not in the public interest

PEEC agrees that, conceptually, all SAPs should consider relevant ethical requirements in the provision of their services. However, IESBA should not promulgate ethical requirements, including independence, for non-PAs.

IESBA's remit is setting ethical standards for professional accountants under the oversight of the Public Interest Oversight Board (PIOB). IESBA is required to develop standards with the intention to adhere to the framework, which establishes the development and oversight of international audit-related standards that are responsive to the public interest. The framework includes, among other characteristics, clarity, timeliness in addressing identified needs without sacrificing quality, implementability, enforceability, and consistent and global application. The proposed standards do not meet these characteristics.

The proposed IESSA lacks clarity

Extant IESBA standards use vocabulary and concepts commonly understood by PAs, supported by formal education, ongoing training, experience, and definitions in various professional standards. If profession-agnostic standards use terms that differ from those used in the extant professional and ethics standards to broaden their applicability, such ethical standards are likely to be inconsistent, confusing, and misunderstood by PAs and stakeholders alike. An example of this is described in our response to question 7. The lack of consistency with extant International Audit and Assurance Standards Board (IAASB) standards is problematic.

Even if IESBA were to use the same terms and propose equivalent requirements, there is no way to ensure that non-PAs, without the equivalent level of education, ongoing training, appropriate experience, and appropriate regulation, can understand and apply those requirements appropriately. Stakeholders will have no way of knowing whether a non-PA adequately understood and was able to apply the IESSA.

The public trust will be eroded

The public accounting profession has had additional public protection requirements in place for decades that, when combined with the code, allow the public and capital markets to trust and rely on PAs. The additional public protections include obtaining and maintaining credentials and licenses, robust performance and quality management standards, ongoing quality inspections, and stringent enforcement processes that identify and discipline those not in compliance with the requirements.

Allowing standards for PAs to be used by non-PAs ultimately will cause stakeholder confusion and dilute PA standards, thereby eroding trust in PAs, and harming the public interest. Allowing non-PA SAPs to use and cite the code when these other public protections are not in place may give stakeholders the impression that those providers are subject to the same rigorous standards as PAs. Even worse, a stakeholder may believe that those SAPs are in fact PAs, when they are not. If misapplied by non-PAs, this could damage the reputation and public's trust in the IESBA code as well. PEEC strongly urges that SAPs other than PAs should not be able to hold out compliance with IESBA's code.

If IESBA proceeds as planned, the board has a duty to ensure its code is not used without appropriate protections. Otherwise, the public may mistakenly believe that non-PA assurance that cites the code is equivalent to PA assurance. IESBA must do more than simply encourage regulators to put those protections in place. We strongly urge adding a stipulation in part 5 that SAPs other than PAs cannot hold out as complying with IESBA's code unless

- a relevant regulator has put the same public protections in place that PAs are subject to, including quality management, oversight, and enforcement and
- the regulator requires full compliance with part 5.

The proposed IESSA contributes further to this concern, as it clearly provides that PAs must apply part 4B independence standards to a sustainability assurance engagement not meeting the criteria in paragraph 5400.3a, whereas non-PAs are only “encouraged” to apply part 4B for the same engagements. In addition, the scope of the proposed IESSA is limited to addressing only those services provided to a sustainability assurance client, while PAs apply the code to all services that they provide, not just those services provided to an assurance client. Additionally, ISSA 5000 engagements require compliance with ISQM 1 or a standard at least as demanding. It appears that 5400.4 does not. Allowing non-PAs to apply less rigorous standards than PAs is highly concerning from a public interest perspective, as it will undoubtedly cause confusion on the part of users of those reports.

The IESSA is premature and will create adoption challenges for national standard setters

Though PEEC agrees that sustainability is an important topic, the committee is concerned about the immaturity of the environment and overlap with other evolving requirements, such as those related to public interest entities (PIEs), related entities, group, and value chain entities. Sustainability is a relatively new and rapidly evolving area for practitioners, regulators, and standard setters. There is no specific definition nor general understanding of the term “sustainability.” There are diverse reporting objectives and stakeholders.

Regulators have not yet concluded what subject matters should be addressed by regulation. This creates a significant opportunity for unintended consequences and lack of interoperability with other standards such as ISSA 5000.

Furthermore, input into IESBA's due process emanates largely from highly experienced accounting organizations, accounting firms, and stakeholders with an understanding of accounting and auditing (including applicable ethical) standards, financial statement reporting and stakeholder requirements. Only 5 non-PA SAPs responded to the IAASB's ISSA 5000 exposure draft, compared to 21 respondents that were in the public accounting profession; 2 of the 5 non-PAs indicated that the ISSA 5000 exposure draft was not clear. This minimal non-PA feedback on the subject matter, combined with the lack of clarity noted by non-PAs, further supports PEEC's concerns.

Finally, IESSA's lack of clarity, inconsistency with other standards, and intent to be profession-agnostic will undermine the purpose for which IESBA was created — “facilitating the convergence of international and national ethics standards for professional accountants.” (IESBA Term of Reference at 2.1). National standard setters will struggle to adopt a standard that is confusing, inconsistent with extant performance standards, and that may have unintended consequences because of its prematurity. Some organizations may not be permitted to adopt non-PA codes of ethics. Accordingly, there is likely to be inconsistent adoption and enforcement of the requirements for PAs across jurisdictions. Convergence with the IESBA code will become even more challenging and less likely. Critically, if IESBA is no longer perceived as having as its priority standard-setting for the benefit of PAs and their stakeholders, national standard setters may lose confidence in IESBA's standard-setting leadership and refocus on their own efforts to ensure robust standard setting continues for licensed PAs in their professional jurisdictions.

Interoperability with standards set by the IAASB

The International Foundation for Ethics and Audit (the foundation) was created to strengthen the international audit and assurance related “standard-setting system” to be more responsive to the public interest. This system includes standards issued by the IAASB and IESBA, and encompasses all audit, assurance, ethical, and independence standards. This standard setting system can be responsive to the public interest only when the ethical standards, including independence, are supportive, consistent, and interoperable with the respective audit and assurance standards.

For example, the U.S. Securities and Exchange Commission adopted standards relating to climate disclosure with profession agnostic aspects. The SEC standards, however, identify specific applicable reporting, assurance, and ethical standards. This allows for an interoperable environment and demonstrates the importance of IESBA and the IAASB coordinating their efforts toward better alignment.

The PIOB and IOSCO has echoed support for the coordination of the two boards. In its Public Interest Issues: IESBA Projects (report as of November 7, 2023), the PIOB indicated that it is crucial that IESBA and the IAASB coordinate their sustainability workstreams and assess the interoperability of their scopes. In its September 22, 2022 statement, IOSCO welcomed the work of the two boards, and described IESBA as being one of the “international audit and assurance standard setters” along with the IAASB. The

statement also encouraged the IAASB and IESBA to collaboratively engage with each other.

We urge that before the exposure draft deliberations are complete, IESBA and the IAASB jointly develop a long-term vision and strategy for addressing ethical requirements, including independence, in sustainability assurance engagements, and determine how the two boards will clearly align their requirements. We believe this is critically important because when the two boards are not aligned, inconsistencies between each board's projects are likely to result, inhibiting interoperability. Examples of inconsistency between ISSA 5000 and the proposed IESSA include the definition of sustainability information and elements of the proposed requirements for group assurance, another practitioner, value chain entities, and noncompliance with laws and regulations (NOCLAR), which are discussed in our responses to the specific questions.

We believe that IESBA has the support of its stakeholders to work closely with the IAASB to resolve the inconsistencies between the standards to improve interoperability prior to adoption.

Performance standards should not be included in the code

The line between ethical and performance standards, including audit and assurance standards issued by IAASB, should be distinct. If IESBA has identified deficiencies in performance standards, the board should identify a way to engage the appropriate parties, including IAASB, to address those standards, instead of adding performance requirements to the code. Comingling performance standards in the ethical standards will lead to confusion and a lack of interoperability between these standards.

Certain requirements that have been proposed in the IESSA (for example, those requirements related to group assurance, another practitioner and value chain) belong in the performance standards. However, standards in these areas have not yet been fully developed by the IAASB. If IESBA adopts requirements through the proposed IESSA, they may conflict with, or supplant, the work of IAASB. We noted that during IAASB's March 2024 board discussion on groups and components, the board seemed to be entertaining a different direction than that contemplated by IESBA.

Due process

We acknowledge that IESBA's December 2024 completion date is intended to align with the IAASB and other regulatory timelines. It is in the public interest to issue standards that practitioners can understand, align with IESBA's fundamental principles, are interoperable with the IAASB, and could be implemented by national standard-setters. Accordingly, IESBA should not be pressured to issue standards that do not achieve these goals.

CAANZ - Chartered Accountants Australia and New Zealand

We commend the International Ethics Standards Board for Accountants (IESBA) for accelerating the development of the Exposure Draft International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) (the ED) in response to the demand for high quality assurance on sustainability information. Globally consistent, high-quality assurance over sustainability information will be important to the impact of sustainability reporting and the decisions made by users of that

information. We make this submission on behalf of our members and in the public interest.

We acknowledge the extensive global outreach that the Sustainability Task Force has done across a wide range of stakeholders during the development of the ED. Given that the proposals aim to be profession agnostic, we also acknowledge the formation of the Sustainability Reference Group (SRG) which the IESBA consulted with throughout the development of the ED.

We applaud the formation of the strategic partnership between the IESBA and the International Accreditation Forum (IAF) to advance the use of a common framework of high standards of ethical conduct to underpin trust in the assurance of sustainability information. We also support the IAF's stipulation to national accreditation bodies around the world, that the IESSA are to be used when accrediting and authorising conformity assessment bodies to carry out assurance work on sustainability information.

We recognise that the IESBA considered various options to determine what would most effectively meet its objective of delivering profession agnostic and framework neutral ethics and independence standards for sustainability assurance. We support, in principle, the direction that the IESBA has taken in developing ethics and independence requirements that will set the global baseline for sustainability assurance initially. However, we note that expectations will evolve, and the standards will need to be refined over time.

We agree that ethical and independence requirements for sustainability assurance should be equivalent to those for financial statement audits. Sustainability information is subject to a high level of public attention, and it is in the public interest that sustainability assurance engagements follow the same high ethical and independence requirements as financial statement audits.

However, we have heard concerns that the proposals are long and complex, and we question whether the requirements will be consistently applied by assurance practitioners from different professional backgrounds. The IESBA will likely need to produce application guidance on a scale not seen before. It follows that there is a risk that the existence of different monitoring and enforcement processes for assurance practitioners who are not professional accountants. We believe this will result in an actual or perceived two-tier system, which may undermine public confidence and trust.

Furthermore, the approach taken of using Parts 1 to 4A of the IESBA Code as the basis for the new Part 5, with certain exceptions, results in a large amount of duplication of existing requirements for professional accountants (PAs). Our members have called for a comparison document that highlights differences between the extant Code and Part 5 for PAs to bridge the gap and help make implementation more effective.

The importance of the entire sustainability reporting supply chain cannot be underestimated – all the parts and links in the chain need to be of high quality. High quality sustainability assurance depends on the quality of information to support the sustainability reporting, including the quality of standards relating to ethical behaviour. Therefore, sustainability reporting preparers have a critical role in supporting high quality

sustainability assurance. We suggest that addressing the ethical requirements for sustainability reporting preparers will also need to be considered.

We appreciate the IESBA's efforts to coordinate with the IAASB due to the interoperability between the ED and ED ISSA 5000. However, the timing of the two consultations has created uncertainty as to how some gaps are being effectively dealt with, for example group sustainability assurance engagements and assurance at, or with respect to, a value chain entity. We are also concerned that the tight timeframe for finalisation does not allow for any significant changes to be re-exposed for public comment.

CFAR - Chamber of Financial Auditors of Romania

Having in view Explanatory Memorandum for Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting, as well as the ED,

we do agree with

- the new structure proposed,
- maintaining the same language / wording / coherence with IAASB,
- ensuring that the standard serves the European public interest.

On the other hand, we do consider to take into account some specific aspects:

- the consistency of glossary / terminology translation across different jurisdictions should be a proactive measure to prevent different interpretations of the same term, that would lead to different implementation;
- will the standard be sufficiently scalable to be used by Small and Medium Practices (SMPs) in Small and Medium-sized Enterprises (SMEs) sustainability reporting and assurance engagements, even in cases where the reporting and the assurance are voluntary? Could there be a specific approach tailored for SMEs and SMPs such as compact / distinct paragraphs for SMEs and SMPs? Even if such provisions exist in ED, it would be useful for them to be clearly identified as demarcated paragraphs;
- the implementation process needs to have a transition period, and actions should be supported by IESBA, such as communications, guidelines, webinars focused on a good understanding and implementation.

CNCC-CNOEC Compagnie Nationale des Commissaires aux Comptes and Conseil National de L'Ordre Des Experts-Comptables

We acknowledge that IESBA had to work very hard and very fast under strong pressure to issue the ED in almost the same timing as the IAASB issued the ISSA 5000 ED.

However, we have one very strong concern with the ED. It is the treatment by IESBA of what it describes as "independence matters arising when a firm performs both audit and sustainability assurance engagement to the same client".

Paragraph 5410.11 A1 of the ED states that "where a firm performs both an audit engagement and a sustainability assurance engagement for a sustainability assurance

client, paragraphs 410.11 A1 to 410.11 A3 apply in the context of the fees charged by the firm or network firm to the sustainability assurance client [...].”

We are in total disagreement with this statement which implies that two different assurance engagements provided to the same client could create a threat to independence for one another, and we consider the ED to be fatally flawed on that issue.

Two different assurance engagements provided to the same client can never create any threat to independence for one another since they both require to be independent under the same rules and the same code.

This is an issue we discussed at length in the EU during the legislative process of the CSRD, and both the European Parliament and the European Council of Ministers concluded that there was absolutely no problem of independence in the provision of statutory audit and sustainability assurance to the same client by the same firm. And this, even if the respective fees are unbalanced.

In fact, the primary route provided in the CSRD is the provision of sustainability assurance to an entity by its own statutory auditor. It is only a Member State option in the CSRD to allow another auditor than the statutory auditor, or even an IASP, to provide sustainability assurance to an entity.

In addition, in the EU, the provision of sustainability assurance to an audit client is not counted in the calculation of the 70% cap for NAS.

Even the IESBA Code of Ethics has so far never implied that there could be a problem of independence in providing different assurance engagements to the same client. It is the provision of non-assurance services to an audit client that can create a threat to independence, not the provision of any assurance engagement.

We therefore ask IESBA to reconsider that position and delete the first sentence of paragraph 5410.11 A1.

We have another disagreement with the proposals of the ED, on the issue of the independence vis-à-vis the value chain, where we consider that the ED goes too far.

The concept of the value chain is relatively new, and it requires careful consideration regarding independence. Value chain entities are neither part of the group nor are they related entities. Very often, the information needed from value chain entities will only deal with scope 3 emissions. They will generally be based on estimates and will have been gathered by the client based on information provided by the value chain entities or based on estimations which are public. Being neither part of the group nor a related entity, independence threats related to value chain entities are specific and depend on whether there is a contractual relationship between the firm and the value chain entity. Rules that apply to value chain entities should not and cannot simply be copied and pasted from the ones that apply to related entities of the assurance client.

The work done on the information gathered from the value chain is similar to the work conducted in an audit for collecting audit evidence from a provider of an audit client. It consists in checking the reliability of these evidence. Auditing standards do not require auditors to be independent from such providers. Therefore, we consider that requiring full independence from the firm and the assurance team on value chain entities is neither

necessary nor practicable, unless the firm is engaged by the value chain entity to perform assurance procedures. In any other situation, we consider that the issue with respect to the information from the value chain is rather to avoid conflict of interests or to avoid having a self-review threat, rather than to require the “full monty” of independence.

Sustainability reporting is at an early stage of implementation in many countries. So is sustainability assurance. Entities are on a learning curve and so are the assurance practitioners.

In France we already have a long experience of sustainability assurance, acquired through different laws requiring both sustainability reporting from entities and sustainability assurance from auditors, and we can confirm that assurance drives quality.

At this stage, we truly believe that it is in the public interest to increase the quality of sustainability reporting. If undue and unpracticable independence rules are required with respect to the value chain entities, there is a risk that the value chain information remains unverified or entirely based on estimates and public information. We expressed a similar concern on the ED on “Using the work of external experts” (see our response to the “external experts” ED).

Overall, we consider that the ED is too long and not focused enough on the specifics of sustainability. See for example the section on NAS and tax services. It is difficult to see what tax planning or custody of client asset has to do with sustainability? On the contrary, some specific NAS are missing: non-PAs often tend to carry a lot of technical certification engagements, often under ISO standards, that may create threats to independence if they also provide sustainability assurance to the same client. These types of certification engagements are not captured in the NAS section of the ED.

CPAA - CPA Australia

The reporting and assurance of sustainability related information is undoubtedly of tremendous global importance and interest. This has prompted the International Ethics Standards Board for Accountants (IESBA) to develop new standards, including independence standards, for use by sustainability assurance practitioners who are not professional accountants (i.e., Part 5 of the Code). It has also led to proposed conforming amendments in other sections of the Code that impact professional accountants.

CPA Australia is concerned that sustainability assurance practitioners, who are not professional accountants, will find it extremely challenging to adopt and implement proposed Part 5 of the Code. The IESBA recognises that sustainability assurance practitioners who are not professional accountants would require education and training to implement the provisions of Part 5 (refer to paragraph 91 of the Explanatory Memorandum). The manner in which Part 5 is written, including the terms and language used and its length, is arguably almost unique to the accountancy profession.

Consideration should be given to how Part 5 can be simplified and shortened so it can meet the intended objective. Alternatively, consideration might be given to whether it is essential to create a Part 5 or whether revisions to the existing Code would satisfy the IESBA's objective for this project. Feedback from our members is that they are concerned that the Code will continue to expand as the IESBA adds further pages, section, and

Parts for what members perceive is for little additional benefit, given that the existing Code is seen as being sufficient to guide professional accountants in their ethical decision making.

CPA Australia makes the following observations and recommendations about the Exposure Draft: Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (the ED).

The Code of Ethics for Professional Accountants (i.e., “the Code”) is complex, very lengthy and is becoming increasingly challenging to understand and use. It is likely that professionals, other than accountancy professionals, will not be able to readily understand, interpret and implement the provisions and requirements of the proposed new Part 5. Even professional accountants, who have applied the Code for many years and have experienced its exponential growth, are finding it increasingly difficult to understand and apply the Code.

Potentially, these other professionals (i.e., non professional accountants) at whom Part 5 is primarily targeted will be unwilling to readily embrace and adopt the Part 5 provisions, unless it is mandated for use in their jurisdiction. In that regard, it is questionable that this profession-agnostic standard will be adopted and implemented universally by all professionals. If the IESBA is developing these standards on the basis that governments and regulators will mandate the use of Part 5, it is incumbent on the IESBA, regulators and governments to develop and publish extensive guidance materials and information, written in more simplified language, for the standard to be successfully adopted and implemented in a profession-agnostic manner.

The IESBA may wish to consider revising the definition of professional accountant that it uses in the Code. The IESBA defines a professional accountant as “An individual who is a member of an IFAC member body” (refer to IESBA Code 2023 Edition, Glossary, Including Lists of Abbreviations). Many people have argued for many years that this definition is outdated and is not useful in describing the broader applicability of the Code across the profession and across the globe.

In contrast, the definition of professional accountant in Appendix 2 of the Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants, IAESB Glossary of Terms (2019) is “An individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority.” This International Accounting Education Standards Board (IAESB) definition recognises that individuals who exhibit certain characteristics and who are complying with a code of ethics issued under the auspices of a professional accountancy organisation or a regulator can be seen as a professional accountant. The adoption of a definition along these lines may obviate the need for a very lengthy, detailed, separate Part 5 of the Code and may enable a more simplified approach to the development of ethics standards for sustainability assurance, especially if one acknowledges that the provision of assurance is a role within the accountancy profession.

In paragraphs 19 and 20 of the Explanatory Memorandum for this ED, the IESBA discusses “equivalence to audits”. While the IESBA’s intention is noted with respect to aiming to achieve equivalence, the decision to create a separate Part 5 of the Code merely underlines the challenges associated with the process undertaken by the IESBA. Indeed, the “lift and shift” approach taken by the IESBA (i.e., to pick up Part 4A and make wording changes relevant to sustainability assurance) ignores the context in which Part 4A is written. That is, the adoption and implementation of Part 4A supports, and is supported by, a range of high-quality, globally accepted auditing, assurance and quality management standards, which do not currently exist for sustainability assurance. For example, provisions in Part 5 relating to group sustainability assurance engagements are premature when one considers that there are currently no assurance standards that address this concept. Moreover, while auditing standards provide guidance in situations where an auditor cannot use the work of a component auditor, there is nothing to guide sustainability assurance practitioners when they are unable to use the work of another assurance practitioners (e.g., if the other practitioner refuses to provide a confirmation of their independence).

The ambition to create equivalency between the sustainability assurance ethics and independence, and auditing ethics and independence, may have the consequence of making sustainability assurance engagements the sole domain of financial statement auditors. Practitioners, who are not financial statement auditors, will find it extremely costly (in the same way that professional accountants do) to have arrangements in place to meet the stringent and complex ethics and independence requirements of the Code. Therefore, equivalency may be more readily achieved by revising existing standards (e.g., Part 4B) than by creating an entirely new Part of the Code.

Finally, the assertion by the IESBA that equivalency is important in order “to minimize regulatory arbitrage issues such as courts interpreting differences in meaning when none is intended” is problematic, as it suggests that the Code has been written from the perspective that it has/would have legal status. It is not clear that, over the years, this has been the basis on which the Code has been developed, revised and expanded over time.

Paragraph 32 of the Explanatory Memorandum notes that the IESBA “believes it is important to hold the practitioner to the same high ethics standards with respect to any other professional services they might provide to the same client”. Sections 5100 to 5390 of the proposed Part 5 standard sets out “ethics standards for sustainability assurance engagements and other professional services performed for sustainability assurance clients”. This clearly indicates that the proposed Part 5 aims to impose ethics and independence requirements on practitioners, who are not professional accountants, beyond merely sustainability assurance engagements. Including these requirements that extend beyond sustainability assurance engagements may act as a disincentive for those other practitioners to adopt and implement these proposed standards.

In paragraph 42 of the Explanatory Memorandum the IESBA indicates that it will need to consider whether to revise the extant Part 4B as a consequence of issuing Part 5. Furthermore, consideration may involve the development of a Part 4B equivalent in Part 5. If the intention of proposed Part 5 is to create provisions that are equivalent to Part 4A, it is unclear why specific development of a Part 4B equivalent to Part 5 would be needed.

Also, if Part 5 includes requirements that go beyond Part 4B, it would seem more logical to revise Part 4B to ensure that Parts 4B and 5 are ostensibly aligned?

The IESBA indicates that a reason for not pursuing the development of profession-agnostic ethics standards for sustainability reporting is that there is no urgent international regulatory call for such standards at this time. It also acknowledges that there was no “strong” support for such standards from global sustainability roundtable participants, which included regulators. Logically, it can be assumed that there is some support from non-regulator stakeholders for such standards. It is important that IESBA considers feedback and recommendations from a broad range of stakeholders and does not unintentionally provide inappropriate greater weight to the views of regulators. We note that notwithstanding its decision to not pursue profession-agnostic ethics standards for sustainability reporting as part of this current ED, the IESBA has identified such standards as a key strategic focus area. This prioritisation is supported by CPA Australia, but we strongly recommend that the IESBA focuses on revising and updating existing Code provisions and does not create yet another separate Part of the Code.

The IESBA should consider revising the second chart in Appendix 1 of the Explanatory Memorandum for this ED. In some jurisdictions it is not a requirement for auditors to be a professional accountant (as defined by the IESBA). Therefore, the chart that commences with the wording ‘Sustainability Assurance Practitioner (Non-PA)’ should include under “Any other services”/“Part 5 Ethics” a branch and boxes that state, “Audit or Review” and “Part 4A Independence (Encouragement)” – similar to the first chart in Appendix 1.

CPAC - Chartered Professional Accountants Canada Public Trust Committee

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

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

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

Our stakeholders were of the resounding view that the proposals in the IESSA will be extremely challenging for use by non-PAs because they refer to many ethics and independence concepts and terminology requiring in-depth knowledge and significant

training, often acquired and used in the application of assurance and accounting standards. To ensure that the ethics and independence standards for sustainability reporting and assurance are implemented consistently by all assurance practitioners, the PTC believes that non-PAs will need significant guidance and training. IESBA's Sustainability Reference Group and National Standard-setters (NSS) should be leveraged to get feedback from sustainability assurance providers that are not professional accountants to inform the development of additional guidance and training that will be responsive to their needs and ensure consistent implementation and application of the final IESSA by all sustainability assurance practitioners.

To protect public trust in sustainability information, non-PAs must consistently be held to the same high-quality ethics and independence standards as PAs when providing assurance over sustainability information, which includes the requirement to apply the Code in situations not covered by the proposed IESSA. We urge the IESBA to reconsider simply encouraging non-PAs to apply the Code in circumstances not addressed in Part 5, because it will not be clear to the public which standards have been applied in relation to sustainability information, and this will contribute to the expectation gap.

We are concerned that there will be inconsistent oversight of the application of the IESSA depending on whether the sustainability assurance provider is a PA compared to a non-PA who is not subject to the same rigorous regulatory enforcement processes. The PTC encourages the IESBA to continue to work closely with regulators and policy makers to emphasize the critical importance of a strong regulatory regime to protect the public trust in sustainability reporting and assurance.

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

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

The PTC is supportive of the IESBA’s commitment to ethics and independence standards for sustainability assurance and reporting, but we think that it is in the public interest to use as much precision as possible in describing the final standards, which will apply to all sustainability assurance practitioners, whether members of a regulated profession or not. Accordingly, the PTC recommends that the IESBA consider whether it is clearer and more precise to describe Part 5 as “practitioner-agnostic”, because practitioner is the term used

in the definitions and standards themselves, as well as in performance standards such as International Standard on Assurance Engagements (ISAE) 3410 and proposed ISSA 5000. It would therefore seem to be a more simple, consistent and transparent way to describe the standards to stakeholders who rely on sustainability information for decision-making, and in non-authoritative application material (NAM) intended for sustainability assurance practitioners (SAPs) trying to understand the standards.

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

Comment periods for IESBA Exposure Drafts

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

As the IESBA continues its important work in encouraging and promoting global adoption of the Code, including by non-PAs, we recommend it consider whether a longer, 120-day public consultation period on all exposure drafts would result in more inclusive, comprehensive, and considered input and lead to a more rigorous standard-setting process in the public interest. This is particularly important in jurisdictions such as Canada where the proposals must be considered in the context of local laws and regulation and may require translation for public exposure. We are concerned that the IESBA's comment periods do not allow sufficient time to coordinate and prioritize the resources required for robust consultation with interested and affected stakeholders in all jurisdictions and request again, that the IESBA increase the length of comment periods to 120 days going forward.

Webinars and other resources related to IESBA Exposure Drafts

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

EFAA - European Federation of Accountants and Auditors for SMEs

Overarching Considerations

EFAA for SMEs would like to thank IESBA for the opportunity to comment on the IESSA-ED. We congratulate IESBA on developing a high-quality draft standard in such a short time. We believe the IESSA-ED provides an appropriate global and European baseline for sustainability assurance engagements. And we welcome the fact that the IESBA, in the same way the IAASB is doing with ISSA 5000, is 'borrowing' best practice and

convention from the existing Code of Ethics and applying it to sustainability reporting and assurance.

Given our constituency is small- and medium-sized accountancy practices (SMPs) in Europe we have three main considerations. First, to ensure that the standard will be sufficiently scalable to be used by SMPs on SME sustainability reporting and assurance engagements, including those where the report and the assurance are voluntary. We strongly prefer a ‘Think Small First’ approach, developing straightforward regulation and standards for SMEs and SMPs and then scaling up to suit larger more complex companies and practices. Second, to ensure that there is sufficient guidance for assurance providers that have little expertise in sustainability assurance. SMPs face a huge challenge building the capacity and capability to perform high quality sustainability assurance services. And third, to ensure that the standard serves the European public interest. In general, EFAA believes that the IESSA-ED adequately addresses these three considerations. That said, we do have comments on the specific matters in the Explanatory Memorandum as shown in the next section.

Level of Assurance

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.

Financial Statement Audit and Sustainability Assurance

It is also vital that the Code does not create barriers to financial statement auditors providing sustainability assurance to the same client. We believe that joint provision of these services enables the leverage of the technical assurance skills and competencies of professional auditors as well as their knowledge of company strategy, governance, business model, and risks, opportunities, and performance, in due course improving quality. This will be beneficial to the public interest while any independence threats arising from providing both assurance services would be kept at an acceptably low level. Furthermore, in the case of SMEs it is important that the ethical standards allow the same firm to provide both sustainability assurance as well as the audit so that SMEs may gain from synergies.

Value Chain

We have some reservations regarding the proposed value chain provisions. We believe the requirements and guidance for interests, relationships or circumstances involving value chain entities may cause significant practical issues.

Adoption and Implementation

The effective adoption and implementation of the IESSA will demand intense communication and guidance. The IESBA will need to coordinate and lead a significant awareness raising campaign, communicating clearly and robustly, amongst other things,

what is meant by ‘profession-agnostic’ and the rationale for this approach. IESBA can utilise text from the Basis for Conclusions and published articles for this purpose. The IESBA will also need to develop implementation guidance especially for assurance practitioners that are providing sustainability assurance for the first time.

In our response to the IESBA’s Proposed Strategy and Work Plan for 2024-2027 we urged IESBA to be more sensitive to the volume and number of changes going forward as SMPs are struggling with the pace of change. Specific challenges for SMPs include updating manuals and processes, providing staff training and monitoring and control of new changes. Given the volume and complexity, we are concerned that many SMPs may struggle to effectively implement Part 5.

Professional Accountancy Organisations (PAOs) are also struggling with the adoption and implementation of new and revised standards because of the pace of change to the Code. The proposals in the ED will create additional enforcement challenges for PAOs to contend with when undertaking quality reviews and professional conduct activities, as well the level of support that will be required to support education and training for SMPs.

Translations

A necessary prerequisite for timely and effective adoption and implementation is the availability of high quality translations. To facilitate high quality translations, standards need to be drafted using plain English principles. Furthermore, plain English drafting principles will help improve the understandability of the Code to SMPs.

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

We support the efforts of the IESBA by developing projects that serve accounting professionals for the production of reports and quality assurance.

In relation to this ED, we want to express the concern of the accounting profession in Argentina, in relation to the fact that this type of assignments can be carried out by non-accounting professionals. We consider that assurance assignments are the responsibility of accounting professionals, who are best prepared to execute them, without putting the public interest at risk.

Regarding the ED, we send you the following comments:

1) There is a general concern that the standard, as written, will not be adopted uniformly (or at all) by those providers of sustainability assurance services who are not accountants.

This concern is based on the following:

to. The ED is based on reflecting the independence requirements established for an audit of financial statements. The IESBA Code of Ethics has been developed over the last 20 years based on what is relevant to audit engagements. Simply translating the concepts of Part 4A of the Code, with slight modifications, for sustainability assurance commitments may not be appropriate. The ED has not been refined enough to reflect variations in sustainability assurance engagements.

b. The complexity of some concepts and the language with which the ED is written is difficult for accountants to understand and apply; It may be much more difficult for professionals from other disciplines, who may not fully understand the relevance of such concepts for a sustainability assurance assignment, which would complicate a broader adoption of the Code.

c. The extension of the independence requirements to other professionals and specialists (value chain) on whose work the professional bases their report is a very complex issue, in a very changing and disparate area in different geographies or for different professions.

2) Independence requirements for group audits are based on the revised ISA 600. The ISSA 5000 does not have an equivalent concept to cover the group's sustainability assurance commitments; however, independence requirements are being proposed.

3) The reference point to assurance standards is essential to understand whether the proposed independence standards are appropriate and in the public interest. A disconnect between assurance standards and independence standards could lead to inconsistent adoption of Part 5 of the Code or the choice of another independence framework that is not as robust to the Code.

4) It is important that the IESBA harmonizes with the IAASB the wording and concepts between Part 5 and ISSA 5000.

5) Given the complexities of this ED and the challenges of its potential implementation, we suggest that IESBA allow more time to analyze the text and make suggestions. This will require close coordination with the IAASB in light of the importance of aligning with the effective date of entry into force of ISSA 5000.

GAA - Global Accounting Alliance

Although the GAA believes it would not be appropriate to duplicate its members' input into the IESBA's request for comments, I would like to raise a number of issues, which all the GAA member institutes agree should be considered by the IESBA:

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. In addition, the scope of Part 5 should be clarified as it is not currently clear which other professional services would be in scope.

The proposal in section 5410 (Fees) appears at odds with the development of sustainability assurance, and the evolving regulation. The market is such that the financial statement auditor should reasonably be able to accept a sustainability assurance engagement and it is unclear whether the associated fee, in the GAA members' view, is to be treated in the same manner as audit fees and not as fees for other services. I believe it important that the IESBA clarify the issue and thus work towards dispelling any such perception.

There are significant practical challenges likely to be associated with assurance engagements involving value chains, in particular of a group sustainability assurance

practitioner (SAP) being able to ensure the independence of the engagement team at the relevant level within the value chain. As such, the operability of section 5407 should be seriously reconsidered, and as part of this process, articulated therein a practical threats and safeguards approach to achieve the desired outcome.

There are several ambiguities within the proposals that present challenges for the ethical standards complying with the Public Interest Framework (PIF), will create inconsistent application, and consequently fail to meet the expectation of high ethical standards by the public and various classes of stakeholders outlined in the PIF. In addition, without an appropriate regulatory framework for SAPs who are non-PAs, it is questionable whether the quality, implementability, enforceability, and consistent global application characteristics of the PIF will, in fact, be met. Given the issues raised, I look forward to seeing the steps the IESBA will take to address these challenges.

As indicated by earlier remarks and the dynamics of current developments, the IESBA should monitor the utilization of these standards and reflect upon their effectiveness. There is a strong case to set in place an earlier intended timeframe for post-implementation review than is normally considered, for example two years after implementation. This will be vital to mitigate against unintended consequences and for safeguarding the significant value of the Code as it currently stands.

The proposal to align the effective date of the final provisions with ISSA 5000 is laudable; however, it may be impractical, given the level of post finalization work to be done to allow for translation into other languages, training, updates to quality management systems, information gathering, and the agnostic nature of the Code, to upskill a new stakeholder group with the requirement.

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

Overall, we support the development of the ED-IESSA aimed at maintaining public trust in providing sustainability assurance. 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.

However, challenges are anticipated in implementing certain requirements as proposed in the ED-IESSA, such as provisions regarding fee-related information disclosures, NOCLAR, value chain entity as well as non-assurance services.

ICAEW - Institute of Chartered Accountants in England and Wales

Support for the intent behind IESBA's proposals

ICAEW welcomes this opportunity to comment on IESBA's detailed Exposure Draft. We support the aims of IESBA to strengthen provisions in the Code of Ethics in respect of sustainability-related reporting and assurance, and to develop a set of consistent and proportionate, framework neutral standards, which can be applied by all Sustainability Assurance Practitioners undertaking a Sustainability Assurance Engagement. We recognise the importance of establishing a clear framework of expected behaviours and ethical provisions in relation to the developing field of sustainability assurance and reporting; and we acknowledge the impressive pace at which IESBA has developed the draft standards, in conjunction with the extensive outreach activity that has taken place during its development and throughout the consultation process.

We are supportive of IESBA's intention to adopt a framework neutral approach and to consider the IAASB's ED5000 which seeks to be an overarching standard and global baseline for sustainability assurance. As the policy and regulatory landscape continues to evolve, it is essential that IESBA continues to be engaged in active dialogue with a broad range of stakeholders (including IAASB and ISSB amongst others), globally and across jurisdictions.

We recognise that it is in the public interest to ensure that the international market for sustainability assurance engagements is competitive, and that any proposals by IESBA do not inadvertently distort competition or create unintended barriers to entry. As such, we strongly encourage IESBA to continue to engage with a broad range of Sustainability Assurance Practitioners and to ensure that the proposed ethical provisions (including independence standards) are accessible and couched in simple language; and capable of uniform interpretation, implementation and enforcement.

Areas of concern

Through our outreach activity, we have identified the following key issues that we believe should be addressed by IESBA as a priority:

We do not consider that the proposals are sufficiently clear in respect of independence requirements relating to value chain, and may be misinterpreted, and prove onerous and costly to implement in practice, particularly where there is a significant number of entities within a value chain.

Whilst we are open to the concept of "profession agnostic standards" in relation to Part V, we consider that to be truly categorised as such, any standards introduced must be capable of uniform interpretation, implementation, and enforcement.

As far as possible, any definitions used in the Code should be consistent with those employed by other bodies such as ISSB and IAASB and in the guidance produced by these bodies. The potential for "standards arbitrage", including in relation to matters such as the applicable quality standards should be reduced.

The incorporation into the proposed Independence Standards, of terminology and concepts associated with audit (and which have a particular meaning in that context) may prove difficult for Sustainability Assurance Practitioners from different backgrounds to understand and apply consistently.

We have significant reservations about how compliance with the proposed Independence Standards, by Sustainability Assurance Practitioners who are not subject to oversight by a professional/ statutory body with a Code of Conduct and transparent disciplinary mechanisms, is to be monitored and enforced. We are encouraged by the announcement of the strategic partnership between IESBA and The International Accreditation Forum (IAF) to advance the use of a common framework of high standards of ethical conduct to underpin trust in the assurance of sustainability information. However, in the absence of any legal or regulatory requirement to adopt the provisions of Part V, compliance with these provisions by Sustainability Assurance Practitioners who are not Professional Accountants will be voluntary. This will result in a market consisting of regulated and unregulated Sustainability Assurance Practitioners with the potential distortion of the market, in circumstances where some Sustainability Assurance Practitioners will be subject to detailed and costly requirements; and enforcement, whilst others will not.

Compliance with the proposed provisions may require significant investment by Sustainability Assurance Practitioners seeking to practice in this area. We are concerned that, as a potential consequence, firms will seek to de-risk and will disengage with the market, resulting in less choice for consumers and users of Sustainability Information.

Measures IESBA may wish to take to address the highlighted concerns

To address these issues and to aid clarity and interpretation, we encourage IESBA to develop more detailed application material and additional guidance to support the proposed new provisions, incorporating the use of diagrams and worked case study examples for those areas highlighted in our detailed responses below. In addition, we would recommend a period of transitional arrangement before bringing Part V into force. This is to allow Sustainability Assurance Practitioners from different backgrounds space to establish a common base understanding of the provisions and to develop shared working practices and procedures.

Definition of PIE

As a starting point, we accept the need for the definition of PIE to be consistent in the contexts of both audit and sustainability. However, we note that non-financial considerations are increasingly important in the sustainability context. As such, we strongly encourage IESBA to keep the definition of PIE under review, for the purpose of Sustainability Assurance Engagements; and to take active steps to evolve the concept by embracing non-financial considerations, particularly as regards issues such as Modern Slavery / Human Rights and bio-diversity.

Further matters

We do have reservations about the continuous and exponential expansion of the IESBA Code. We consider that there would be merit in IESBA adopting a substantial period of

pause and reflection; and using this time to undertake an implementation review of the Code across the multiple jurisdictions in which it applies.

As part of this exercise, we consider that IESBA should endorse the need for a longer-term / more strategic view of ethical standards and how they can continue to remain relevant and fit for purpose against the backdrop of an evolving regulatory and technological environment (including AI and cyber security).

Our comments in this response are driven by the format of the response document and we have answered the questions which have been posed. While we have identified several areas of concern, we believe IESBA should be able to address them through further reflection and engagement across a broad range of Sustainability Assurance Practitioners. This will ensure that the objectives of the proposed standard are met and support the delivery of high quality, consistent, and trustworthy sustainability reporting, and assurance. ICAEW remains keen to continue to engage constructively with IESBA on measures to drive up the quality of sustainability reporting and assurance.

ICAS - The Institute of Chartered Accountants of Scotland

Regulatory Framework

As noted in our response to the IESBA Consultation Paper: Proposed Strategy and Work Plan 2024-2027 in June 2023, we believe that it is of a high level of importance that the IESBA should focus on ethics standard-setting in relation to sustainability reporting and assurance and we support the work that IESBA is carrying out in this regard.

We agree that the public interest would be best served by having the same or equivalent ethics and independence standards apply to all parties providing assurance on sustainability related information. However, we do continue to have concerns around how, in practice, IESBA will be able to expand the scope of the Code to cover assurance providers other than Professional Accountants in Public Practice (PAPPs). We believe this can only be achieved if assurance providers other than PAPPs are to be required by respective jurisdictional regulators to adhere to the IESBA Code of Ethics or equivalent standards, and for there to be an appropriate sanctions regime for failure to comply. If non-professional accountants (non-PAs) are not required to use the Code by a regulator, we believe it is unlikely they will use it.

Transitional arrangements

The IESBA notes in paragraph 21 of the Explanatory Memorandum that the IESSA should be capable of being understood and applied by all practitioners of sustainability assurance engagements, including those who are not PAs.

We have concerns that this 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.

Additional guidance to assist non-PAs

We believe that the proposed IESSA will generally be capable of being understood by those who are not PAs, however there is a need to be cognisant that there are users coming to the IESSA for the first time, having no previous knowledge of the IESBA Code of Ethics, so they may need additional signposting within the Code, such as including a Guide to the Code, and further explanation may be required to help those who are not familiar with the structure and language of the Code to understand the terminology.

Level playing field

We note paragraphs 5100.2a and 5100.2b and suggest this may not create a level playing field for PAs and non-PAs as Part 4B is 'encouraged' for non-PAs but it is not contained within Part 5 of the Code. The consequence of this being that non-PAs have less obligations than PAs as PAs are required to use Part 4B. If there is to be a level playing field, we would suggest there is a need for Part 4B to also be included within Part 5.

Value chain entities

We believe value chain entities is a complex area and that more work is required by IESBA to arrive at a practicable approach.

IDW - Institute der Wirtschaftsprüfer (Germany)

Key Concerns

The need for a level playing field

Users of financial statements and sustainability reporting have been vocal in demanding information that is connected, comparable and reliable.

Various parties, including the EU Commission, have tasked the financial statement auditor with the performance of sustainability assurance engagements for a variety of reasons, of which the IESBA will be aware. The IDW firmly believes that the advantages associated with the financial statement auditor performing sustainability assurance engagement are compelling and that the auditing profession's adherence to a high standard of ethical behavior is essential in the public interest in the context of sustainability assurance. Therefore, whilst we understand that non-professional accountants may also be tasked with sustainability assurance engagements, we consider it imperative that, where this is the case, legislative measures require them to adhere to ethical standards that are equivalent or at least as demanding as those applicable to

professional accountants. On this basis we acknowledge the reasons for IESBA having now proposed to add Part 5 to the IESBA Code.

In responding to q. 1 in the appendix to this letter, we point out instances where we see a need for IESBA to revise its proposals to ensure a level playing field for PAs and non-PAs. In responding to q. 10 we point out that a failure to notify the group sustainability assurance practitioner (SAP) of required information relevant to independence on the part of an individual or firm outside the group SAPs network will impact the group sustainability assurance engagement, despite the fact that this is outside the group SAP's control, since we are concerned that such instances could be more prevalent when non-PAs are concerned.

We also encourage IESBA to take an active role in fostering the uptake of Part 5 by SAPs who are not professional accountants. As assurance of sustainability reporting gains traction globally, this is likely to be a crucial issue in multinational or group sustainability assurance engagements and in value chain scenarios.

Potential to limit unduly the availability of SAPs

Sustainability reporting is still evolving globally and many reporting entities will likely face urgent and acute challenges in establishing the necessary reporting systems within tight legislative deadlines, as is the case in the European Union. It is imperative that such entities have access to support at the start but also – where assurance is mandated from the start, that the availability of SAPs is not inadvertently limited by overly stringent ethical rules, beyond those targeted to independence in fact.

Independence from value chain entities whose information may be included in the sustainability reporting subject to assurance potentially poses an enormous challenge in many engagements, as we outline in responding to q. 13. In responding to q. 10, we urge IESBA to clarify the timing and significance of prohibitions in a group situation (see proposed 5405.16 A1) as this is a particularly complex area.

Proposed R5600.13, which requires consideration of individual non-assurance services as well as the combined effect of such services from a firm and its network firms may pose a particular issue in practice in this new and evolving area. In this context, we do however support the proposed definition of sustainability assurance client specifically excluding value chain entities.

We would also like to point out that the concept of using materiality to evaluate a threat from the provision of a non-assurance service (5600.11 A1) demands further guidance. Specifically, this is needed because materiality cannot generally be uniformly applied across multiple sustainability disclosures, a practice that is more commonly appropriate in an audit of financial statements, but instead must be differentially applied to many disparate topics and aspects of topics, such that materiality is considered at a comparatively granular level. IESBA also needs to clarify whether the provision of a non-assurance service in relation to just a single aspect of a topic shall necessarily result in non-acceptance of an engagement to obtain assurance on an entire sustainability report or, if not, how the practitioner shall consider materiality. It is not helpful to merely refer to the issue of materiality being up to the relevant reporting standard setter.

Fee limitation proposals when the auditor is also engaged as the SAP

We do not support the first sentence of paragraph 5410.11 A1, which refers an auditor engaged to perform a sustainability assurance engagement for the audit client to 410.11.A1 – A3 of Part 4A in the context of fees charged by the firm and network firms to the sustainability assurance client. In our view this reference is not justified, and sustainability assurance should not be viewed as a service other than audit for the purposes of calculating the ratio of fees for services other than audit to the audit fee (see para. 410.11 A2). In our opinion – in the same way that extending the scope of the financial statement audit, accompanied by an increase in audit fees, would not pose a self-interest threat to the audit – an auditor will not be subject to an additional self-interest threat to the audit by accepting a sustainability assurance engagement. We would like to point out that German legislation (Handelsgesetzbuch: Commercial Code) specifies that the auditor shall obtain reasonable assurance on the management report as an integral part of the financial statement audit. Sustainability reporting under the European CSRD will form part of the entity’s management report. Indeed, the possible safeguards listed in para. 410.11.A3 – an additional review and reducing the extent of services other than audit provided to the audit client – do not fit this scenario at all as they would unnecessarily add costs to the audit or be detrimental to the quality of sustainability assurance engagement. Ultimately this approach could force too many firms to refuse to serve as SAP, which is entirely contrary to the public interest.

In our view, it is sufficient to modify the material in paras. 5410.15 et seq. to address a potential threat arising when the total fees generated from (audit and) a sustainability assurance client by the firm expressing the (audit and) sustainability assurance opinion represent a large proportion of the total fees of that firm. The dependence on, and concern about the potential loss of, fees from sustainability assurance and other services from that client impact the level of the self-interest threat and create an intimidation threat.

Non-PA SAPs may be unable to “identify” with proposed Part 5

Proposed Part 5 is largely a copy and paste from the existing Code and due to its length complexity and heavy degree of tailoring to the circumstances prevailing for many professional accountants may mean that “other” SAPs find it difficult to identify therewith. In responding to q. 1, we note that we are concerned that – besides being largely based on the material in the extant Code – 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 and provide examples thereof.

Furthermore, we note that this Part includes sections on matters such as custody of client’s assets and tax planning services which may currently be more likely to impact professional accountants who serve as SAPs than non-professional accountant SAPs. However, we question whether non-professional accountant SAPs, in particular, might perform different services or activities for assurance clients (e.g., certification of a specific matter later disclosed in a sustainability report) that would equally need to be addressed in new sections.

An inability to “identify” with Part 5 could impact the take up by non-professional accountant SAPs and impede the strived for level playing field needed by users of assured sustainability reports in the public interest.

We strongly recommend the IESBA consider whether further services or activities need to be addressed and also request IESBA staff to develop a frequently asked questions paper to guide readers at a glance as to how Part 5 addresses key issues commonly faced in practice.

Information relating to entities within the value chain

Our members note that the complexity, including the number of value chain entities, their differing degrees of removal from the reporting entity (i.e., a value chain entity may include information from its own operations but also from numerous entities further up or down its own value chain), as well as frequent changes in the value chains of many potential sustainability assurance clients, means that it will be extremely challenging if not outright impossible for a group SAP to ensure that both the firm and all engagement team members are independent of value chain entities in accordance with proposed R5407.3.

Specifically, it simply is not possible to determine who the other assurance practitioners are all the way up or down the value chain (in fact, value chains are ultimately circular), so SAPs cannot determine the independence of these other practitioners of the value chain entity at which they perform assurance engagements. Furthermore, even if the SAP is able to identify the other practitioners, the SAP may not be able to determine whether the other practitioners are independent from this or other entities up or down the value chain, including the entity being reported upon.

In practical terms it would also mean that the SAP firm would have to withdraw from providing many advisory services to any entity currently within, or potentially within, the reporting entity’s value chain. This would potentially deprive many entities of much needed support in implementing sustainability reporting (we suspect that spare capacity may not be available elsewhere) – possibly with a knock-on effect on the quality of value chain information reaching the reporting entity. Therefore, we anticipate that the proposals will, in practice, be extremely likely preclude the group SAP’s engagement team from performing the assurance work “at” the value chain entity, including “at” any value chain entities further down the chain that feed into that value chain entity’s information (see para. 5407.2 A1 (a)) and force the SAP to either use the work of a sustainability assurance practitioner who separately performs the assurance work at the value chain entity (see para. 5407.2 A1 (b)) or perform the assurance work on the sustainability information of the value chain entity provided by the sustainability assurance client without carrying out assurance work at that entity (see para. 5407.2 A1 (c)). Our concern is that there may be circumstances where, for quality reasons, in performing the sustainability assurance engagement in accordance with the relevant sustainability assurance standards, the firm might determine that the appropriate course of action would be for assurance procedures to be performed “at” the value chain entity (Note: we also believe IESBA should explain the meaning of “at” in this context.) but would be precluded from so doing. We suggest IESBA reconsider this and explain how a threats and safeguards approach could be applied to ensure the quality of assurance work is not unnecessarily compromised.

IFAC - International Federation of Accountants

As the recently appointed IFAC Chief Executive Officer, I express my support for the work and role of IESBA concerning high-quality reporting and assurance and the Board's development of standards that can be implemented in a practical and workable manner. I believe IESBA and its sustainability-related standard-setting work will only be successful when its sustainability-related standards are shaped in context of the challenges of this transformation of the global business community and the accountancy profession, and if they recognize that market practices are evolving and maturing. This transformation places significant practical limitations on all affected, on what can be achieved, and when it can be achieved.

The actions of standard setters, regulators and policy makers must be undertaken and calibrated with the priority of being an effective positive influence of the transformation and by “bringing along relevant stakeholders” in the business community, including the accountancy profession, on this journey. Standards, regulations, or policies that are not practical, easily understandable, or sufficiently flexible for stakeholders and the accountancy profession will seriously jeopardize the shared goal of high-quality information for better decision making on sustainability matters (climate first, but not just climate)—a goal that we cannot fail to achieve.

We believe that significant parts of the Exposure Draft cannot be practically implemented by assurance practitioners. In reality, the Exposure Draft currently presents barriers to practical implementation, which will impact its subsequent adoption. Below are three key matters we urge IESBA to reconsider to enhance the practicality of implementation:

Application: We urge IESBA to re-consider the practicality of implementing IESSA for all sustainability assurance practitioners by reducing the standard's complexity and clarifying technical language, while maintaining consistency with the existing Code, as well as by providing sufficient implementation guidance. IESSA should also call for transparency from practitioners—conducting engagements in a jurisdiction with assurance requirements and asserting compliance with IESSA or the Code—that a relevant regulatory body is responsible for sustainability assurance oversight and enforcement in the jurisdiction.

Connected Engagements: The requirements and guidance within IESSA must not create barriers to financial statements auditors providing sustainability assurance to the same client. We believe joint provision of these services will improve quality and best serve the public interest. Clarity is also needed on the categorization of fees paid to sustainability assurance practitioners so as not to discourage connected assurance engagements.

Value Chain Considerations: The proposed requirements and guidance addressing interests, relationships, or circumstances through the assured entity's value chain are likely to cause significant practical issues and should therefore be revised or removed.

It is also critical for the IESBA to continue to work closely with the IAASB on harmonizing terminology and concepts between Part 5 and ISSA 5000 as the IAASB works to finalize this new standard, incorporating comments received through the consultation process.

A harmonized, global system for reporting sustainability information will help accelerate sustainability—by providing reporting that addresses the climate crisis, by helping companies and their stakeholders measure and assess progress towards sustainability objectives, and by promoting more sustainable companies that will create long-term value for investors and society.

INCP - National Institute of Public Accountants of Colombia

We, the INCP, are concerned that the proposed ethics provisions must be mandatorily applicable for public accountants whose jurisdictions have adopted the IESBA International Code of Ethics for Professional Accountants. However, this will not be true for the 'other professionals' who perform the sustainability reporting assurance because applying the Code will be voluntary for them. We are significantly concerned by this because public accountants who offer the sustainability reporting assurance service will be at a disadvantage compared to other professionals. This because they are subject to higher ethics requirements, which in turn may impact their right to free competition. We believe that the governance bodies of the accountancy profession in Colombia will not be able to force other professions to apply the Code of Ethics. This will end up setting a competitive barrier for practitioners and audit firms compared to other accounting sustainability assurance service providers. The above statement is based on paragraph 21 of the Explanatory Memorandum. Paragraphs 21 and 31 of the Project Explanatory Memorandum.

Other comments that worry us and that may be helpful for the purpose of the project are listed below:

The terms 'Professional Assurance Practitioner' and 'Other professional' are not included in the glossary and are recurrently referred to in the project.

Creating an exclusive independence reference framework for sustainability assurance services may be considered. There are several sections in the project referring to what can be audited and the procedures to be followed, but they do not necessarily take into account independence matters.

We find it surprising that the considerations of section R5405.11 do not include the obligation to give a written declaration of independence, where the specialist of the components outside the network of a group sustainability assurance firm must provide their declaration of independence. Likewise, we suggest to consider including some landmark on the independence period that should be required.

We consider that the way in which independence should be addressed by a specialist outside the network should be assessed when the sustainability client begins or starts being a public interest entity.

Regarding the proposal of the NAS in part 5, we consider that key indicators should be included, e.g., compliance indicators on green bonds or indexed securities covered by sustainability. Additionally, we suggest considering whether there is a conflict of interest when the firm that structures the issue is the same that evaluates them.

ISCA - Institute of Singapore Chartered Accountants

We are generally supportive of the proposed IESSA as a common set of ethics and independence standards for use by SAPs, both PAs and non-PAs, with the aim to mitigate greenwashing and to foster greater public trust in sustainability reporting and assurance.

IWP - Institut Österreichischer Wirtschaftsprüferinnen

As sustainability reporting enters into a new era, with reporting standards aiming at the transparency required to direct financial and other resources into the transition to a sustainable economy, high-quality assurance on sustainability reporting is key to achieving this goal. Inconsistent requirements and quality of assurance provided, including underlying ethical standards, would undermine reliability and value for stakeholders to such an extent that public trust in any type of assurance would be called into question.

From this perspective, the following basic requirements need, in iwp's view, to be met by ethical standards for sustainability assurance:

- Ethical standards for sustainability assurance need to be profession-agnostic, framework-neutral and principles-based.
- Being profession-agnostic, ethical standards for sustainability assurance should be clear and comprehensible for addressees with any professional background.

To foster acceptance and adoption by national legislators and regulators, ethical standards for sustainability assurance need to respect both the allocation of responsibilities between those charged with governance over the sustainability assurance client and the sustainability assurance provider as well as decisions made by local legislators and regulators in view of the public interest relevant to ethical requirements for sustainability assurance providers.

In this context, it should be noted that the member countries of the European Union are the only countries in the world where, as of now, sustainability reporting and assurance are mandatory for a very broad range of undertakings. In the legislative process, independence of the sustainability assurance providers was carefully considered by legislators, establishing a profession-agnostic scheme of independence and other ethical requirements and correspondingly amending legal corporate governance requirements and responsibilities. We are of the view that the Code, in order to find acceptance in the EU, will need to be compatible with this scheme, well-balanced to meet the public interest, and must not go beyond in some areas and stay behind in others.

The legislative bodies of the European Union acknowledge that “assurance on sustainability reporting being provided by the auditor of the financial statements would help to ensure the connectivity between, and consistency of, financial and sustainability information, which is particularly important for users of sustainability information” (Directive (EU) 2022/2464, “Corporate Sustainability Reporting Directive [CSRD]”, recital 61), but allow member states to opt for accrediting alternative providers of sustainability assurance “to create a more open and diversified audit market”, under the pre-condition of a level playing field, in particular “as regards training and examination, continuing education, quality assurance systems, professional ethics, independence, objectivity, confidentiality and professional secrecy, appointment and dismissal, the organisation of

the work of independent assurance services providers, investigations and sanctions, and the reporting of irregularities”.

One of our fundamental concerns with the proposed IESSA is that it does not apply the same requirements to professional accountants / auditors and to other providers of sustainability assurance. Austria will most likely make use of the member state option to accredit alternative providers of sustainability assurance, and we understand that uniform requirements in terms of professional ethics and independence are of utmost importance to both legislators and oversight bodies, as they are to us.

As iwpc concurs with the EU legislators’ view that the auditor is best placed to also provide assurance on sustainability reporting, also based on our own research and analysis, we strongly oppose to the proposed approach to address putative independence issues arising from the sustainability assurance practitioner also auditing the client’s financial statements. In our view, it is a fatal misconception that providing independent assurance on two different report could result in an independence threat.

Finally, we note that the proposed requirements and application materials are prescriptive and complex and may leave much room for misunderstanding and misinterpretation by professionals that do not have the long-standing experience that professional accountants having from dealing with Parts 1-4. Also, we see a need for customising, considering sustainability information and reporting specifics.

KICPA - Korean Institute of Certified Public Accountants

The KICPA agrees with the IESBA’s proposed development principles and approach to maintain the equivalence to the audits of financial statements, considering market expectation for the credibility of sustainability information. We also agree with the IESSA’s proposed structure to include a separate new Part 5 in the Code considering the Code’s scalability and clarity. The KICPA generally supports the proposed ED.

NBA - Royal Netherlands Institute of Chartered Accountants

We are pleased to note that with this ED, IESBA pays attention to the ethical standards surrounding sustainability reporting and assurance. We agree with the reaction of

Accountancy Europe dated May 10, 2024.

In addition, we agree with Accountancy Europe that the proposed requirements and application materials are quite prescriptive and complex. Supporting guidance and further clarification will be needed to facilitate adoption and allow for consistent application in practice. In addition, we share Accountancy Europe’s concern that the IESBA’s proposals do not show equal treatment with professional accountants (PAs) and other service providers. There should be a level playing field for all professions dealing with sustainability guarantees. We also believe that IESBA and IAASB should align their terminologies and timelines as much as possible for the projects that fall within the scope of both Boards’ mandate.

NYSSCPA - New York State Society of CPAs

General Comments

Approach for Developing Sustainability-related Ethics and Independence Standards

As the PIOB stated above, they believe it is in the public interest to have a “fit-for-purpose” ethics and independence standards exclusively for sustainability assurance practitioners. The Proposed Part 5 of the ED applies to all sustainability assurance practitioners, whether or not they are professional accountants. By keeping the Proposed Part 5 in the same document that deals with ethics and independence standards for professional accountants, non-accounting professionals and non-audit firms may inadvertently overlook it. Therefore, we suggest that the IESBA consider positioning the Proposed Part 5 in a standalone document separate and apart from the well-established IESBA Code. We believe that this approach will increase visibility of the sustainability-related ethics and independence standards, thereby making them easier to understand, use and enforce by all sustainability assurance providers (i.e., audit and non-audit firms).

Our rationale for having a standalone ethics and independence standard for sustainability assurance is that it would result in the same approach taken by the IAASB when they published the Proposed International Standard on Sustainability Assurance 5000 (Proposed ISSA 5000). On November 30, 2023, our Society issued a comment letter on the Proposed ISSA 5000 which agreed with the IAASB’s approach to have a new assurance standard strictly for sustainability assurance that can be used by both audit and non-audit firms. The Proposed ISSA 5000 requires both audit and non-audit firms to comply with ethical and independence standards at least as rigorous as the extant Code. Accordingly, by having the Proposed Part 5 in a standalone document, both the IAASB and the IESBA will be on the “same page” with a similar presentation/delivery approach with regards to sustainability assurance, i.e., both the assurance and ethics/independence standards will be in standalone documents.

IESBA-IAASB Coordination

We applaud the IESBA’s and IAASB’s coordination efforts on this project. That said, we believe that further alignment is necessary in terms of how the complementary sets of sustainability assurance standards deal with definitions of terms and foundational concepts, including the definition of sustainability information. In addition, we believe the Boards should clarify the applicability of its proposed standards, and in doing so provide examples of engagements to which they will apply. For example, will an engagement to provide assurance on an entity’s cybersecurity constitute a sustainability assurance engagement that is subject to IAASB’s Proposed ISSA 5000 and IESBA’s Proposed Part 5? Or will cybersecurity assurance engagements be subject to extant Part 4B of the IESBA Code?

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.

PICPA - Pennsylvania Institute of Certified Public Accountants

Overall, the committee supports the IESBA's efforts to develop ethics standards applicable to practitioners performing sustainability assurance engagements. Fundamentally, the PICPA has concerns with the broader effort to develop profession agnostic standards without evaluating how the standards work together with education, training, peer review, licensure, regulatory, and enforcement mechanisms similar to those of PAs. While we support strong ethics among all professionals, we believe further analysis should be done to ensure that any broadening of the Code to non-PAs includes a sufficiently rigorous standard-setting, and regulatory framework so as to not dilute its value.

The committee is further concerned regarding the impact this will have on the PA pipeline, which is facing significant constraints. Questions to be considered include how practitioners could circumvent the education, regulatory and licensure requirements and still perform assurance engagements. This could put additional pressure on the PA pipeline, which is not in the public interest.

WPK - Wirtschaftsprüferkammer (Germany)

We strongly support the IESBA's project to establish ethics and independence standards for sustainability assurance and sustainability reporting since there is an increasing demand for them.

The WPK also appreciates that the IESBA specifically addresses independence considerations for group sustainability engagements as it is to be expected that the majority of the sustainability assurance engagements in the European Union will relate to

the consolidated reporting of groups at least in the first year, i.e. for periods beginning after 31 December 2023.

As already mentioned in our comment letter regarding the Exposure Draft “Using the Work of an External Expert”, it would be helpful if the IESBA and the IAASB use the same definitions and terms whenever possible in order to avoid confusion and to increase understanding and acceptance by public accountants and providers of sustainability related services.

In our view, the main challenge is seen in the practical implications of the provisions relating to value chains. Since the concept of value chains is new in the context of reporting and assurance engagements, clear and practicable provisions and sufficient guidance are of utmost importance given the fact that the value chains of one client in a sustainability assurance engagement will presumably comprise a very large number of entities,

Other Assurance Providers and Accreditation Bodies (non-PAs)

JAB - Japan Accreditation Board

As the Japan accreditation body, we welcome and support the upcoming standard to harmonize the future sustainable information disclosure and related assurance.

We recognize the proposed assurance approach is equivalent as ISO 14064-3, and can be applicable for the accreditation standards of ISO/IEC 17029 and ISO 14065 that already applied for many regulations in United States and other 32 countries for precise GHG emission reports and accredited verification opinion. As to avoid the potential trade barrier issue with WTO TBT agreement, we appreciate that we will be able to use such international standards IESSA, for International Accreditation Forum.

In related to the definition of sustainability, we believe that the definition in IESSA is appropriate. IESSA's definition can be understood very clearly. We also hope the definitions of ISSA 5000 can achieve consistency as much as possible with regard to points.

Accounting Firms and Sole Practitioners

Assirevi - Association of Italian Audit Firms

Assirevi appreciates and agrees with the integration in the IESBA Code of a new Part 5 which extends to sustainability assurance engagements the same high standards of ethical behavior and independence already applied to audit of financial information contained in extant Part 4A.

Nonetheless, in Assirevi's view, the application of this principle of equivalence, in some circumstances, should be carefully assessed (see, answer to question n. 1).

For instance, the IESBA proposes that Part 5 specifically addresses the independence considerations applicable to group sustainability assurance engagements. Such considerations cannot be equivalent to those applied to audit engagement because there is no equivalent standard to ISA 600 (Revised). Indeed, the new sustainability assurance standard ISSA 5000, as contained in IESBA's Exposure Draft “Proposed ISSA 5000, general requirements for sustainability assurance engagements”, is not sufficient to provide adequate guidance about the work to be performed regarding groups or

“consolidated” sustainability information. The standard currently does not deal with this matter in a detailed manner, establishing specific requirements and guidance on the basis of those provided in ISA 600 (Revised) to ensure the adequate and effective planning and performance of the engagement. Therefore, Assirevi believes that the independence principles for group sustainability assurance engagements should be addressed in another following release of the Code of Ethics, once performance standards are adopted. See, for more details, answer to question n. 10.

In any case, apart from the independence considerations applicable to group sustainability assurance engagements, Assirevi believes that independence principles cannot be adopted until specific performance standards are issued. It is worth noting that independence threats may be different depending on how the assurance is carried out, in accordance with performance standards. We are aware of the pending consultation process for the issuance of ISSA 5000 concerning assurance sustainability reporting. In this regard, in our opinion, it is essential that the current consultation on the independence principles applicable for sustainability information assurance is repropose when the framework of ISSA 5000 is fully defined, so that its effects on ethics and independence rules can be properly assessed.

Indeed, in the past, IFAC boards have always developed a process characterized by a first step consisting in the identification of auditing standards by the IAASB and by a second step consisting in the IESBA’s definition of ethics and independence rules set up in the light of the risks emerging from the activities required to the auditor.

BDO - BDO International Limited

BDO welcomes and is generally supportive of the aims of introducing the ED into the IESBA Code in setting out the ethical requirements in the context of Sustainability Assurance and Reporting.

BDO does however disagree with certain of the proposals contained in the ED. Particularly, BDO disagrees with the IESBA’s proposal to extend the independence requirements of the IESBA Code to material value chain entities, unrelated to the sustainability assurance client, in the IESSA.

BDO considers this proposed extension of the independence requirements to be a fatal flaw and believes that this is inconsistent with the IESBA’s main objective of making the IESSA equivalent to the ethics and independence standards for audit engagements. BDO is concerned that given the potentially large and dynamic populations of value chain entities for each sustainability assurance client, and the presumed lack of an ownership or management relationship between the client and the value chain entity, the development and operationalization of systems and procedures for maintaining independence from these entities will be both difficult and costly, representing a high barrier to entry for prospective sustainability assurance practitioners (accountants and non-accountants). BDO believes that this is not in the public interest.

BKTI - Baker Tilly International

The proposed International Ethics Standards for Sustainability Assurance (IESSA) introduces additional ethics standards for sustainability assurance. While this aims to

elevate the quality of sustainability information, this adds complexity to an already intricate regulatory field.

To address this concern, the IESBA should emphasize the need for clear communication and education around the new standards. A clear rationale behind these additions and their implications should be provided. We look forward to IESBA providing guidance on how to navigate the complexities, ensuring that different groups of practitioners understand the standards' requirements and their impact on sustainability reporting.

We have identified some inconsistencies (see Appendix for detail) between existing Ethics and Independence standards and the proposed sustainability assurance standards which may lead to confusion among stakeholders and conflicting interpretations by users. IESBA should conduct a thorough review to identify any conflicting provisions and where inconsistencies exist. Efforts should be made to align the standards or provide clear guidance on how to address them.

Robust communication, education, and collaboration is needed to ensure successful implementation and understanding of these standards.

DTTL - Deloitte Touch Tohmatsu Limited

Deloitte Global supports the Board's aim to enhance the relevance of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "Code") by considering its application to sustainability reporting and assurance. We agree there is a need for ethics (including independence) standards for sustainability reporting and assurance that contribute to increasing the level of trust and confidence in sustainability information. Given the increasing number of sustainability reporting frameworks and the diverse nature of sustainability assurance practitioners, it is imperative that the assurance provided is high quality, consistent and comparable. Having assurance and ethics standards that are framework-neutral and profession-agnostic are key in strengthening public trust in the overall sustainability reporting and assurance environment. To accomplish these objectives, the standards need to be practical and operable, and substantially aligned. This is crucial to encourage adoption of, and compliance with, the IESSA, in turn enhancing public trust in sustainability information by ensuring independent, high-quality engagements and consistent practices.

However, Deloitte Global has significant concerns the proposed IESSA will not achieve the Board's objective of building trust in sustainability information. The following issues, which will be discussed further in our detailed responses, will impact the application and operability as well as the adoption of the proposed IESSA and will lead to outcomes that are not in the public interest:

The proposal to apply independence considerations to entities outside the sustainability assurance client's organization, namely value chain entities, makes the proposed standard inoperable.

The complexity of the proposed standard and over-use of audit terms and concepts contradicts the IESBA's objective for the IESSA to be profession-agnostic and may render the proposed standard difficult for practitioners to understand and apply. This creates a

risk of inconsistent application, difficulties with enforceability and/or threatens the ultimate adoption of the IESSA entirely.

Seeking exact or substantial equivalence with the ethics and independence standards that are applicable to audit engagements in the extant Code will lead to unnecessary and unreasonable overreach in application (e.g., “related entity” concepts and the examples of non-assurance services). The provisions regarding fees also require further refinement to avoid unintended consequences.

The lack of a corresponding finalized assurance standard to reference (i.e., the proposed assurance standard, International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance that is being worked on concurrently by the International Auditing and Assurance Standards Board (IAASB)) makes it difficult to understand and assess the practical application of independence requirements to sustainability assurance engagements.

Deloitte Global is of the view that the sustainability reporting and assurance ecosystem has not developed sufficiently for the introduction of such a complex and far-reaching independence standard that extends independence requirements significantly beyond those contemplated in Part 4B of the extant Code. The extant Code has evolved over the course of 20 years as the audit environment has developed, and it incorporates concepts based on an informed understanding of audit work, the requirements of the International Standards on Auditing and the expectations of practitioners obtained over time. It is likely the IESSA will continue to need to be updated and enhanced as the sustainability reporting and assurance market evolves. However, we urge the IESBA to consider a simpler initial approach to avoid creating significant barriers to adoption of the IESSA that would ultimately undermine the Board’s goal of building trust in sustainability information.

We understand that the IAASB is also working to respond to comments received on the proposed ISSA 5000, and this makes it very challenging to form a view as to the appropriateness and effectiveness of the corresponding independence and ethics standards. It is acknowledged that waiting for the finalization of ISSA 5000 would require re-exposure of this standard or a separate project in the future. However, given the importance of this standard, it is in the public interest for the Board to follow due process and solicit stakeholder feedback on any changes to the IESSA in order to produce a high-quality standard that is practical, operable and aligned with the corresponding assurance standard. As such, we urge the IESBA to continue working closely with the IAASB to ensure coordination and alignment of the IESSA and ISSA 5000.

EY - Ernst & Young Global Limited

With its Sustainability Project, the IESBA has undertaken a significant and important endeavor that we fully support and believe is in the public interest. Developing ethics and independence standards for use by all sustainability assurance practitioners (“SAP”), including Professional Accountants (“PA”) and non-Professional Accountants (“non-PA”), is a critical step to enhancing the trustworthiness of sustainability information and the confidence users of sustainability information can have in the assurance provided by SAPs. We agree with the IESBA’s premise that the ethics and independence standards relating to sustainability assurance should be equivalent to the same high standards of

ethical behavior and independence that apply to audits of financial information. Given the significance and importance of the Sustainability Project, we appreciate the efforts of the IESBA to engage with the IAASB with regard to the IAASB's Exposure Draft of proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards ("ED ISSA 5000"), with a view to ensuring that the standards will be consistent and interoperable. We believe this alignment continues to be critical to the effective adoption and implementation of the two standards and encourage both the IESBA and the IAASB to continue to collaboratively finalize their respective sustainability projects, and issue them concurrently.

Since Part 5 is the first standard designed to be profession-agnostic, thereby having an inherent increased risk of needing future amendments and clarifications for non-PAs, we encourage the IESBA to consider a project, beyond that of a post-implementation review, to timely monitor and identify emerging issues that present challenges to the application of the provisions of Part 5 arising from the more unique characteristics of sustainability reporting and the more complex concepts of the proposed Part 5, and rapidly address these. We specifically wish to highlight concepts such as "group," "component," "related entity," and "value chain" as being more complicated in the context of a sustainability assurance engagement. We recognize that these concepts have developed within Part 4 of the Code over time and required much consideration and deliberation in their development, and their application in the context of a sustainability assurance engagement may pose some challenges, in particular because the reporting boundaries of sustainability information with regard to value chain entities go beyond that of the reporting boundaries of financial information.

We are generally supportive of the proposals included in the ED. Our responses to the ED's matters for comment highlight those matters we support, matters for which we have suggestions for the Board's consideration, as well as an explanation in our response to question 14 as to our view that Section 5700 is not needed.

GTIL - Grant Thornton International Limited

GTIL wants to thank the Board for their continued efforts to serve the public interest and acknowledges the challenges they face to set high-quality standards that will enhance the profession.

However, we have concerns around the lack of coordination between the IESBA and IAASB regarding their respective sustainability workstreams and the resulting:

- overreach of the proposed ethical/independence standards, and
- the inconsistencies between the assurance and ethical/independence standards applicable to sustainability assurance engagements.

We believe the ethical standards should support the assurance standards, which is why collaboration and coordination between the two boards is critical.

We are also concerned that the Board's objective to finalize the standard in December 2024 will not allow sufficient time to eliminate the inconsistencies between the IAASB and the IESBA's proposals. The IAASB is continuing to work on resolving comments from

their exposure draft, and we believe it is important that the definitions and guidance in the assurance standards and the ethics and independence standards align.

The inconsistencies in the standards will lead to misapplication or inconsistent application of the standards which is not in the public interest. We strongly urge the Board to take their time and go through the due diligence process to ensure the two standards align.

Lastly, GTIL has ongoing concerns regarding the volume of projects being undertaken by the Board and the anticipation that firms will be able operationalize and implement the provisions in a timely manner.

KMPG - KPMG IFRG Limited

We agree that a single global standard for ethics and independence in sustainability assurance is in the public interest. A clear standard that can be understood by both professional accountants and practitioners who are not professional accountants is crucial to promote global adoption and we support the IESBA in their efforts to create such a standard.

We do have several key concerns with the proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA or Part 5), which we believe could lead to the IESSA not being consistently adopted by all sustainability assurance practitioners, especially those who are not professional accountants.

First, the inclusion of group sustainability assurance engagements in Part 5 is not supported at this time, as there are no existing or proposed group sustainability assurance standards to reference. We suggest the IESBA postpone the inclusion of proposals related to group sustainability assurance engagements until they can be developed in tandem with the IAASB's expected project on such engagements.

Second, the proposed independence provisions for using the work of another practitioner lack clarity as drafted and extend beyond what is necessary when a sustainability assurance practitioner uses the work in certain scenarios.

Third, the provisions addressing value chain entities are not supported, as they go beyond the independence requirements for financial statement audits. In addition, we have concerns about the operational strain and potential adverse outcomes for the sustainability assurance industry based on the broad requirements that have been proposed.

Lastly, while it was expedient to duplicate the extant Code's ethics and independence requirements, there has not been sufficient adaptation for risks specific to sustainability assurance engagements. This has also created a standard that is heavily based on auditing terminology and concepts, which may be a barrier to adoption by practitioners who are not professional accountants.

To promote global adoption and consistent interpretation of Part 5, we urge the IESBA to coordinate with the IAASB on the points raised in our responses and provide sufficient time for implementation, which will allow the continued building of capacity and sustainability expertise among sustainability assurance practitioners. The appendix to this letter provides our responses to the specific questions posed in the Exposure Draft.

MAZARS - Mazars Group

We welcome the opportunity to comment on the IESBA's proposed International Ethics Standard for Sustainability Assurance (IESSA), a key part of the regulatory landscape underpinning high quality sustainability reporting, alongside the IAASB's assurance standard (ISSA 5000) and quality management standard (ISQM 1) and reporting standards issued by, among others, the IFRS Foundation and the European Union. There are, however, some inconsistencies in definitions and terminology used in the IESSA with other international standards (notably those issued by the IAASB) and, notwithstanding the need for the Code to be framework neutral, we urge the two standard setting Boards to work together to ensure maximum consistency.

We support the IESBA's attempts to create a profession-agnostic ethical standard for providers of sustainability assurance and welcome the progress that has been made in developing the IESSA, which provides a strong foundation for ethical standards in the public interest. As noted in paragraph 18 of the explanatory memorandum this new standard should be "comprehensive, scalable, clear, implementable, globally operable and enforceable for all sustainability assurance practitioners". While we are supportive of the general direction of the IESSA, and that it meets some of the Public Interest Framework characteristics above, we have concerns about the practical implementation of the proposed standard in a number of areas.

While the IESSA is comprehensive in its coverage, we believe that its length and complexity will make it difficult to implement for sustainability assurance practitioners who are not professional accountants, and question whether the extensive use of predominantly audit-related language in the proposed Section 5 achieves the objective of being profession agnostic.

We have a number of significant concerns, in particular relating to:

Independence when work is performed at a value chain entity – we do not believe these proposals are implementable in practice. The three options for performing work at value chain entities are unclear and there is a need for clear, realistic examples of when each option might be applicable, along with further clarity on the implications for independence considerations. Full details of our concerns are set out in Questions 13 and 14.

Proportion of fees for services other than sustainability assurance – the extant IESBA code does not consider that assurance engagements and fees give rise to threats to the independence of the auditor (for example, section 600 refers to the provision of "non-assurance services") and therefore we do not agree with the proposals relating to fees where the same firm provides both the audit and sustainability assurance engagement. In our view proposed paragraph 5410.11.A1 should be deleted as the provision of audit and assurance services does not give rise to a threat to independence for either service. If IESBA is concerned about total fees for the two services, this may be more appropriately considered under fee dependency considerations.

PP - Pitcher Partners Advisors Proprietary Limited

We acknowledge the International Ethics Standards Board for Accountants' efforts to facilitate greater consultation in the standard setting process. We agree with many of the

proposed amendments and ideas in the Exposure Draft, however, we believe there are some areas of concern with the introduction of assurance over climate and other sustainability information in particular regarding potential overreach in applying ethical and independence requirements throughout a value chain and how this will work in practice. The reporting for sustainability is constantly evolving and it may be that some of the items in the proposal will be unworkable from a practical perspective.

PwC - PricewaterhouseCoopers International Limited

We fully support IESBA's goals in developing the IESSA and we agree that having robust, high-quality independence and other ethical standards that can be applied in relation to sustainability assurance and reporting is a clear public interest priority agenda item. We also congratulate the Board on the speed with which it has been able to address this important and substantial project.

We also agree in principle with developing a "profession agnostic" set of requirements and believe that this will enhance the confidence of stakeholders in the quality of the assurance provided over sustainability information.

We are also broadly supportive of the proposed structure of the proposed new Part 5 of the Code.

Assurance over sustainability information is an emerging area and we believe that the Board will need to be agile over the coming years to respond to changes in the landscape and changes in reporting and assurance. As an example, the evolution of integrated reporting and assurance, where the firm provides both the audit and the sustainability assurance, might require amendments to the Independence standards (Part 4A and Part 5), such as in relation to the PIE definition, analysis of independence threats, and fees. The Board will also need to continue to be responsive to the developing views of investors and the wider stakeholder group in sustainability reporting.

However, we do have some significant concerns regarding the implementation and practicality of some of the proposals set out in the IESSA. We have provided further details on these concerns below and in Appendix 1.

Group engagements and value chain considerations

We support the decision of the IESBA to address group sustainability assurance engagements and value chain considerations separately, as there are unique considerations that need to be taken into account with respect to value chain entities that are outside of a controlled group, from the perspective of both independence and planning and performing an assurance engagement. In addition, we support IESBA's position that the group sustainability assurance practitioner only needs to be independent of those value chain entities at which they perform assurance work. When another practitioner performs assurance procedures at the value chain entity, that practitioner will need to be independent only of their sustainability assurance client (as defined).

However, we are concerned that the approach of largely copying the audit definitions and concepts from Part 4A of the Code, with only limited further tailoring to reflect the specific characteristics of sustainability assurance engagements, may not result in requirements

that are capable of consistent implementation in those engagements. Application of the independence standard for group audits would be an example of where issues may arise.

In particular, we believe there will be significant practical implementation challenges with respect to the proposals related to value chain entities that warrant further consideration by the Board. These are described in our response to Questions 12-14 and, in summary, relate to:

A need for greater clarity around the concept of when “assurance work is performed” at a value chain entity.

The need for provisions to recognise the practicalities around the timely and consistent identification of value chain entities from which independence might be required depending on the engagement approach to obtaining assurance on the information, recognising that assurance engagement scoping decisions can be iterative and the fact that the value chain can be complex and multi-layered.

A need to recognise that this is an emerging issue and where and how the client gets its information will evolve, as will the approaches to obtaining the necessary assurance regarding that information.

Coordination with the IAASB

There is a need for close collaboration with the IAASB and alignment between the IESSA and ISSA 5000 (International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements). A coherent and consistent set of standards is essential. It is important that ISSA 5000 and this proposal are finalised in tandem so that the IESSA complements clear standards for the provision of assurance.

In that regard, there are important aspects of the proposals that do not appear aligned (such as the definitions of ‘components’ and ‘sustainability information’) and we urge the IESBA and IAASB to work together to find solutions that result in consistent definitions and concepts, to enable practitioners to comply with the IESSA and ISSA 5000 without confusion or unintended consequences. Please see, in particular, our responses to Questions 3 and 10-12.

Other concerns

We recommend a refinement to the conditions in 5400.3a that address the circumstances in which the International Independence Standards in Part 5 apply to an assurance engagement (see Question 5).

We believe that Section 5700 should be removed in its entirety because the sustainability assurance practitioner is already required to apply the conceptual framework in the situation addressed in 5407.2 A1 bullet (b). If the IESBA does not agree, we have some suggestions on how this section can be amended. Please see our response to see Question 14.

We also believe that significant implementation support will be necessary to further assist sustainability assurance practitioners who are not professional accountants (non-PAs) in understanding certain long-standing terms that have been leveraged from Part 4A of the Code. Please see, in particular, our responses to Questions 1, 2, and 20.

RSM - RSM International Limited

We support the IESBA developing the following in relation to sustainability assurance and reporting:

Revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) to address the ethics issues that might arise in sustainability reporting and

Ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e. professional accountants, conformity assessment bodies and other practitioners performing sustainability assurance engagements).

We are supportive of the objective of the standard that it should apply to all sustainability assurance practitioners, including professional accountants as well as other sustainability assurance practitioners who are not professional accountants. However, we have some concerns over how these new requirements of the IESBA Code will be practically implemented for sustainability assurance practitioners other than professional accountants as detailed in our response to question #2 regarding scope and enforceability. The IESBA's Terms of Reference authorises the IESBA to develop standards for professional accountants, but does not provide authority to develop standards in relation to practitioners who are not professional accountants.

We recommend that the IESBA updates its Terms of Reference to specify development of standards for all sustainability assurance practitioners. The IESBA's authority with respect to this could also be enhanced by:

Introducing a requirement of the International Auditing and Assurance Standards Board (IAASB) to use the IESBA Code or other relevant ethical standards that are at least as demanding when a sustainability assurance practitioner is performing an engagement under International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, and/or

An authority for sustainability assurance practitioners who are not professional accountants (for example, a territory standard setting body or local law or regulation) adopting the IESBA Code for sustainability assurance practitioners who are not professional accountants.

In order to represent compliance with ISSA 5000, a sustainability assurance practitioner is required to comply with the requirements of the ISSAs, thereby requiring the sustainability assurance practitioner who is not a professional accountant to comply with the IESBA Code or other relevant ethical standards that are at least as demanding as the IESBA Code. Accordingly, it is imperative that the IESBA continue to work with the IAASB to develop ethics, independence and assurance standards for sustainability assurance that are consistent with each other, and the IAASB requires the IESBA Code (specifically Part 5 of ED-IESSA) or other relevant ethical standards at least as demanding be followed. In addition, the IESBA and IAASB should make sure that the relevant ethical standards use the requirements in Part 5, International Ethics Standards for Sustainability Assurance (Including International Independence Standards), of ED-IESSA as criteria in order to be 'at least as demanding' as the IESBA Code. We recommend that the IESBA work closely

with the IAASB to resolve the inconsistencies between the standards before the standards are published to help ensure effective implementation and compliance.

The proposed standard requires all sustainability assurance practitioners to comply with Part 5 of the IESBA Code. However, sustainability assurance practitioners who are not professional accountants are only 'encouraged' to follow Parts 1-4B of the IESBA Code due to the lack of authority over developing standards for practitioners who are not professional accountants. This creates a differential requirement to professional accountants, so we do not believe that the IESBA has achieved its objective of being a profession-agnostic standard.

The IESBA Code has been written for professional accountants. We have concerns that there may be an experience and knowledge gap in understanding, implementing and complying with the provisions of the IESBA Code for sustainability assurance practitioners who are not professional accountants as professional accountants generally have extensive experience in working with the provisions of the IESBA Code. We encourage the IESBA to consider issuing a 'start-up guide' and/or other background information that would include guidance to assist sustainability assurance practitioners who are not professional accountants in implementing ED-IESSA to help narrow the experience and knowledge gap.

Our responses to the 'specific requests for comment' assume the proposed Part 5 of ED-IESSA would apply to all sustainability assurance practitioners, including both professional accountants as well as other sustainability assurance practitioners who are not professional accountants, as drafted.

Academia and Research Institutes

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

We commend the International Ethics Standards Board for Accountants (IESBA) for this initiative. There is a need for assurance over sustainability information, and for that assurance to be provided by professional people who have the appropriate guidance on ethical issues.

There are important issues regarding the extent to which a code of ethics that is based on the existing code for accountants can be profession-agnostic. We are also concerned that IESBA has already set an effective date for the amendments to be approved and for the proposals to come into effect. We would prefer taking as much time as necessary to avoid unintended consequences.

We also recommend that where a sustainability assurance practitioner, or a senior professional accountant in business, is aware of non-compliance with laws and regulations (NOCLAR) then there should be a requirement to disclose it to multiple sustainability practitioners where these exist.

We have made comments about the disclosure of fees for sustainability services (question 17), because we consider that the mechanism for disclosure is not made clear in the exposure draft.

DIRC - Deakin University Integrated Reporting Centre

We believe in sustainability reporting assurance, and the ethics and independence standards required to deliver it, given its benefits for preparers, investors and other stakeholders, and thereby its contribution to the public interest.

We believe that the IESBA can be confident in pursuing internationally aligned ethics standards for sustainability assurance including international independence standards.

Assurance of the Descriptions of an Organisation's Business

We refer to our submission to the IAASB of 6 November 2023 in relation to the exposure draft of its ISSA 5000 and re-iterate its key points and recommendations.

Assuring descriptions of a business (a central feature of assurance of disclosures under IFRS Sustainability Disclosure Standards S1 and S2 and integrated reporting assurance) is important given existing and growing market practice around the world. It is also the major focus of this submission, in particular, in our response to Question Three.

Accordingly, it is important that the IESBA standard appropriately addresses ethics and independence considerations in relation to the assurance of the description of the organisation's business.

We believe that a trend towards the description of the business to be a comprehensive description will occur and be in the interests of investors and other stakeholders. On this basis, there will be benefits to the corporate reporting system from having comprehensive or partial descriptions of the business subject to independent external assurance, which should enhance the credibility of the reports.

Assurance of reporting under the sustainability reporting mechanisms, standards and frameworks discussed above requires the assurance practitioner to evaluate the description of the business. Complex assurance practitioner judgements are typically required to evaluate such qualitative disclosures which reflects business judgements by Boards of Directors and management teams. As practice in these areas is rapidly expanding, dedicated assurance standards and guidance are urgently required.

Others

IBA - The International Bar Association

Further, the complexity of the draft may prevent or delay its adoption by non-PAs. Specific guidance for legal practitioners on how to apply IESSA consistent with their existing professional conduct rules may be warranted.

In response to growing reliance from investors, customers, employees, regulators and others on sustainability information reported by public and private entities to support decision-making, sustainability reporting and assurance frameworks are rapidly developing through bodies such as the Taskforce for Nature-related Financial Disclosures (TNFD), International Sustainability Standards Board (ISSB) and International Auditing and Assurance Standards Board (IAASB), and are being translated into national and subnational regulations. The IBA's journalists and committees have worked consistently to raise awareness among the legal community of these developments, including through publications and ESG-focused conferences.³

Against that background, we recognise the importance of sustainability assurance engagements (SAEs) being undertaken to a high ethical standard, irrespective of whether that engagement is performed by a professional accountant (PA) or other practitioner (non-PA).

We therefore support IESBA's efforts to develop a framework-neutral and profession-agnostic ethical standard through proposed new Part 5 of the IESBA Code (IESSA).

With respect to the potential application of IEISSA to legal practitioners who undertake SAEs, we recognise that the ethical standards that apply to SAEs differ from those that apply to legal services. However, as a profession-agnostic standard, it is critical that IEISSA is drafted in a manner that has regard to the profession-specific rules that govern legal practitioners' conduct, and its implications not only for individual legal practitioners but also for the firms in which they operate.

While we expect that the pool of legal practitioners who undertake SAEs will be reasonably limited, IEISSA as currently drafted – particularly its scope and complexity – poses challenges for these practitioners in understanding how to apply IEISSA consistent with their professional conduct obligations as lawyers. Further, as currently drafted, IEISSA may unjustifiably limit the ability of legal teams within accountancy firms or law firms who undertake SAEs to provide legal services to sustainability assurance clients. In this regard, we wish to highlight the significant role that lawyers play in the rapidly evolving landscape of sustainability reporting and disclosure through their legal advice, for example, through helping clients to understand sustainability-related risks and opportunities; to understand good practice sustainability reporting and assurance approaches; to install appropriate governance mechanisms for managing sustainability-related risks; and with sustainability strategy and target setting. IEISSA must be sufficiently flexible to enable firms to provide these (and other) legal services to sustainability assurance clients provided that any conflicts of interest or confidentiality concerns can be managed (for example, through robust information barriers).

IIA - The Institute of Internal Auditors

After reviewing the IESBA's Exposure Draft, The IIA commends the efforts of the IESBA in advancing an ethical framework for sustainability assurance. Ethics represent an important cornerstone in the work internal auditors do, and internal auditors play a pivotal role within the ecosystem of sustainability assurance. This first point is demonstrated in our Global Internal Audit Standards™ (Standards). Standard 1.2 Organization's Ethical Expectations states that,

“Internal auditors must encourage and promote an ethics-based culture in the organization. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to applicable policies and procedures.”