

### IESBA Sustainability

#### Question 9 - Agree

#### Regulators and Oversight Authorities, incl. Monitoring Group members

##### BAOA - Botswana Accountancy Oversight Authority

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

##### IOSCO - International Organization of Securities Commissions

IOSCO supports the IESBA's approach to the proposed requirement that "if a sustainability assurance entity is a PIE, Part 5 requires the firm to publicly disclose the fact that it has applied the independence requirements for PIEs in the same manner as Part 4A requires for audit engagements." To operationalize the IESBA's transparency requirement, we believe it is important for the Boards to coordinate to achieve interoperability.

##### IRBA - Independent Regulatory Board for Auditors

We agree that the current proposal to use the same PIE definition for audit clients and sustainability assurance clients is appropriate as a starting point. Reasons for supporting this proposal for now are:

- Using the same PIE definition maintains consistency and equivalence with audit, which is one of the objectives of Part 5 of the Code.
- The concept of PIE is well-established and familiar to practitioners, which could make the transition to applying it in the context of sustainability assurance engagements smoother.
- There is a risk that revising the PIE definition to cater specifically for sustainability assurance engagements, could become too complex or overreaching, potentially capturing entities that should not be subject to the same heightened independence requirements as PIEs for audit purposes.
- Specifically in the South African context, there are also extended practical consequences to consider for example, IRBA Rules that are required to be applied by registered auditors that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements for PIEs. For example:
  - IRBA Audit Tenure Rule
  - IRBA Rule on Enhanced Auditor Reporting
  - IRBA's Four Rules Arising from the International Standards on Quality Management

Our support for now is based on an expectation that the PIE definition may need to be revisited as reporting matures. Our rationale includes:

- Since the sustainability reporting and assurance landscape is evolving, the PIE definition may need to be revisited over the course of time to remain relevant and suitable for purpose.
- Some entities may have a significant impact on society or the environment but are not listed and may not be considered PIEs under the current definition. This raises the question of whether there should be an "impact PIE" category.

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

NASBA agrees with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements.

#### **SGX - Singapore Exchange Limited**

Yes, as this approach maintains equivalency of treatment between the audit and sustainability assurance engagement of an entity that falls within the definition of "public interest entity".

With more jurisdictions adopting mandatory sustainability reporting requirements for non-listed companies, the IESBA should also consider also if the proposed IESSA will apply in the context of non-listed companies as well.

#### **UKFRC - United Kingdom Financial Reporting Council**

Yes, we support this.

#### **Investors and Other Users**

#### **DIR - Daiwa Institute of Research Ltd**

Yes.

#### **Public Sector Organizations**

#### **AGNZ - Office of the Auditor General of New Zealand**

As a matter of principle, equivalence between the requirements placed on auditors and sustainability assurance providers is essential.

#### **GAO - US Government Accountability Office**

We agree that an entity should be a public interest entity (PIE) for purposes of a sustainability assurance engagement if it has been determined to be a PIE for the purposes of the audit of its financial statements. In such cases, the independence requirements for PIEs in part 4A must be followed (ED paragraph 5400.13). We also agree that if a firm auditing an entity's financial statements decides to voluntarily treat the entity as a PIE, another firm performing a sustainability assurance engagement for that entity is not required to treat the entity as a PIE for the purpose of that engagement.

#### **UNCTAD - UNCTAD's Latin America Regional Alliance**

I Agree - 100% of respondents

#### **UNCTAD - UNCTAD's African Regional Partnership**

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

### **Independent National Standard Setter**

#### **APESB - Accounting Professional & Ethical Standards Board (Australia)**

APESB agrees that the determination of a Public Interest Entity (PIE) in the context of the audit of financial statements in Part 4A should be used to determine which entities are PIEs for sustainability assurance engagements in Part 5. We agree it would be confusing to have two different mechanisms for determining a PIE depending on what type of assurance engagement is being undertaken and note that the existing determination of PIEs in Part 4 is likely to already capture many entities that are of interest to the public from a sustainability perspective.

Stakeholders supported the proposed approach as it is a known concept for professional accountants and will promote consistent implementation of the provisions when the standards become effective. However, stakeholders were of the view that, over time, consideration should be given as to whether additional entities should be identified as PIEs for sustainability reasons.

#### **NZAuASB - New-Zealand Auditing & Assurance Standard Board**

We agree that the same determination of public interest entities (PIEs) is applied for audits and sustainability assurance engagements at this time.

As the market develops, we expect that there might be more entities that are not captured in the current PIE definition for which the public interest in the entity's sustainability impact is high and that require additional independence considerations. We encourage the IESBA to monitor the sustainability reporting developments.

### **Professional Accounting Organizations (PAOs)**

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

Yes. We agree with the proposal to use the determination of a PIE for the purposes of the audit of the entity's financial statements for the sustainability assurance engagements, provided in Part 5 of the ED. As the use of the same or similar terms and definitions will assist both users of the reports of professionals providing assurance on both financial statement audit engagements and sustainability assurance engagements and will facilitate interoperability in the application of the respective standards, more so in consideration of the recent revision of the definition given to PIEs in the context of financial statement audits.

#### **BICA - Botswana Institute of Chartered Accountants**

Agreeing with the proposal to use the determination of a Public Interest Entity (PIE) for sustainability assurance engagements addressed by Part 5 for the audit of the entity's financial statements is crucial for maintaining consistency and aligning the application of standards across different types of engagements.

#### **CAI - Chartered Accountants of Ireland**

We support the application of the revised definition of PIE, recently finalised by the IESBA, in the context of audits of financial statements, to be used for sustainability assurance engagements. We also support section 5400.13a regarding the voluntary treatment of an entity as a PIE.

#### **CFAR - Chamber of Financial Auditors of Romania**

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements.

#### **HKICPA - Hong Kong Institute of Certified Public Accountants**

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements to ensure consistent application of the requirements and maintain a high quality sustainability assurance.

#### **ICPAU - Institute of Certified Public Accountants of Uganda**

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements because we agree that this approach will maintain equivalency of the independence requirements between the financial statement audits and the sustainability assurance engagements. Attempts to create a separate dimension of PiE solely on the basis of its sustainability information different from a PIE for the purposes of the audit of financial statements would rather create unintended confusion in application of the requirements.

#### **IICA - Institute of Indonesia Chartered Accountants**

Yes

#### **IPA - Institute of Public Accountants (Australia)**

IPA supports IESBA's first-step 'equivalency' approach to align the independence requirements used for financial statement audits in Part 4A of the Code with the proposed independence requirements for sustainability assurance engagements in Part 5 of the Code.

#### **KICPA - Korean Institute of Certified Public Accountants**

The KICPA agrees with the proposal in the ED, because using a different definition may create confusion, resulting in the cost outweighing the benefits.

#### **MICPA - Malaysian Institute of Certifice Public Accountants**

We agree with the proposal.

#### **Other Assurance Providers and Accreditation Bodies (non-PAs)**

##### **AA - AccountAbility**

We agree with the proposal to apply the determination of a Public Interest Entity (PIE) used for auditing an entity's financial statements to sustainability assurance engagements covered by Part 5. This alignment ensures consistency and equal treatment between auditing and assuring the sustainability information of an entity falling within the PIE definition. It also prevents potential confusion and inconsistency that might arise if an entity

were deemed a PIE solely based on its sustainability information, when it is not classified as a PIE for auditing its financial statements.

### **Accounting Firms and Sole Practitioners**

#### **BDO - BDO International Limited**

BDO agrees with the proposal to use the determination of a PIE for the purposes of the audit of the entity's financial statements, as this will ensure that an entity's classification remains the same for purposes of both the audit of its financial statements and assurance over its sustainability reporting, thereby achieving consistency.

#### **DTTL - Deloitte Touch Tohmatsu Limited**

Deloitte Global agrees that an entity be deemed a public interest entity ("PIE") for the purposes of the sustainability assurance engagement if it has been determined as such for the purposes of the audit of its financial statements, where the financial statement reporting and sustainability reporting of the entity are integrated. It may otherwise be confusing to stakeholders to have the same entity being treated differently in the same report. This will require greater coordination when the sustainability assurance practitioner and the financial statement auditor are from different firms and application material for the sustainability assurance practitioner in this area would be useful.

#### **MU - Muhammad Umar - Mo Chartered Accountants**

As a rule, all PIEs for financial statement audits should be PIEs for sustainability assurance purposes. Since this is a new area of assurance, over time a non-PIE for audit of financial statements may be a PIE for sustainability assurance purposes based on its activities, impact on sustainability and nature and scope of its relationships with its value chain.

#### **PP - Pitcher Partners Advisors Proprietary Limited**

Yes, we agree with this proposal as otherwise there will be different definitions/terminology used which will add further complexity and potential misunderstanding.

### **Academia and Research Institutes**

#### **DIRC - Deakin University Integrated Reporting Centre**

For sustainability assurance engagements addressed by Part 5, we agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements.

#### **NRS - Professor Nicole Ratzinger-Sakel**

I agree with using the determination of a PIE for purposes of the audit of the entity's financial statements also for sustainability assurance engagements. For now, this seems to be the most efficient approach, while acknowledging that a PIE for a sustainability perspective might also be determined by other factors that will evolve in the future.

### **Others**

#### **IBA - The International Bar Association**

We do not wish to make any specific comments on technical aspects of the definition of a PIE. However, at a general level, we recognise that in the interests of consistency and as

an initial step, IESSA does not prescribe which entities are PIEs in the context of SAEs but, instead, relies on the revised definition of PIE recently finalized by the IESBA in the context of audits of financial statements.

While the definition of PIE may warrant revision in due course, we generally support IESBA's approach in the interests of limiting complexity of this draft.

## **Question 9 - Agree With Comments**

### **Regulators and Oversight Authorities, incl. Monitoring Group members**

#### **ACRA - Accounting and Corporate Regulatory Authority (Singapore)**

We support the proposal to align the determination of a public interest entity (PIE) for sustainability assurance with that for statutory audits of financial statements. The proposed alignment will allow us to leverage on the existing requirements and processes for financial audits and harness the synergy with sustainability assurance engagements.

Our stakeholders in Singapore have highlighted the following potential practical challenges in applying the proposed expanded definition of a PIE:

- The expanded definition has included PIE specified in “professional standards”. The absence of a defined meaning for “professional standards” in the Proposed IESSA could lead to a broad interpretation of the term. Considering that crucial professional standards would be integrated into law and regulations, it may be prudent to reconsider this inclusion; and
- The expanded definition is also proposed to be effective for audits of financial statements for periods beginning on or after 15 December 2024. We propose to allow for a transitional period before subjecting a wider group of entities to the more stringent independence requirements for PIEs.

#### **CEAOB - Committee of European Auditing Oversight Bodies**

Paragraph 83 of the EM outlines the IESBA's proposal to apply the audit definition of PIE to Part 5. However, it would seem that the references to Part 4A in the Glossary have not been updated to reflect the “Revisions to the Definitions of Listed Entity and Public Interest Entity” in the Code issued in 2022 by the IESBA. In addition, the IESBA should allow for national/jurisdictional definitions of ‘PIE’ for the purposes of a sustainability assurance engagement.

#### **IAASA - Irish Auditing & Accounting Supervisory Authority**

Paragraph 83 of the EM outlines the IESBA's proposal to apply the audit definition of PIE to Part 5. However, it would seem that the references to Part 4A in the Glossary have not been updated to reflect the “Revisions to the Definitions of Listed Entity and Public Interest Entity” in the Code issued in 2022 by the IESBA. In addition, the IESBA should allow for national/jurisdictional definitions of ‘PIE’ for the purposes of a sustainability assurance engagement.

#### **IFIAR - International Forum of Independent Audit Regulators**

The proposed ED-IESSA deems an entity a PIE for the purposes of the sustainability assurance engagement if it has been determined as such for the audit. We acknowledge



the concern expressed in paragraph 82 of the EM that confusion might arise if an entity is not a PIE for the financial audit, but was for the sustainability assurance work.

A compromise would be to add an extra requirement for the assurance practitioner to consider, based on the circumstances, if a reasonable and informed third party might think the entity should be treated as a PIE for the purposes of the sustainability assurance engagement. That is to have the primary determinant being whether the entity is a PIE for the financial audit, but require the SAPs to make a judgement on top of that as to whether in exceptional cases the entity should be treated as a PIE for sustainability assurance purposes.

### **PAABZ - The Public Accountants and Auditors Board of Zimbabwe**

The PAAB supports the IESBA proposal to determine an entity as a PIE for the purposes of sustainability assurance engagements if it has been determined as such for the purposes of the audit of its financial statements, but we however disagree with (5400.13a) the part where if a firm performing the audit of an entity's financial statements might decide to voluntarily treat the entity as a PIE, this does not mean that another firm performing a sustainability assurance engagement for that entity is required to treat that entity as a PIE for the purposes of the sustainability assurance engagement as this might be a potential for confusion if an entity was determined to be a PIE for the purposes of the audit of its financial statements and not a PIE solely on the basis of its sustainability information. Therefore, we recommend that the firm performing the audit of an entity's financial statements and the one performing a sustainability assurance engagement for the same entity reach a unanimous agreement whether to both voluntarily treat the entity as a PIE or not to avoid any confusion to the users of Financial Statements.

The definition/s of and which types of entities are PIEs is well documented and should be followed. Firms have to follow guidance otherwise there is a risk of arbitrary application and distortions.

### **Professional Accounting Organizations (PAOs)**

#### **ACCA - Association of Chartered Certified Accountants**

Yes, we agree with the overall proposal that an entity be deemed to be a PIE for the purposes of the sustainability assurance engagement if it has been determined as such for the purposes of the audit of its financial statements in accordance with the relevant provisions in Part 4A. We note that using the determination of a PIE (updated definition December 2024) for sustainability assurance engagements will provide consistency and familiarity for accountants and stakeholders and align the IESSA with existing regulatory frameworks and avoid the confusion of creating an alternative definition.

However, we further note that our members have raised that consideration is required as to whether the criteria for determining a PIE in the context of financial statement audits (quantitative and based on past performance) are equally relevant and appropriate for sustainability assurance engagements (largely qualitative and forward looking). Sustainability reporting and assurance may involve different stakeholders, risks, and considerations compared to financial reporting. Therefore, we suggest consideration as to whether the criteria effectively capture entities whose sustainability performance significantly impacts the public interest (whilst not being a PIE financially), and hence

whether further content or application guidance is required so that the standard applies appropriately to all relevant engagements.

We note that if a sustainability assurance client is a PIE, Part 5 will require the firm to publicly disclose the fact that it has applied the independence requirements for PIEs in the same manner as Part 4A requires for audit engagements and that the IESBA intends to coordinate with the IAASB and other sustainability assurance standards setters regarding the form and manner of such public disclosure. We encourage expedience in this work to provide clarity going forward.

### **AE - Accountancy Europe**

Yes, we agree that the determination of a PIE for sustainability assurance engagements should depend on whether the entity has been determined as such for the purposes of the audit of its financial statements in accordance with the Part 4A. Otherwise, there will be practical difficulties in application and confusion for the users of sustainability reporting and assurance.

In cases where the auditor voluntarily decides to treat an entity as a PIE for purposes of the audit of its financial statements, the proposals do not require another firm performing the sustainability assurance engagement to treat the entity as a PIE. However, it is not clear what the implications will be with respect to a sustainability assurance engagement performed by the same firm conducting financial statements audit. As a minimum, however, SAP should consider the criteria that led the financial statement auditor to voluntarily treat the entity as a PIE – and should determine whether this may also be appropriate for the purposes of sustainability assurance.

### **CAANZ - Chartered Accountants Australia and New Zealand**

We agree with the proposal to use the financial statement audit determination of a PIE for the purpose of the sustainability assurance engagement. However, a cohort of our members do not support the proposal that where an entity is voluntarily treated as a PIE for the financial statement audit, then it does not have to be treated as a PIE for the sustainability assurance engagement. This is unlikely to happen in practice if it is the same firm doing both engagements but could arise if the two engagements were conducted by different firms, and we do not believe this outcome is in the public interest.

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

We agree with having the same PIEs for both audit and sustainability assurance engagements. Having a different definition of PIEs for both engagements would be a nightmare.

However, as already mentioned in our response to the IESBA PIE ED some years ago, we believe that the decision of which entities are PIEs and which are not is a decision of the public authorities at national or supra-national level, not a matter for the standard setter.

### **CPAC - Chartered Professional Accountants Canada Public Trust Committee**

Yes, we agree with the IESBA's proposal that if an entity is determined to be a PIE in accordance with Part 4A, then that entity should be treated as a PIE for sustainability assurance engagements addressed by Part 5. We think that if there is significant public



interest in an entity's financial condition that there will also be significant public interest in that entity's sustainability information. We believe that this is supported by the move to integrated reporting and evidence that jurisdictions developing mandatory disclosure regimes for sustainability information are applying the requirements to entities identified as PIEs for audit purposes.

The PTC also agrees with the IESBA's view that in the context of the current regulatory environment, there would be the potential for confusion if an entity was determined to be a PIE solely on the basis of its sustainability information when it is not a PIE for the purposes of the audit of its financial statements. However, our stakeholders noted that there may be characteristics that are unique to sustainability that would indicate significant public interest in the sustainability information of an entity that is not a PIE for audit purposes. Accordingly, the PTC encourages the IESBA to acknowledge that the proposed approach is a practical solution and the IESBA will continue to evaluate and consult with stakeholders of sustainability information to ensure that the PIE determination criteria remain appropriate.

### **EFAA - European Federation of Accountants and Auditors for SMEs**

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements.

We concur with the IESBA that, as a first step, Part 5 should rely on the revised definition of PIE recently finalized by the IESBA in the context of audits of financial statements. However, since the extent of public interest is likely to extend well beyond an entity's financial condition, we suggest IESBA should start to consider how it might prescribe which entities are PIEs in the context of sustainability assurance engagements. This may demand significant adaptation and expansion of the determination of a PIE for the purposes of the audit. When developing the Corporate Sustainability Reporting Directive (CSRD) EU lawmakers decided to expand the scope of mandatory non-financial reporting (NFR) from the extant NFRD to include all large and listed undertakings. We presume this expanded scope was predicated on an expanded notion of the public interest.

### **ICAEW - Institute of Chartered Accountants in England and Wales**

We understand the initial attraction of ensuring that the determination of a PIE is consistent for the purposes of audit and sustainability assurance, particularly in light of IESBA's recent and comprehensive work on PIE definitions.

However, we note that in the context of sustainability, material issues like human rights and modern slavery might not necessarily impact an entity's financial statements.

Given the profession's duty to act in the public interest, and the "heightened public sensitivity as regards sustainability information", there is a good argument for importing an obligation to report on such matters even where the financial threshold has not been met.

We consider that as the practice of Sustainability Assurance Engagement becomes more sophisticated and valuation processes become more granular, IESBA should undertake a review of the PIE definition and consciously champion its evolution, to ensure that that the definition becomes more nuanced and tailored towards the expectations of users of Sustainability Information, including as regards biodiversity and an assessment of emissions, rather than focussing on purely financial thresholds to trigger a reporting requirement.

As we stated in our response to Question 3 above, we consider that the definition of “Sustainability Information” should also be kept under review to reflect the increasing importance and focus on non-financial information.

### **ICAS - The Institute of Chartered Accountants of Scotland**

We appreciate that there could be a potential issue with the determination of entities as PIEs for sustainability assurance engagements being based on their financial condition. However, on balance, we believe that IESBA’s view at paragraph 82 of the Explanatory Memorandum is a reasonable, pragmatic approach in that, in order to avoid confusion, it would be preferable if the factors guiding the determination of entities as PIEs are the same as for the independence standards for audits of financial statements in Part 4A i.e. based on the extent of public interest in their financial condition.

We also note that paragraph 5400.13 refers the user to Part 4A to determine whether an entity is a public interest entity. We believe it would be helpful for users (particularly non-PA users) if this paragraph was more specific as to where in Part 4A this information can be found – suggested changes in red below:

‘5400.13 Some of the requirements and application material set out in this Part are applicable only to the sustainability assurance engagements of public interest entities. An entity is a public interest entity in this Part if it has been determined as such for the purposes of the audit of its financial statements in accordance with the relevant provisions in **Section 400 (paragraphs 400.8 to 400.10 and R400.17 to R400.22)** of Part 4A.’

#### **Related Entities**

We believe the Related Entity paragraph R5400.27 (noted below) could be confusing for a non-PA sustainability assurance provider as whilst there is a definition of ‘Related Entity’ in the Glossary, this paragraph, (as well as other paragraphs throughout Part 5) also refers to ‘direct or indirect control’ and there is no definition of this. We suggest reference to some guidance around what is meant by ‘control’ would be helpful for non-PA users.

“Related Entities R5400.27 As defined, a sustainability assurance client that is a publicly traded entity includes all of its related entities. For all other entities, references to a sustainability assurance client in this Part include related entities over which the client has direct or indirect control. When the sustainability assurance team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the firm’s independence from the client, the sustainability assurance team shall include that related entity when identifying, evaluating and addressing threats to independence.”

### **IDW - Institute der Wirtschaftsprüfer (Germany)**

Yes. This seems to be the most pragmatic approach for IESBA to take at present. It may be too early to be definitive, since legislation – or public opinion – could foresee other factors in determining what constitutes a PIE for sustainability perspective.

For example, perhaps entities in a particular industry or carrying out a particular range of activities might be required by law to be subject to the “higher scrutiny” in their sustainability reporting currently required for PIEs in the field of financial statements. Although the discussion of the definition of a PIE is ongoing as part of the IAASB PIE track 2 project, we

consider that benefits of a consistent definition would outweigh the costs of a differential approach currently.

We note that 5400.13a explains that when an entity is voluntarily treated as a PIE for the audit of its financial statements another firm serving as its SAP is not required to treat the entity as a PIE. This introduces divergence, which we do not see as necessarily helpful in the public interest. We suggest this is an issue to be discussed with the IAASB as a matter of priority. As a minimum, however, we suggest the SAP be required to consider the criteria that led the financial statement auditor to voluntarily treat the entity as a PIE – and to determine why this would not be appropriate for the purposes of sustainability assurance.

In further considering the desirability or otherwise of different approaches IESBA should also consider whether to include material pointing out that a SAP may voluntarily treat an entity as a PIE even when the financial statement auditor has not voluntarily elected to do so. If added, this would also have to be linked to the transparency requirement in R5400.25. Para. 5400.16a explains that for firms who perform both a sustainability assurance engagement and an audit or review engagement for the same client the firm, a network firm and the audit team members are subject to the provisions in the Code applicable to audit and review engagements, including Part 4A, and this Part. This is likely to add considerable confusion if the same firm voluntarily treats the client as a PIE for the audit but not for the sustainability assurance engagements or versa vice.

#### **IFAC - International Federation of Accountants**

Using the audit of financial statements PIE definition for sustainability assurance engagements is appropriate at this time. The recently agreed revisions to the IESBA definition of a PIE for the audit of the entity's financial statements will soon be effective, and harmonization through the recent IAASB consultation on narrow scope amendments due to the definitions is underway. The timing is not right for re-opening this but consistency in definitions and treatments between financial statements audit and sustainability assurance is important. Where there are different providers for each of these assurance services, differences in opinion could otherwise exist that could create challenges for the other engagement.

We acknowledge that through the lens of sustainability, some entities may have conditions that the public would view as important, as factors such as human rights and modern slavery can be of significant public interest but unrelated to the financial condition of an entity. As such, the avoidance of complexity at this stage would be beneficial. We note that there are multiple references to 'heightened expectations' within the ED. The use of this terminology in a repeated way could create challenges if the definition of a PIE is not to be assessed for sustainability related factors, so IESBA should be mindful of this in its external communications.

When the financial statements auditor and sustainability assurance practitioner are not the same, a practical issue may arise in relation to the sustainability assurance practitioner being aware of the entity's PIE status. For example, the financial statements auditor may exercise professional judgment to designate an entity as a PIE, which would not be clear to the sustainability assurance practitioner in a timely manner unless communicated by the financial statements auditor, otherwise they may only become aware if the client discloses or when an audit report is issued.

### **JICPA - Japanese Institute of Certified Public Accountants**

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements.

However, if the engagement period for the audit engagement is the same as the engagement period for the sustainability assurance engagement, the sustainability assurance practitioner can confirm whether the sustainability client is a PIE only when the audit report is issued at the end of the engagement period. So, we suggest the IESBA add a requirement for communication between the auditor and sustainability assurance practitioner about whether the sustainability client is a PIE at an early stage in the engagement period.

We also suggest the IESBA set out an additional requirement for communication between the auditor and the sustainability assurance practitioner, if necessary, when assumptions of their judgment on whether the client is a PIE change. Such change may arise, for example, if the client is listed or delisted during both the engagement period and the reporting period for the engagement.

Furthermore, we suggest the IESBA add a requirement for communication between the auditor and the sustainability assurance practitioner about whether to treat an entity as a voluntary PIE for purposes of the audit, because although the extant IESBA Code requires that a firm publicly disclose that it has applied the independence requirements for a PIE, it does not require disclosure of whether it is a mandatory PIE or a voluntary PIE.

We suggest the IESBA provide guidance to enable a sustainability assurance practitioner to determine whether to apply the independent requirements for a PIE, because if the firm performing the audit decides to treat the entity as a voluntary PIE, the sustainability assurance practitioner shall consider whether to treat the entity as a voluntary PIE for purposes of sustainability assurance engagements.

### **MIA Malta - The Malta Institute of Accountants**

MIA aligns with the view that the same definition of PIE for audit purposes should be used when providing sustainability assurance engagements. Furthermore, the Institute is in agreement with 5400.13a insofar as there being no obligation on the sustainability assurance practitioner to treat the entity as PIE in instances where the audit engagement team determines to treat as PIE as a result of applying more onerous standards other than those of IESBA. MIA is also of the view that an additional sentence should be included to reflect the inverse situation in Part 4A.

### **PAFA - The Pan-African Federation of Accountants**

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements. The recently agreed revisions to the IESBA definition of a PIE for financial statement audits are soon to take effect, with harmonization efforts underway through the IAASB consultation on narrow scope amendments to definitions. Given this ongoing process, it's prudent to maintain consistency in definitions and treatments across financial statement audits and sustainability assurance. Discordant interpretations between providers of these assurance services could otherwise pose challenges for both engagements.

It's worth acknowledging that from a sustainability standpoint, certain entities may possess attributes considered vital by the public, such as human rights and modern slavery issues, which may not directly impact the entity's financial condition. While there may be a future need to revisit this approach, avoiding unnecessary complexity at this stage is advisable. Notably, the repeated use of 'heightened expectations' in the ED could pose challenges if the PIE definition does not incorporate sustainability-related factors. Therefore, IESBA should exercise caution in its external communications regarding this terminology.

In instances where the financial statement auditor and sustainability assurance practitioner differ, practical challenges may arise concerning the latter's awareness of the entity's PIE status. For instance, the financial statement auditor's designation of an entity as a PIE could remain unclear to the sustainability assurance practitioner unless explicitly communicated, potentially leading to delayed awareness unless disclosed by the client or upon issuance of an audit report.

### **SOCPA - Saudi Organization for Chartered and Professional Accountants**

SOCPA agrees with the proposal to use the determination of a Public Interest Entity for the purposes of the audit of the entity's financial statements in sustainability assurance engagements.

However, if an auditor voluntarily decides whether to treat an entity as a PIE for the audit of its financial statements, particularly when the entity doesn't meet the definition of a PIE, SOCPA suggests that this determination should apply consistently across both the audit and sustainability assurance engagements. This approach ensures coherence and consistency in treatment across different engagements.

### **WPK - Wirtschaftsprüferkammer (Germany)**

We principally agree that the same determination of a PIE as for purposes of the audit of the entity's financial statements should also be used for sustainability assurance engagements. However, as we have also pointed out in our comments submitted in connection with the IESBA Exposure Draft: Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, it is finally in the discretion of the legislator or regulator to determine what constitutes a PIE. It cannot be excluded that a legislator or regulator will establish different criteria with regard to audits of financial statements and sustainability assurance engagements.

### **Accounting Firms and Sole Practitioners**

#### **EY - Ernst & Young Global Limited**

We acknowledge the practical difficulties that would arise if the determination of PIE status for sustainability assurance engagements followed different criteria than that used for purposes of the audit of the entity's financial statements. So, while we also recognize that stakeholders using sustainability information might focus on different characteristics in assessing whether there is an elevated degree of public interest, we agree with the IESBA's proposed approach of using the determination of a PIE for purposes of the audit of the entity's financial statement also for the sustainability assurance engagement.

We note that paragraph R400.17 of the Final Pronouncement – Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code (the "PIE Revisions") is not proposed



to be replicated in Part 5. Therefore, an SAP who is not also performing the audit of the entity's financial statement will need to ascertain whether or not the entity is a PIE. This generally can be ascertained through the public disclosure made in compliance with paragraph R400.20 of the PIE Revisions. However, in situations when the SAP is not also performing the audit of the entity's financial statements, we believe it would be appropriate for Part 4 to include application material for guiding the firm performing the audit of the entity's financial statements in communicating to the SAP whether the entity is being treated as a PIE, as well as any changes to the classification either due to the entity first becoming a PIE, no longer meeting one of the categories of a PIE, or voluntary PIE treatment by the firm auditing the financial statements. In the case of the firm performing the audit of the entity's financial statements making a voluntary determination to treat the entity as a PIE, we note that paragraph 5400.13a would not require the SAP to likewise treat the entity as a PIE, but we believe it would be a matter for the SAP to consider in making their own determination and therefore the SAP should be informed.

Paragraph 5400.13a addresses the situation when a firm performing an audit of the entity's financial statements voluntarily treats the entity as a PIE. We believe it might also be possible that the SAP voluntarily decides that for purposes of the sustainability assurance the entity should be treated as a PIE even though the entity is not treated as a PIE with regard to the audit of its financial statements. This could be because the entity has environmental, social, or other factors that are deemed by the stakeholders of the sustainability information as having heightened public interest. In such situations, we believe the Part 5 should make it clear that when the SAP voluntarily applies the independence requirements applicable to a PIE to the entity for sustainability assurance purposes, it does not require the firm performing the audit of the financial statements of the entity to voluntarily apply the independence requirements applicable to a PIE for purposes of the audit of the entity's financial statements. This is especially important as the IAASB standards include specific additional requirements for the audit of listed companies and such requirements are proposed to be extended to all PIEs.

Paragraph R5400.25 will require the firm providing sustainability assurance to publicly disclose the fact that it has applied the independence requirements for PIEs in the same manner as Part 4A requires for audit engagements. We encourage the IESBA to engage in further discussion with the IAASB on developing guidance as to what an appropriate manner of disclosure would be. We also encourage the IESBA to discuss with IAASB how best to refer to the different independence provisions of Part 4B and Part 5 in the assurance reports, as this could lead to complex wording and the user of the sustainability assurance report may not understand the difference between the various independence requirements ( for example, application Part 4B or part 5 of the Code, and PIE or non-PIE classification of the entity).

### **MAZARS - Mazars Group**

Independence standards relating to sustainability assurance engagements should be proportionate and scalable and some of the requirements should apply only to PIEs. Where an entity has been deemed to be a PIE for the purposes of the audit, it would be incongruous if it was not considered to be a PIE for a general-purpose sustainability assurance engagement to which the independence standards apply (see question 5). We therefore agree with the IESBA's proposal that an entity should be deemed to be a PIE for



the purposes of a general-purpose sustainability assurance engagements to which the independence standards apply only if it has been determined as such for the purposes of the audit of financial statements.

We note that 5400.13a highlights that a firm may voluntarily determine an entity to be a PIE for the audit of financial statements but that this does not mean another firm performing the sustainability assurance engagement for that entity is required to treat it as a PIE for their engagement. It is not clear, however, if the IESBA requires a firm determining an entity to be a PIE for its audit of financial statements is required also to determine it as a PIE for the sustainability assurance engagement where the same firm performs both engagements. It would be helpful to clarify this position in 5400.13A.

#### **MOORE - Moore Global Network Limited**

While this will make it easier for professional accountants to determine whether a client is a PIE or not, it will not be easy for sustainability assurance providers who are not professional accountants to identify a PIE client, unless they are in communication with the financial auditor. There are also instances where the client may not be a PIE for audit purposes, but they may be for sustainability assurance services. These need to be included in the determination of whether the client is a PIE or not for sustainability assurance services.

#### **PKF - PKF Global**

For sustainability assurance engagements addressed by Part 5, we agree with the proposal for the determination of a PIE, for purposes of the audit of the entity's financial statements. However, please also refer to the second paragraph in our response to Q12 regarding the definition of value chain entities.

Additionally, we encourage the IESBA to consider whether the definition of value chain entity should make explicit reference to public interest entity. Such a reference could help to clarify whether or not a value chain entity could also be classified as a public interest entity from the perspective of the sustainability assurance practitioner.

#### **PwC - PricewaterhouseCoopers International Limited**

Yes, with comments below.

Please see our comments in response to Question 5 above.

We agree that it seems reasonable, in principle, to conclude that an entity, once determined to be a PIE for purposes of financial statement reporting, would continue to be treated as a PIE in respect of its other reporting, including sustainability reporting, not least in light of the fact that many entities will be moving ever closer to integrated reporting. This may be particularly true for listed (publicly traded entities), but perhaps less so for other categories of PIEs.

However, whilst we believe that using the determination of a PIE for purposes of the audit of the entity's financial statements is the correct approach for the time being, we also recognise that there may not always be the same level of public interest in an entity's sustainability reporting as compared to its financial statements. This means that applying the current financial driven definition and overarching objective of the existing PIE definition may not be representative of drivers of what would constitute significant public interest in

an entity's sustainability reporting and may not always represent a reasonable barometer of public interest for sustainability reporting. Equally, we think it's possible that there would be entities for which there may be significant public interest due to their operations resulting in major environmental impacts, but would not be considered PIEs simply because they do not meet the financial statements - audit based definition.

Therefore, we believe that the IESBA may wish to, at some point in the future, revisit the "overarching objective" that underpins the PIE definition to determine whether it needs to more explicitly address factors that drive the extent of public interest in an entity related to its sustainability reporting, particularly given the evolving sustainability ecosystem. In doing so, it will be important for IESBA to consider the views of investors and other stakeholders who may be usefully informed by additional experience gained over time as more sustainability information and reports become available in the coming years.

In addition, we are also aware (not least from recent Board discussions) that there are going to be challenges in applying the Part 4A definition of a PIE (four mandatory categories) in relation to financial statement audits in the absence of more explicit jurisdictional tailoring of those categories or when a jurisdiction chooses to not adopt a mandatory category set out within the PIE definition. In extending the existing, or any amended, definition of PIE to apply for sustainability assurance engagements, it is critical that there is a clear and consistent understanding of the expected application of that definition by assurance practitioners; specifically, whether the categories within the definition are mandatory and are to be applied in circumstances when a jurisdiction omits one of the categories. Without this clarity it is difficult to fully form a view on this question. We encourage the Board to work with local jurisdictions to seek clarity on the appropriate definitions.

#### **RSM - RSM International Limited**

We agree with the proposal to use the determination of a public interest entity (PIE) for purposes of the audit of the entity's financial statements. In addition, we suggest that the IESBA consider adding sustainability-related factors that may be considered in evaluating the extent of public interest of an entity to new paragraph 400.14 included in the Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code issued in April 2022. We believe that if an entity has significant public interest based on certain sustainability-related factors, there would also be a significant public interest in the financial condition of the entity as the sustainability information aids in stakeholders' decision making.

Paragraph 5400.13 in ED-IESSA states, 'an entity is a public interest entity in this Part if it has been determined as such for purposes of the audit of its financial statements in accordance with the relevant provisions in Part 4A.' The way that this is currently written appears to incorporate the relevant provisions of Part 4A into this clause, and accordingly, would be applicable to both PAs and non-PAs. Because it appears the intent per paragraph 36 of the EM is that Part 4A is not required for non-PAs (and only encouraged), we believe there are two primary scenarios where a non-PA is the sustainability assurance practitioner where it is unclear if the non-PA should use the definition of PIE in accordance with the relevant provisions in part 4A:

1. A PA is the financial statement auditor who treated the entity as a PIE during the audit, and the audit is not complete or has not started. The sustainability assurance practitioner may not know if the financial statement auditor determined an entity is a PIE

without some kind of communication with the financial statement auditor, which would generally be more prevalent for entities that are not publicly traded entities. We acknowledge that if the financial statement audit is complete, the sustainability assurance practitioner will know if the auditor determined the entity was a PIE for purposes of the financial statement audit by the disclosure in the audit report per paragraph 50(e)(ii) of International Standard on Auditing (ISA) 700 (Revised), Forming an Opinion and Reporting on Financial Statements, as amended by Narrow Scope Amendments to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and ISA 260 (Revised), Communication with Those Charged with Governance, as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs). Even though it's in the auditor's report, the sustainability assurance practitioner may not know whether the client was determined to be a PIE in accordance with the relevant provisions in Part 4A or if the auditor voluntarily treated the entity as a PIE as described in paragraph 5400.13a of ED-IESSA, where the sustainability assurance practitioner would not be required to treat the entity as a PIE for sustainability assurance purposes. Accordingly, we recommend that the IESBA add a requirement for the SAP to communicate with the financial statement auditor to determine if the entity was a PIE for the purposes of the financial statement audit and whether or not the auditor voluntarily treated the entity as a PIE, if necessary.

2. The entity does not receive an audit of its financial statements. In this case, it is unclear how the SAP would determine if the entity would be a PIE for sustainability assurance purposes.

In addition, Part 4A of the Code is only applicable to PAs per paragraph 36 of the EM. Accordingly, Part 5 should not necessarily refer to Part 4A. Rather a copy of the portion of Part 4A referred to in Part 5 should be brought into Part 5. This would also address our concern of whether Part 4A is also applicable to non-PA SAPs. Notwithstanding our concern over the scope of the proposed Part 5 of ED-IESSA detailed in question #2, we recommend that IESBA clarify in the Code if the referred to portions in Part 4A are required for non-PA SAPs whether or not a copy of the portion of Part 4A referred to is brought into Part 5.

### **Academia and Research Institutes**

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

Yes with comments.

We agree that the guidelines that establish classification of an entity as a PIE for financial statements audits are also applicable here. We recommend recognizing the difference between an entity being a PIE for purposes of financial statement audits and the actual CSR disclosure itself being of public interest. Drawing upon legitimacy theories (Duff, 2017), the public interest implications of the CSR disclosure in themselves need to be considered separately (Sheehy, 2015) from the notion of an entity itself being deemed a PIE for financial statement audits. An entity that is deemed to be a PIE for financial statement audit may not have CSR activities (and related disclosures) that are of public interest (see: Huang, 2021). Drawing upon signalling theory, if an entity is deemed a PIE, then their CSR disclosures are of public interest to the extent that it informs investors' interpretation of financial disclosures as well (Huang 2022).

While we support the proposal we observe that some entities which have a substantial effect on the environment but that are small financially are not included.

### NSU - Nova Southeastern University

Question 9 opinions in favor:

- I agree with the proposal to use the determination of a PIE to audit the entity's financial statements for sustainability assurance engagements addressed by Part 5. From my understanding, the proposed standards should be viewed as the baseline or the foundational principles of sustainability assurance reporting. In the current regulatory environment, it is unreasonable to determine whether an entity is or is not a PIE based solely on sustainability information. The data and the regulatory sphere might differ in a few years, but I believe the current proposal is sufficient.
- Regarding the sustainability assurance engagements, I agree with the proposal to use the determination of a public interest entity (PIE) for purposes of the audit of the entity's financial statements as it removes confusion related to the public interest entity, specifically in the event that an entity may be considered a PIE on the sole basis of the provided sustainability information while failing to consider that it is not a PIE on the basis of the audit of the financial statements. It is important to establish a high level of understandability and remove any confusion for the public in order to express the required information.
- Aligning the determination of Public Interest Entity (PIE) status for sustainability assurance engagements with that of financial statement audits improves consistency and regulatory oversight. Entities classified as PIEs are typically those with significant public impact, requiring heightened scrutiny to ensure accountability and transparency. Supporting this proposal suggests a commitment to maintaining public trust and upholding professional standards. By subjecting entities of significant public interest to thorough assurance procedures, stakeholders can have confidence in the credibility and reliability of sustainability reporting.
- In considering the proposal's approach to determining Public Interest Entity (PIE) status for the purpose of sustainability assurance engagements, I propose a broader perspective that transcends the traditional audit context of financial statements. Specifically, the PIE determination should not be exclusively linked to financial statement audits but should equally consider the context of sustainability reporting and assurance. This dual consideration is essential because the public interest implications of sustainability information are becoming as significant as those of financial information. As such, an entity's classification as a PIE should reflect its impact and significance in both areas. The correct identification of an entity as a PIE is crucial, not only for compliance with independence requirements but also to enhance transparency and stakeholder confidence in sustainability assurance engagements. Specifically, R.5400.25's requirement for PIEs to publicly disclose their application of independence requirements highlights the importance of transparency. This disclosure not only serves as a declaration of compliance but also enhances stakeholder understanding and trust in the independence of the assurance process. Therefore, while the proposal scalable approach to independence standards acknowledges the distinct considerations for PIEs and non-PIEs, extending the PIE determination criteria to incorporate both financial and

sustainability contexts enriches this approach. It ensures that entities with significant public interest implications, arising from their sustainability activities and reporting, are subject to the appropriate level of scrutiny and transparency.

Question 9 opinions opposed:

- I disagree with the proposal to apply the same criteria used in determining public interest entities in the audit of financial statements. Determining public interest entities is crucial because it dictates the level of audit scrutiny. Markedly, public interest entities (PIE) face strict and elaborate regulatory scrutiny compared to non-public interest entities. The procedure for determining PIE in financial audits is expensive and elaborate. The resultant effect is that PIE, for the purpose of financial audit, includes publicly held firms, financial institutions, and significant utility companies. This definition captures large firms that naturally attract public interest. However, the definition does not apply to sustainability as the same large firm bias will be reflected in determining public interest firms for sustainability. Unlike financial audits, sustainability has a broader scope, nature, and purpose, which expands to include smaller firms. These firms have moderately sized financial, economic, and social prints. Nonetheless, their ecological impact may be broad, which demands use of a comprehensive sustainability audit. Therefore, when the same criteria used for generating financial statements are applied, such a system will likely overlook some key firms. Consequently, there is a need to have a separate criterion to determine which firms constitute public interest entities with regard to sustainability.
- No, I do not agree with this proposal. It leaves a lot of room for errors because there's a lot of standards that must be meant to qualify as a PIE. However, one may get confused because the entity may qualify as a PIE for sustainability assurance but not for the audit of their financials.

## Question 9 - Disagree

### Professional Accounting Organizations (PAOs)

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

Overall response: No.

Detailed comments: Given the lack of maturity in the reporting of sustainability information and the potential barrier to entry the PIE requirements may create, we do not agree with extending the PIE requirements to a sustainability assurance client when the practitioner is not also the financial statement auditor. It is also inconsistent with the IAASB to include PIE requirements when specific requirements for PIEs have not yet been proposed in ISSA 5000. As recommended and more fully explained in the AICPA comment letter to the IAASB on its PIE track 2 project, we recommend that IESBA defer PIE provisions until both IESBA and the IAASB can develop a joint strategy and comprehensive approach to PIEs.

We understand that investors are taking steps toward integrating sustainability issues into their investing criteria, and that companies may become more selective in choosing who to do business with based on a company's sustainability risks and opportunities. We also understand that reporting standards, such as IFRS S1, General Requirements for



Disclosure of Sustainability-related Financial Information, require an entity to disclose material sustainability information that could reasonably be expected to affect the company's cash flows, or access to financing, or cost of capital. However, what investors or businesses are considering with respect to sustainability information, and what entities are considering material sustainability information is subjective, and it is unclear whether the two will align. "Material" sustainability information may not have a material or even significant effect on the financial condition of an entity, and in these early stages, the information an entity may consider "material" for reporting may not be significant for investors or the entity's business relationships.

As indicated in IESBA's basis for conclusion for the PIE revisions, respondents suggested that the focus of the public interest should go beyond the financial condition of entities to include consideration of non-financial information, and this suggestion was echoed within the IAASB. During the IESBA discussions on this sustainability proposal over the past year, there seemed to be an acknowledgement that the factors for public interest for financial statement audits would not capture all entities subject to sustainability assurance engagements that should be considered PIEs for sustainability purposes. The opposite is also true in that these requirements would make some sustainability assurance engagements subject to the PIE requirements when the sustainability information subject to assurance is not of significant public interest. In these circumstances, the requirements are overly prescriptive when the same threats to the public interest may not exist, and IESBA should take this into account when considering whether the PIE requirements in part 4A are appropriate for sustainability assurance engagements.

We are also concerned that the proposed PIE requirements (long association, audit committee concurrence, fee disclosures, nonassurance services, etc.) will create barriers to entry in this narrowly focused subject area where more practitioners are needed. Based on our discussions with professional accountants in the U.S., a likely outcome of the proposed standards would curtail performing a sustainability assurance engagement for a PIE sustainability assurance client unless the firm already performs the financial statement audit for the same client. The increased cost of compliance to provide a sustainability assurance engagement to a PIE sustainability assurance client unless the PIE independence requirements are already in place for a PIE financial statement audit client, may not create a sufficient business case to take on such clients. A healthy competitive marketplace is integral to the public interest.

We recommend that the IAASB and IESBA defer application of PIE independence requirements to sustainability assurance engagements until further information is available to identify what sustainability information may be of the public interest. In the meantime, SAPs would apply the conceptual framework, when applicable. This will allow regulators time to determine what PIE requirements are appropriate for their jurisdictions, which IESBA could leverage in a future project to develop these requirements.

#### **CPAA - CPA Australia**

CPA Australia does not agree with this proposal. Paragraph 82 of the Explanatory Memorandum highlights a shortcoming in the recently revised definition of public interest entity (PIE).



While the IESBA notes that confusion would be created if an entity could be determined to be a PIE solely based on its sustainability information, it can be argued that sustainability information and matters related to sustainability should be considered in determining the status of an entity. This view is supported by the fact that the proposed definition of sustainability information includes “information about the opportunities, risks and impacts of economic (emphasis added).....” factors.

Moreover, arguably, sustainability information and matters related to sustainability should be considered in determining the status of an entity regardless of the impact on the “financial condition” of that entity. That is, the definition of sustainability information proposed in this ED includes the following:

“Information about the opportunities, risks or impacts of .....(a)n entity’s activities, services or products on the environment, the environment or the public.”

Conceivably, an entity may undertake activities that do not significantly impact its financial condition, but may have a significant impact on the economy, environment or the public. This could become more apparent when reporting extends beyond climate related risk reporting and disclosures, for example, information and reporting related to social aspects of human rights and modern slavery. As sustainability reporting evolves, and is mandated in many jurisdictions, IESBA may wish to reconsider the definition of a PIE to take into account the critical importance of sustainability information in determining whether an entity is a PIE.

#### **IWP - Institut Österreichischer Wirtschaftsprüferinnen**

Based on the dialogues held by us, we do not share the view that stakeholders have heightened expectations regarding the independence of a firm performing a sustainability assurance engagement for a public interest entity (5400.15) or, vice versa, lower expectations regarding independence if the client is not a public interest entity.

The PIE definition is linked to capital markets and reflects the importance of financial statements of capital markets-oriented entities to the economy in general (due to the size and relevance such entities typically have), the public interest in functioning capital markets, as well as the individual interest of shareholders and bond holders. The stakeholder spectrum for sustainability reports is much broader, ranging from NGOs and consumers to those financing SMEs in our environment, ie banks, and relevant impact is not driven by size in terms of financials. Thus, we don’t consider a listing of equity or debt etc to be an appropriate criterion for differentiating ethical requirements for sustainability assurance.

Correspondingly, the CSRD or its implementation into Austrian law do not differentiate between PIEs and non-PIEs for the independence and other ethical requirements for sustainability assurance. We consider such differentiation as a considerable threat to acceptance of Part 5.

#### **MIA-Malaysian - Malaysian Institute of Accountants**

We broadly agree with the proposal to use the determination of a PIE for the purposes of the audit of the entity’s financial statements. However, as the current PIE definition is focused on the financial condition of the entity, enforcing PIE level requirements with respect to all information reported by an entity based solely on the public interest in an

entity's financial condition may not meet the information needs of the intended users of the sustainability information.

At a minimum, we believe the “overarching objective” that underpins the PIE definition would need to be revised to reflect more relevant factors that drive the extent of public interest in an entity related to its sustainability reporting.

### **SAICA - South African Institute of Chartered Accountants**

SAICA does not agree with the proposal. What is material from a sustainability perspective does not necessarily align with financial type thresholds as for the determination of PIE for purposes of the audit of financial statements, with sustainability considerations often being qualitative in nature. For example, reporting on matters of sustainability (e.g. human rights) that might not impact on financial statements may well still be in the public interest to report on given raised sensitivity around such matters (even when financial threshold is not met).

We acknowledge work on PIE definitions by IESBA to date and recommend that the IESBA should keep the definition under review and “evolve and refine” this to incorporate the sustainability assurance and reporting considerations as sustainability matures, in addition to the financial thresholds. In the meantime, this is an area where guidance (especially for non-PAs) would be essential.

### **Accounting Firms and Sole Practitioners**

#### **GTIL - Grant Thornton International Limited**

The Code has been developed over a long period of time to address the relevant considerations for financial statement audits and what is in the public interest, where sustainability assurance engagements are still a developing service area. Accordingly, GTIL does not agree with extending the PIE requirements to a sustainability assurance client when the practitioner is not also the financial statement auditor.

When determining if an entity is PIE for purposes of a financial statement audit, the entity's financial condition is taken into consideration with the public interest in mind. In sustainability assurance engagements, the client is reporting on data and metrics that may not be financial in nature and may have no direct correlation or significant impact to the entity's financial condition.

Furthermore, factors used for consideration in determining if an entity is of public interest for financial statement audits would not necessarily be applicable when considering whether an entity should be considered a PIE for sustainability purposes. We believe in circumstances when the assurance practitioner is not also the auditor of the entity, the PIE requirements may be complicated and burdensome to operationalize, considering the same threats to the public interest may not exist, especially when the underlying subject matter is not of significant public interest.

Therefore, we recommend that IESBA take this under consideration when determining whether the PIE requirements in part 4A of the Code are appropriate for sustainability assurance engagements.

#### **KMPG - KPMG IFRG Limited**

Fundamentally, we do not agree with the idea that the definition of PIE for a SAE should be based on the same factors used for financial statement audits. The underlying criteria for a PIE as a metric of public interest by stakeholders in the financial condition of the entity does not necessarily apply to an entity from the perspective of sustainability reporting. For example, an entity that is a non-PIE for the purpose of the financial statement audit may hold significant public interest for sustainability. Vice versa, a listed entity may have minimal public interest for sustainability due to its line of business or other factors. Under the current proposal, it is likely that many more entities will be scoped in as PIEs for the SAE than would be scoped in with more sustainability-focused criteria, such as consideration of the significance of public interest in the sustainability assurance client itself or in its sustainability information or consideration of how an entity's sustainability information would be used by stakeholders to make decisions. We realize that given the highly variable scope, timing and breadth of SAEs that may be provided, including those that are not performed contemporaneously with the financial statement audit, the challenge is finding criteria that are objective and capable of being applied consistently across all SAEs.

Conversely, we appreciate the reasonableness of the proposed approach for consistency and simplicity when a firm is both the auditor and the SAP. However, when a firm or network firm is only providing sustainability assurance services to a client, we believe the firm should be able to employ different criteria. As stated above, such criteria should align with measures relevant to sustainability as opposed to financial condition.

Underpinning our lack of support for the current proposal for determination of PIEs is the fact that many jurisdictions currently have not "localized" their PIE definition, including some that have not even adopted the restructured Code. The IESBA's Revisions to the Definitions of Listed Entity and Public Interest Entity will lead to globally inconsistent definitions of PIEs for at least the next 3-5 years until the pronouncement is well established. Given it is not clear what entities will be required to report on sustainability and even more unclear what entities will be required to have their sustainability reports assured by an independent assurance practitioner, imposing the Part 4A definition of PIEs will have a significant impact. Setting this high bar on independence might result in alternative standards being more attractive as they are more practical, which does not support global adoption of Part 5 and would not be in the public interest.

Given the current status of implementation of the Part 4A definition of PIE and deliberations on the IAASB's Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised), we believe it is premature to bring the PIE definition proposals into Part 5. We recommend a delay to allow the IESBA time to work through this proposal in close coordination with the IAASB. See our response to question 24 regarding the effective date and deferral of PIE determination proposals.

## **Question 9 - No Specific Comments**

**Regulators and Oversight Authorities, incl. Monitoring Group members**

**ESMA - European Securities and Market Authority**

**Investors and Other Users**

**Ceres Accelerator**

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

**MSCI - Morgan Stanley Capital International**

**NBIM - Norges Bank Investment Management**

**SAAJ - The Securities Analysts Association of Japan**

**Preparers and Those Charged With Governance**

**Asma Jan Muhammad**

**BD - Bruno Dirringer**

**ICFOA - International CFO Alliance**

**Professional Accounting Organizations (PAOs)**

**CBPS-CFC-IBRACON - Comitê Brasileiro de Pronunciamentos de Sustentabilidade, Conselho Federal de Contabilidade and Instituto Brasileiro de Auditoria Independente**

**FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas**

**GAA - Global Accounting Alliance**

**INCP - National Institute of Public Accountants of Colombia**

**ISCA - Institute of Singapore Chartered Accountants**

**NBA - Royal Netherlands Institute of Chartered Accountants**

**NYSSCPA - New York State Society of CPAs**

**PICPA - Pennsylvania Institute of Certified Public Accountants**

**Other Assurance Providers and Accreditation Bodies (non-PAs)**

**IAF - International Accreditation Forum**

**JAB - Japan Accreditation Board**

**Accounting Firms and Sole Practitioners**

**Assirevi - Association of Italian Audit Firms**

**BKTI - Baker Tilly International**

**Academia and Research Institutes**

**NNN - Nada Naufal Director at the American University of Beirut**

**Others**

**IIA - The Institute of Internal Auditors**