

IESBA Sustainability

Question 2 - Agree

Regulators and Oversight Authorities, incl. Monitoring Group members

BAOA - Botswana Accountancy Oversight Authority

Yes. The proposals in Chapter 1 of the Exposure Draft align with the Public Interest Framework's qualitative characteristics. They demonstrate coherence with existing standards, clarity and conciseness and a focus on implementability and enforceability.

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

NASBA agrees that the proposals in Chapter 1 of the Exposure Draft are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics.

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

The PAAB is in agreement that the proposals are responsive to public interest as the proposed IESSA follows the same building blocks approach in the extant Code, the language and terminologies used in Chapter 1 are as much as possible identical to those used in the extant Code which will allow provide the public with ease of clarity, understandability, and usability. Similar terms and definitions creates uniformity and thus better understandability and clarity since there is very little by way of new knowledge and concepts to comprehend.

UKFRC - United Kingdom Financial Reporting Council

Yes.

Investors and Other Users

DIR - Daiwa Institute of Research Ltd

Yes.

Preparers and Those Charged With Governance

ICFOA - International CFO Alliance

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

Public Sector Organizations

UNCTAD ARL - UNCTAD's Latin America Regional Alliance

I Agree - 80% of respondents

UNCTAD ARP - UNCTAD African Regional Partnership

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

Independent National Standard Setter

APESB - Accounting Professional & Ethical Standards Board (Australia)

APESB agrees that the proposed Chapter 1 of the ED is responsive to the public interest, considering the Public Interest Framework's qualitative characteristics.

Professional Accounting Organizations (PAOs)

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

Yes. We agree, because the Exposure Draft -ED- in its Chapter 1, raises relevant issues of public interest because it is consistent with the general body of IESBA standards, it maintains clarity and conciseness following the same building block approach of the existing Code, and the enforceability and applicability of the proposal, would be relatively easy by adopting a structure identical to that of the current Code, with a clear distinction between requirements and application material; even more so considering that the proposed IESSA is part of the Code itself.

IICA - Institute of Indonesia Chartered Accountants

Yes

IPA - Institute of Public Accountants (Australia)

IPA believes the proposals in Chapter 1 of the Exposure Draft are generally responsive to the public interest.

KICPA - Korean Institute of Certified Public Accountants

The KICPA agrees with the above description.

MIA-Malaysian - Malaysian Institute of Accountants

We broadly agree that the proposals in Chapter 1 of the ED are responsive to the public interest.

MICPA - Malaysian Institute of Certified Public Accountants

We agree that the proposals in the Chapter 1 of the ED are responsive to the public interest.

SOCPA - Saudi Organization for Chartered and Professional Accountants

SOCPA believes the proposals in Chapter 1 of the ED seem to be responsive to the public interest, considering the Public Interest Framework's qualitative characteristics of coherence, clarity, and implementability / enforceability.

Other Assurance Providers and Accreditation Bodies (non-PAs)

AccountAbility

Broadly we have found the ED to be expansive in its coverage, well written and coherent. IESSA is undoubtedly a critical step forward in fostering greater public trust in corporate sustainability disclosures. We do not see any indication that the new standards would not be responsive to the public interest, considering the Public Interest Framework's qualitative characteristics. We understand the IESBA views the IESSA as responsive to

the public interest, particularly in terms of coherence with the overall body of the IESBA's standards. The proposed standards aim to align with the extant Code, using its structure and drafting conventions. The language and terminologies used in Part 5 of the proposed IESSA are as much as possible identical to those used in the extant Code, with necessary adaptations to meet the objective of profession-agnostic standards and to include sustainability-related examples in the application material. We agree that this approach ensures that the IESSA can be applied in the same way as the extant Code to achieve equivalence.

Accounting Firms and Sole Practitioners

BDO - BDO International Limited

BDO agrees that in general the proposed IESSA is responsive to the public interest and exhibits the characteristics listed in the Public Interest Framework, subject to our comments on Questions 4 and 13.

EY - Ernst & Young Global Limited

Having considered the qualitative characteristics to assess a standard's responsiveness to public interest under the Monitoring Group's Public Interest Framework (the "Framework"), we agree that the proposals are responsive to the public interest.

We believe a key characteristic of the Framework is "Coherence" and that standards addressing the same subject matter are not in conflict. To this end, we believe that it is in the public interest that the standards for sustainability ethics (including independence) and sustainability assurance issued by the IESBA and IAASB, respectively, are sufficiently aligned and interoperable. And in order to be fully responsive to the Framework, we believe the IESBA's ethics (including independence) standards for sustainability assurance and the IAASB's proposed ISA 5000 should be issued concurrently.

MAZARS - Mazars Group

We believe that general purpose sustainability assurance engagements carry the same level of public interest as audits of general-purpose financial statements. As a result, it is imperative that the ethical standards underpinning such assurance engagements should be responsive to the public interest. As IESSA is derived from, and consistent with, the IESBA Code, we believe that the proposals are responsive to the public interest as set out in Paragraph 23 of the explanatory memorandum.

MOORE - Moore Global Network Limited

Given the public interest in sustainability assurance, we agree that the proposals in Chapter 1 of the ED are responsive to the public interest.

MU - Muhammad Umar - Mo Chartered Accountants

The qualitative characteristics are in line with the extant code and responsive to public interest in a similar manner.

PKF - PKF Global

PKF Global Response: We agree with Question 2.

Academia and Research Institutes

DIRC - Deakin University Integrated Reporting Centre

We agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics.

NSU - Nova Southeastern University (Florida)

Question 2: All but one student provided positive feedback, with examples below. The student who opposed provided no meaningful support for his opinion.

- I agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics. The extant (existing) code serves as a baseline. Particular emphasis is placed on (1) coherence, where it is recognized that there is already a strong set of standards and expectations; (2) clarity and conciseness, with the intent to highlight understandability and usability as essential aspects of the success of sustainability assurance; and (3) implementability and enforceability, knowing the importance of structure uniformity by creating clear lines between requirements and recommendations.
- I agree that the proposals in Chapter 1 of the Exposure Draft are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics, specifically addressing coherence, clarity and conciseness, and enforceability of the standards. In order to be responsive to the public interest, it is important for the standards to encapsulate a level of coherence so expectations can be understood and perused, thus by using the extant Code as a baseline for developing the included ethics requirements, a level of coherence is achieved for the interest of the public. Additionally, following the building blocks set up by the extant Code, similar language and terminologies in the IESBA's standards provide for the clarity and conciseness already set forth in the extant Code. Furthermore, in regard to following the structure of the extant Code, the implementation and enforcement of the standards are more easily addressed. Ultimately, the proposals are responsive to the public interest in consideration of certain qualitative characteristics that are addressed using the extant Code as a guide to the IESBA standards.
- I think the proposals are responsive based on the public interest framework characteristics. I think that what stood out to me most was the implementability and enforceability. Stakeholders are always looking at efficiency and monetary concerns. Identical structure and avoiding a standalone code encourage everyone involved that the proposals will be a streamlined process only creating positive impacts. Combining this with conciseness using proper language and examples it will peak public interest by adding quality to reporting without slowing down or adding costs to the already existing process. These proposals simply add important reporting information, but with the proper characteristics described it will not impair the baseline already used for standards and reporting.
- It is my opinion that the proposals in Chapter 1 of the Exposure Draft are fundamentally aligned and responsive to the public interest, grounded in robust ethical practices that strengthen the sustainability assurance process. In examining the proposals, it is evident that their foundation on high-quality ethical practices and

emphasis on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behavior, are crucial for sustainability assurance practitioners. This commitment is not only theoretical; Section 5000.1 explicitly states the public interest imperative for practitioners to act ethically in order to maintain public trust and confidence in sustainability information that is subject to assurance. By mandating compliance with these principles, the proposals directly respond to the public interest by ensuring that sustainability assurance is conducted with integrity and professionalism. Furthermore, the conceptual framework in Section 5120 provides a mechanism for practitioners to identify, evaluate, and mitigate any threats to these ethical standards. This framework is not only about adherence to principles but also about fostering a proactive approach to maintaining ethical standards and acting in the public interest. Last but not least, the structured approach to overcoming compliance threats underscores the proposals alignment with the public interest framework's qualitative characteristics, particularly consistency, coherence, scope appropriateness, scalability, implementability, and timeliness.

Question 2 - Agree With Comments

Independent National Standard Setter

NZAuASB - New-Zealand Auditing & Assurance Standard Board

We consider that the proposals are responsive to Public Interest Framework for:

- *Consistency*: the proposals maintain the equivalence and consistency with the extant Code.
- *Timelines*: we commend the speed of the process the IESBA has undertaken to respond to public interest needs.

We have concerns that the proposals do not meet the following qualitative characteristics:

- *Clarity and conciseness*: We have consistently heard that the proposals are long, complex, and difficult to navigate. This may not support the proper intended application nor facilitate implementation. Specific examples that we urge the IESBA to clarify include:
 - R5405.12 was highlighted as difficult to understand.
 - how to interpret “might” in the self-review threat prohibition (R5400.32),
 - when and how to apply the “reason to believe test” in relation to value chain entities (R5700.4),
 - independence of another assurance practitioner (R5406.5),
 - when NOCLAR requirements apply (R5360).
- *Implementability*. Given the breadth of possible sustainability related subject matter, it is highly likely that a range of assurance practitioners may be needed. Assurance practitioners from backgrounds other than accounting expressed their concerns that it will be disproportionately more difficult to implement the proposals for them than for those who currently apply the extant Code as their systems are not currently designed to incorporate the extant Code. We recommend that a comprehensive education and

familiarisation effort is developed to enable consistent application by a wide range of practitioners.

Professional Accounting Organizations (PAOs)

ACCA - Association of Chartered Certified Accountants

We agree in substance that most of the proposals in Chapter 1 of the ED are responsive to the public interest, subject to our responses to the other questions raised, in that there has been a demand for development of an ethical framework for sustainability information which is as least as demanding as the extant Code. However, we note that the sustainability information is qualitative in nature but that the extant Code was developed primarily for quantitative financial information. As noted in 1a) above our outreach highlighted the extant Code is based on and was built on experience of financial orientated thinking (in relation to the preparation and audit of financial reporting) and it is therefore valid to consider whether the same can be applied in relation to the disclosure of sustainability information in all contexts. As noted in 1b) above we consider that non-PAs may need additional implementation guidance or simplified proposals to enable their understanding. This is an important public interest issue that IESBA will need to address in the final standard.

AE - Accountancy Europe

We agree that the IESBA's project is an important response to current need for robust ethical standards applicable to all providers of sustainability assurance. A short guide to Part-5 should be considered by the IESBA to explain the purpose and structure of Part 5 as well as how to use it. In addition, implementation support, which might include an FAQ document would be very helpful.

Part 5 should also be made available in digital format that allows filtering requirements based on the characteristics of the sustainability assurance engagement and the party performing the engagement.

CAANZ - Chartered Accountants Australia and New Zealand

The reporting of sustainability information will be vital for entities and economies to achieve the climate and other sustainability metrics and goals that are increasingly being established. For users of sustainability information to be able to make decisions based on that information, they need to be able to rely on it. Reliance will require consistent, high-quality assurance over the information. For that reason, we believe that one of the key public interest aspects will be the determination of how compliance with the ethics and independence requirements will be monitored and enforced. We believe there is a risk that differences in monitoring and enforcement processes between professions, could result in an actual or perceived two-tier system, resulting in different levels of effectiveness of standards and undermining public confidence and trust. We recommend the IESBA uses its influence to ensure that those regions adopting the standards have appropriate mechanisms in place for enforcing them. In our view this is a pre-condition for the IESBA to fully achieve its objective of developing profession agnostic ethics and independence standards for sustainability assurance engagements.

Another key public interest aspect regarding monitoring and enforcement will be the determination of how quality management requirements are assessed to be “at least as

demanding as ISQM 1” as referenced in proposed paragraph 5400.3f. Ideally, existing international quality management requirements should be assessed at the international level so there is consistency in standards used by NPAPs. Similarly local standards should be assessed by national standard setters, or relevant regulators – as they will have to determine appropriate monitoring and enforcement processes. We do not believe that NPAPs should be able to self-assess whether the standards they are using are “at least as demanding as ISQM 1” as this will lead to inconsistency in practice and inconsistency in assurance quality.

Proposed paragraph 5100.6 A4 refers to “other stakeholders”. We are concerned that there may be unintended consequences if an auditor is required to consider the interests of this potentially much broader group. We recommend this be changed to “users of the sustainability information”.

CAI - Chartered Accountants of Ireland

We support the development of profession-agnostics ethical standards and guidance as a necessary response to market needs and expectations and to protect the public interest. However, we recommend the IESBA assesses whether the standards meet the characteristics of the Public Interest Framework. For example, the absence of regulatory enforcement and oversight, or requirements that ensure fit for purpose quality management systems combined with routine monitoring reviews for Sustainability Assurance Providers (SAPs) who are not part of the Accounting Profession, may give the public the inaccurate impression that all SAPs are accountable for their compliance with the ethical standards. Without an appropriate regulatory framework for SAPs who are non-Accounting Professionals, it is questionable whether the quality, implementability, enforceability, and consistent and global application characteristics of the Public Interest Framework will, in fact, be met.

To increase the ease of use of the Code, reduce the unwieldiness of the text and ensure there is consistent understanding and application of the Code by all SAPs, there is an opportunity for the IESBA to consider simplification and alignment with the presentation and format of the proposed ISSA 5000 (which is also consistent with International Standards on Auditing), which SAPs are also likely to require familiarity with, by grouping the requirements in one sub-section, followed by the application guidance in another. Ensuring all SAPs are aware of, understand and apply the requirements of the Code is fundamental to achieve a consistent standard in upholding the public interest. The application guidance is also an important, but separate, component necessary to realise this.

CFAR - Chamber of Financial Auditors of Romania

We agree that the proposals in Chapter 1 of the ED are responsive to the public interest.

We propose to add the definition of scalability:

“Scalability, including the proportionality to the standard’s relative impact on different stakeholders, e.g., how a standard addresses the audit or assurance needs of small and medium sized enterprises (SMEs) as well the needs of complex, listed entities.”

Such provision will support the implementation for different sized enterprises.

CPAC - Chartered Professional Accountants Canada Public Trust Committee

The PTC agrees that the proposed IESSA makes significant progress in responding to the growing public interest in sustainability information, but we think that there are opportunities to better align with the Public Interest Framework’s qualitative characteristics.

For example, it is our view that Indigenous peoples are an important stakeholder of sustainability assurance, and that the IESSA should be responsive to their interests. The PTC recommends the IESBA include this group as an example of users of sustainability information in proposed paragraph 5100.1, consistent with the approach in ISSA 5000.

The PTC also encourages the IESBA to consider whether certain concepts addressed in Chapter 1 of the ED would benefit from more precise terminology, to ensure greater clarity and conciseness of the final standards and accompanying non-authoritative application material. For example, the PTC thinks that the application of the IIS in Part 5 would be clearer if the IESBA introduced “terms of art” in Section 5400 to simplify the distinction between sustainability assurance engagements (SAEs) that are within its scope and those that are not. The PTC observes that terms such as “audit”, “review” and “other assurance” engagements in Parts 4A and 4B are now well-understood concepts among professional accountants and that these terms simplify references throughout the Code and improve conciseness. The PTC recommends the IESBA explore a similar approach in the final standards on sustainability to more precisely clarify the scope of the IIS in Part 5, for example by referring to SAEs that meet the criteria in proposed paragraph 5400.3a as “general purpose” SAEs versus “specific purpose” SAEs.

As discussed above, the PTC re-emphasizes the importance of the IESBA’s work on developing ethics standards for sustainability reporting and assurance more broadly, the PTC also re-emphasizes here the importance of additional guidance and training for non-PAs. Many of the concepts and terminology included in Chapter 1 of the ED (e.g., materiality, group audits, professional judgment, related party, etc.) require significant education and experience that is currently unique to PAs. Accordingly, the PTC recommends that the IESBA undertake significant outreach with non-PAs to understand their needs for guidance, training, and other implementation support.

EFAA - European Federation of Accountants and Auditors for SMEs

We agree that the proposals in Chapter 1 of the ED are responsive to the public interest.

The Basis for Conclusions fails to mention the PIF’s qualitative characteristic of scalability that is defined as:

“Scalability, including the proportionality to the standard’s relative impact on different stakeholders, e.g., how a standard addresses the audit or assurance needs of small and medium sized enterprises (SMEs) as well the needs of complex, listed entities.”

We believe this to be fundamental. While we believe on balance that the proposed standard is responsive to this characteristic, we encourage the IESBA to carefully consider whether it thinks this characteristic has been sufficiently considered in the development of the standard. As noted above we have some concerns regarding the emphasis on reasonable as opposed to limited assurance.

HKICPA - Hong Kong Institute of Certified Public Accountants

We agree that the ED-IESSA is responsive to the public interest.

We appreciate that the IESBA has engaged in extensive outreach activities and identified the public interest needs to further enhance the Code. We suggest that the IESBA develop a roadmap on the development of sustainability ethics to better manage stakeholders' expectation, for example, the IESBA mentions in paragraph 42 of the explanatory memorandum (EM) that it will consider further enhancing the Code to ensure all independence standards for sustainability assurance engagements are addressed in a profession-agnostic manner (i.e. non-PA practitioners are encouraged but not required to comply with Part 4B provisions when performing other sustainability assurance engagements outside of the scope of the Independence Standards in ED-IESSA). The IESBA also mentions in paragraph 135 of the EM that it will explore the opportunity to extend the impact of the Code beyond the accountancy profession.

In addition, we suggest including Appendices 1 to 3 of the EM in the revised Code to assist users in reading and applying the Code. These appendices clearly set out the structure of the Code and guide all practitioners on how to use the Code when performing different types of engagements (e.g. Part 4A for audit; Part 4B for assurance; and Part 5 for sustainability assurance, etc.).

ICAEW - Institute of Chartered Accountants in England and Wales

We support the aims and intent of the IESBA proposals, including the desirability of ensuring that that market in sustainability assurance operates effectively and competitively, in the public interest.

Coherence with the body of standards

We consider that, wherever possible, IESBA should employ the same definitions used by other bodies (such as the ISSB) which produce guidance that practitioners may be familiar with or which may be mandated by other reporting frameworks. We are concerned at instances of divergence, such as in relation to consideration of components for the purposes of Value Chain and Group Audit as set out in our response to Q12.

Clarity and conciseness

We have reservations about the clarity of some of the definitions and proposals set out in the Exposure Draft and in several places, we have suggested that IESBA should produce further application material and worked example case studies to illustrate how provisions and obligations might work in practice.

We note that competition is best assisted by clarity on the scope and effect of any obligations introduced on practitioners in the field of sustainability assurance. Where provisions might require substantive investment in process, quality management and disclosure systems, this may have the unintended consequence of acting as a barrier to entry for small practitioners and firms seeking to operate in this market.

Implementability and enforceability

We have concerns about the potential scale of the obligations that might be encompassed within the independence provisions relating to value chain. We have

reservations about whether obtaining disclosures to the required standard from all parties concerned is completely practical or feasible.

Where there are obligations that derive from the knowledge to be attributed to the practitioner (e.g., “has reason to believe...”) we have concerns about how this may be interpreted by regulatory enforcement bodies and have suggested that IESBA should produce further application material and worked examples.

More fundamentally, we have concerns about how the IESSA provisions may be enforced in relation to Sustainability Assurance Practitioners who are not members of a Professional Body with enforcement mechanisms or subject to mandatory legislative requirements. Absent such transparent enforcement mechanisms, we are concerned that compliance with the code may prove difficult to assess or to monitor.

As noted above, we also consider that the incorporation of auditing concepts into definitions and provisions in the IESSA may result in a differing interpretation by non-Professional Accountants who may not be familiar with such concepts or with associated and underpinning guidance such as ISA material. The concern is that this might result in a divergence of practice by practitioners purporting to implement the same standards.

ICAS - The Institute of Chartered Accountants of Scotland

Yes - we agree that the proposals in Chapter 1 of the ED are responsive to the public interest.

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.

ICPAU - Institute of Certified Public Accountants of Uganda

Except for the reservations about the enforceability and implementability of the proposals among non-accountant professionals, due to the inadequacy of familiarity with the International Code for professional Accountants and thus a likely challenge in consistently applying the proposals of this project and ensuring its global application as well as being adaptable to the different conditions prevalent in different jurisdictions, we agree that the proposals in Chapter 1 of the ED are responsive to the public interest to a large extent and the proposals address the qualitative standard-setting characteristics of Coherence and Clarity and conciseness.

IDW - Institute der Wirtschaftsprüfer (Germany)

We refer to our comments in the accompanying letter.

Subject to our comments on specific differences, we agree that it is appropriate for the proposals to be closely aligned to the IESBA Code.

As explained in our response to q. 1 above, we question whether sufficient consideration has been given to addressing potential equivalents throughout proposed Part 5. Elsewhere we point out that safeguards involving recourse to a professional body might be impractical for SAPs, as there may be no such body. It is also not clear whether IESBA is justified in always assuming confidence in that body's potential to provide advice or determine what is in the public interest. There could also be a need for IESBA to address other issues, for example, whilst e.g., 5120.6 A3 explains that a self-interest threat is the threat that a financial or other interest will inappropriately influence a sustainability assurance practitioner's judgment or behavior, it would be helpful to a) explore what a potential "other interest" might constitute for non-accountants and b) whether there may be further factors beyond those now accepted in a primarily financial environment that might similarly influence a SAP. We therefore urge the IESBA to consider whether there are possibly additional "new" sources of potential bias to include in 5120.12 A2.

IFAC - International Federation of Accountants

For Part 5, responsiveness to the public interest is of heightened importance due to the potential for broader applicability. Jurisdictional variation in application of the Code would not be replicated in the separable Part 5. This allows jurisdictions the ability to move forward with sustainability assurance as part of a ready to implement solution with ISSA 5000, independent of any existing Code application anomalies.

However, our response to question 1(b) raises concerns about language used within Part 5 and the inaccessibility for users – both PAs and non-PAs – creating challenges in respect of coherence, clarity and conciseness. There will also be some issues around implementability, caused by language and potentially enforceability, though the latter may be jurisdictional, depending upon whether use is mandated, and the oversight processes developed if this is the case.

IWP - Institut Österreichischer Wirtschaftsprüferinnen

Clarity and conciseness: iwpr represents its members who are certified auditors. From supporting our members in questions arising around interpreting and applying, to the extent allowed under applicable laws, the extant Code, we have doubts to what extent proposed Part 5 is capable of being understood and applied by sustainability assurance providers who are not professional accountants.

Implementability and enforceability: We would welcome revisions being made to the ED to the effect that it does not conflict with legislation in Europe or exceeds the existing legal requirements but supports uniform implementation and operationalisation. See Q1 above.

JICPA - Japanese Institute of Certified Public Accountants

We agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics.

However, whether the proposals are responsive to the public interest in view of sustainability reporting and assurance as a whole should be determined based on the overall framework of sustainability reporting and assurance, including related sustainability reporting standards and sustainability assurance standards. So, we believe that interrelationship between sustainability reporting standards, sustainability assurance standards and ethics and independence standards for sustainability assurance engagement and sustainability reporting determine whether the required level of the public interest is met. In finalizing the proposals in Chapter 1 of the ED, we suggest the IESBA provide the basis for its view that the proposals are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics and taking into account the interrelationship with sustainability reporting standards and sustainability assurance standards. Furthermore, as sustainability reporting standards and sustainability assurance standards are developed or revised, we suggest the IESBA continuously revise the ethics and independence standards for sustainability reporting and assurance to maintain alignment with those standards.

NBA - Royal Netherlands Institute of Chartered Accountants

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

PAFA - The Pan-African Federation of Accountants

In considering whether the proposals in Chapter 1 of the ED are responsive to the public interest, particularly in light of the qualitative characteristics outlined in the Public Interest Framework, we emphasize the heightened significance of responsiveness due to the potential broader applicability of Part 5. Unlike the Code, which may exhibit jurisdictional variations in application, Part 5 stands as a distinct framework, allowing jurisdictions to seamlessly adopt sustainability assurance through ISSA 5000, free from existing anomalies in Code application.

Regarding question 1(b), our response underscores concerns regarding the language used within Part 5 and its accessibility to users. These issues pose challenges in terms of coherence, clarity, and brevity, which are essential qualitative characteristics for serving the public interest. Additionally, there may be implementation hurdles arising from language nuances and potential enforceability issues, particularly dependent on jurisdictional mandates and the development of oversight mechanisms if required. Thus, while the proposals in Chapter 1 demonstrate an intent to address the public interest, further refinement may be necessary to fully align with the qualitative characteristics outlined in the Public Interest Framework.

SAICA - South African Institute of Chartered Accountants

SAICA agrees that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics. Some concern around aspects of these characteristics, such as enforceability, has been highlighted as part of responses to other questions in this document. The Code will be applicable to both PAs and non-PAs however it is not yet certain if non-PAs will adopt the Code.

The IESBA has used the robust set of standards already present in the extant Code as a baseline for developing the ethics and independence requirements in the proposed Part 5

of the IESSA. By aligning with existing standards, the IESSA aims to maintain coherence with the overall body of IESBA's standards, which is essential for ensuring consistency and reliability in assurance services.

WPK - Wirtschaftsprüferkammer (Germany)

We agree that the proposals are responsive to the public interest. However, it seems that enforceability is one of the major challenges in applying the IESSA. In paragraph 23 of the Explanatory Memorandum, the IESBA states that the inclusion of the new provisions in the existing Code as a new Part 5 will facilitate the enforceability in relation to those who have already adopted the Code. Another important question, however, is how the IESSA can be enforced in relation to other potential users, i.e. non-PAs.

Accounting Firms and Sole Practitioners

Assirevi - Association of Italian Audit Firms

Overall, we agree. See the clarifications provided in the following responses (nr. 10, 11, 12, 13, 14, 17 and 20).

KMPG - KPMG IFRG Limited

We recognize the request for urgent, timely action on behalf of the Board to address the need for a global ethics and independence standard when providing SAEs and appreciate the significant efforts the Board has put forth to respond to this need. We generally agree that the proposals are responsive to the public interest considering the Public Interest Framework characteristics, with comments included herein on specific proposals that we see as inappropriate or unnecessary. These specific proposals would be onerous or impracticable to implement, which could deter non-PAs from adopting Part 5. This result would not serve the public interest.

PP - Pitcher Partners Advisors Proprietary Limited

Yes. The proposals are broadly responsive to the public interest. We highlight that a 250 page document does not particularly meet the “conciseness” characteristic. Refer to question 1 for our comments relating to practical application for non-professional accountants.

RSM - RSM International Limited

We agree that the proposals in Chapter 1 of the ED are responsive to the public interest in some respects when considering the Public Interest Framework's qualitative characteristics. Of the qualitative characteristics listed in paragraph 23 of the EM, we believe that ED-IESSA is responsive to the public interest with respect to coherence with the overall body of the IESBA's standards as the extant Code was used as a baseline for developing the ethics and independence standards in Part 5 of the Code (i.e. IESSA).

We have concerns that the ED may not be responsive to the public interest in respect to the following qualitative characteristics of the Public Interest Framework, specifically with respect to non-PAs:

- **Clarity and conciseness of the standards**: In the Public Interest Framework, clarity and conciseness refers to enhancing the understandability and minimising the likelihood of differing interpretations, which support proper intended application and facilitating

implementation. We agree that using the extant Code's structure and drafting conventions contributes to the clarity and conciseness. SAPs who are PAs have extensive experience in understanding, implementing and complying with the provisions of the extant Code. However as detailed in our response to question #1(b), we are concerned that there may be an experience and knowledge gap in understanding, implementing and complying with the provisions of the extant Code that may contribute to issues in the clarity and conciseness of ED-IESSA for SAPs who are non-PAs. We believe our recommendation detailed in our response to question 1(b) would contribute to minimising the experience and knowledge gap without requiring revision to ED-IESSA to be responsive to the public interest in respect to clarity and conciseness.

- **Implementability of the standards:** In the Public Interest Framework, implementability refers to the ability of being consistently applied and globally operable across entities of all sizes and regions, respectively, as well as considerations of the different conditions prevalent in different jurisdictions. We agree that adopting the extant Code's structure contributes to the implementability of the standards. SAPs who are PAs have extensive experience in understanding, implementing and complying with the provisions of the extant Code. However as detailed in our response to question #1(b), we are concerned that there may be an experience and knowledge gap in understanding, implementing and complying with the provisions of the Code that may contribute to issues in implementability of ED-IESSA for SAPs who are non-PAs. We believe our recommendation detailed in our response to question #1(b) would contribute to minimising the experience and knowledge gap without requiring revision to ED-IESSA to be responsive to the public interest in respect to implementability.

In addition, we note that there may be a significant additional investment needed by non-PA SAPs to set up the systems and controls necessary to comply with the IESSA than for PAs. PAs generally already have the overall systems and controls to comply with the IESBA Code, and they will need to adapt this system to include sustainability assurance engagements. Non-PAs may not have been subject to the IESBA Code prior to the IESSA. In this case, the non-PAs would need to develop these systems and controls to comply with the IESSA, which could be a significant investment to the non-PAs.

- **Enforceability:** In applying the Public Interest Framework to sustainability assurance engagements, enforceability refers to the possibility to ascertain the extent to which a SAP has complied with the standards. We agree that PAs currently have regulators or organisations and systems and mechanisms to monitor and enforce compliance with the IESBA Code. However, it may be unclear in certain jurisdictions how the applicability of IESSA to non-PAs would affect the enforcement of compliance with the Code for various reasons, including that the regulators or organisations currently responsible for monitoring and enforcing compliance with the Code may only have authority over PAs. Notwithstanding our concern over the scope of the proposed Part 5 of ED-IESSA detailed below, we encourage the IESBA to work with regulators and national standard setters for ethics and independence to understand how the standards will be enforced for non-PAs.

We appreciate the IESBA avoiding the issue raised by some stakeholders about the lengthy legal process of adopting a new standalone standard or code on sustainability assurance in some jurisdictions by incorporating the proposed IESSA into the IESBA Code. This contributes to more consistent standards for SAPs who are PAs and non-PAs. However, it leaves the question of how the IESSAs will be enforced for non-PA SAPs in jurisdictions where organisations responsible for monitoring and enforcing compliance with the Code for PAs may not have the same authority over non-PAs.

- Scope: In applying the Public Interest Framework to sustainability assurance engagements, scope refers to appropriately addressing the identified key issues and to clearly specify to whom ED-IESSA applies. Although the proposed standard appears to clearly specify to whom the standard applies (e.g. Part 5 of ED-IESSA would apply to all SAPs, including those who are PAs and those who are non-PAs), we have concerns over the authority of the IESBA to develop standards for non-PA practitioners. In addition to our concerns detailed in question #1(b), paragraph 3.1 of IESBA's Terms of Reference states that:

The IESBA is designated as the responsible body, under its own authority and within its stated terms of reference, to develop and issue in the public interest high-quality ethics **standards for professional accountants** for adoption and application around the world. [emphasis added]

We are supportive that the Part 5 of ED-IESSA should apply to all SAPs, including both PAs and other SAPs who are non-PAs. The IESBA's authority with respect to this could also be enhanced by:

- a) 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
- b) 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.

Paragraph 19 of ISSA 5000 states that a SAP is required to comply with the requirements of the ISSAs in order to represent compliance with ISSA 5000, thereby requiring the SAP who is a non-PA to comply with the IESBA Code or other relevant ethical standards at least as demanding.

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 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.

We have not identified any significant issues with the other qualitative characteristics identified in the Public Interest Framework.

Question 2 - Disagree

Regulators and Oversight Authorities, incl. Monitoring Group members

IRBA - Independent Regulatory Board for Auditors

Overall Response: No with comments for your consideration below.

The inherent differences between the professional accountant and non-professional accountant professions necessitate a balanced consideration of their interests.

We acknowledge that considerable effort has been made to gather feedback and viewpoints from participants, notably non-professional accountants, through roundtable discussions and outreach efforts, which have informed the development of Part 5 of the IESBA Code.

Despite these efforts we are of the view that the impact on the current users of the IESBA Code, mainly professional accountants, does not adhere to the framework.

We have expressed a desire for simplification and enhanced understandability of the IESBA Code aimed at promoting consistent ethical behaviour. This is a reiteration of the comment we raised in our response to the IESBA Strategy and Work Programme consultation paper.

The scope, applicability, and interoperability between Parts 1 – 4 and Part 5 of the IESBA Code are not straightforward. In addition, the introduction of Part 5 significantly increases the overall length of the IESBA Code. This affects scope, clarity and conciseness and implementability due to inconsistent understanding and application, especially for smaller firms without dedicated compliance or independence departments.

Despite the claim that “In most cases, complying with a requirement in Parts 1 to 4A will achieve compliance with the corresponding requirement in Part 5, and vice versa”, there is no clarity about the cases in which it wouldn’t, and what the consequences will be.

Development of the separate Parts 5100 to 5300 i.e., the separate requirements for compliance with the Code (Part 5), the fundamental principles, the conceptual framework and applying the conceptual framework, creates the perception that the ethics standards for professional accountants and non-professional accountants are different.

We offer the following considerations to alleviate some of these concerns:

- Guidance in respect of the scope, applicability, and interoperability between Parts 1 – 4 and Part 5 of the IESBA Code may include incorporating illustrations from the explanatory memorandum into the IESBA Code itself, specifically the Guide to the Code.
- A more efficient structure may streamline interoperability between Parts 1 – 4 and Part 5 and eliminate the perception of differing standards of ethics. We propose a solution that combines the previous Options A: Fully Integrated Approach and Option B: New

Part 5 in the Code considered i.e., integrated Parts 1 and 3 and separate Independence Standards in Part 5 for Sustainability Assurance Engagements. We are of the view that this more closely aligns with the current application of the IESBA Code, with the added benefit of future-proofing the IESBA Code as the sustainability landscape evolves, based on the ultimate expectation for financial and sustainability reporting and assurance to be integrated.

- Sufficient implementation period to allow for the development of support materials as well as opportunity for all users to familiarise themselves with the revisions and implementation materials.

Public Sector Organizations

GAO - US Government Accountability Office

We believe the proposal does not sufficiently address the enforceability of the Code on practitioners who are nonprofessional accountants. The consequences that practitioners who are nonprofessional accountants will face if they do not comply with the proposed code of ethics or independence standards and the IESBA's mechanisms to enforce the Code with practitioners are unclear. Thus, the unequal enforceability of the Code by IESBA for professional accountants and practitioners does not appear to respond to considering the PIF's qualitative characteristics to serve the public's interest.

Professional Accounting Organizations (PAOs)

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

Overall response: No.

Detailed comments: The proposal lacks many of the characteristics of the Public Interest Framework as more fully explained throughout this comment letter. We highlight the most significant deficiencies below:

- *Consistency*: The proposal lacks consistency with the priorities established through its strategy to coordinate with the IAASB to achieve globally operable and adoptable standards.
- *Coherence*: The proposal lacks coherence with the overall body of standards, due to its conflicts and inconsistencies with IAASB standards that address the same subject matter.
- *Scope*: Adding profession-agnostic standards to the code is not within the remit of IESBA, and it is inappropriate to provide different, more limited requirements in part 5 for SAPs that are not PAs.
- *Completeness*: The proposed IESSA requires revisions to make it interoperable with ISSA 5000. Additionally, given the rapidly evolving sustainability reporting landscape, the standard requires further consultation and identification of any unintended consequences.
- *Clarity and conciseness*: The proposal lacks clarity and conciseness, as discussed in detail throughout this letter.

- *Implementability*: Specific sections of the proposal will not be implementable as a result of the lack of clarity and conciseness, causing inconsistent application and possible lack of adoptability by national standard setters.
- *Enforceability*: Other than the fact that most jurisdictions do not yet have mechanisms in place to enforce requirements for non-PA SAPs, the lack of clarity, conciseness, and implementability may also cause challenges for jurisdictions and national standard setters to enforce the requirements for PAs.

CNCC-CNOEC - Compagnie Nationale des Commissaires aux Comptes

The Public Interest Framework refers to the need for clarity and conciseness of the standards.

We consider that the proposed ethics and independence standards should be shorter and clearer. For example, we believe that the ED can be shortened in its section 5600 on the provision of non-assurance services to a sustainability assurance client. A lot of the section 5604 on Tax services seems to be irrelevant in the context of sustainability assurance. What does tax planning have to do with sustainability? Same for custody of client asset?

Sustainability reporting and sustainability assurance are still at a very early stage in certain countries, and practice is not yet fully established, neither for reporting nor for assurance.

In Europe, entities have not applied the ESRs yet, and auditors or other assurance service providers have not yet provided assurance on the sustainability reports of their clients prepared in compliance with the ESRs.

IESBA should draft a shorter, higher-level standard, based on principles, which would progressively evolve overtime as practice settles.

At present the standard goes too far on the issues of value chain entities and group audit engagements, for example, when the IAASB has not dealt with neither of these issues in the ED of ISSA 5000.

We acknowledge that it is difficult to set the independence rules as long as the assurance standard is not finalized, and we also understand that the IAASB is planning to further develop its section on groups in ISSA 5000 following comments received on the ED. This is why we reaffirm that close coordination between the IAASB and IESBA is absolutely needed in the final phase of both the EDs IESSA and ISSA 5000.

CPAA - CPA Australia

CPA Australia is of the view that neither of two qualitative characteristics: “clarity and conciseness” and “implementability and enforceability”, has been satisfactorily addressed in the proposals in Chapter 1. In our view, professionals outside of the accountancy profession will not find Chapter 1 to be clear or concise. Moreover, the impact on third parties of the requirements in Chapter 1, with whom the professional accountant or the sustainability assurance practitioner may not have a relationship, suggests that implementation and enforceability will be challenging.

GAA - Global Accounting Alliance

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.

MIA-MALTA - The Malta Institute of Accountants

As already stated above, in order for the proposals in Chapter 1 of the ED to be responsive to the public interest, the application of the IESSA principles and guidance must apply to all practitioners equally, irrespective of whether they are PAs or non-PAs.

In addition, the proposals need to be aligned with global reporting frameworks. Further clarity should be aimed at supporting scalability and comprehensiveness of the proposals by limiting possible exceptions from the principles and by demonstrating how a requirement applies to all entities regardless of, for example, the type of entity, industry or sector, and whether their nature and circumstances are less complex or more complex.

It was also noted that the term “interest” is being used as opposed to “financial interest”. A consistent approach must be adopted irrespective of a practitioner’s professional background.

Accounting Firms and Sole Practitioners

DTTL - Deloitte Touch Tohmatsu Limited

Deloitte Global agrees there is a need to develop independence standards that are clear, concise, operable and enforceable in order to ensure high quality, independent sustainability assurance, which is integral in building the public’s trust and confidence in sustainability reporting and assurance.

Deloitte Global does not believe the proposed IESSA meets the qualitative standard-setting characteristics of clarity and useability given that it does not align with language in current and proposed sustainability assurance frameworks. To achieve consistent application and high-quality outcomes, which is in the public interest, we recommend that the language and definitions within IESSA should be consistent with ISSA 5000 and other relevant assurance standards (for example, the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information). As currently drafted, the IESSA does not fully align with ISSA 5000, and as the IAASB continues to work on ISSA 5000, there may be further changes made to the proposed assurance standard. It is important that the IESBA closely coordinates with the IAASB to ensure any changes made to ISSA 5000 are reflected in the IESSA.

Additionally, the proposed IESSA does not meet the qualitative standard-setting characteristics of operability and enforceability especially with respect to the requirements that reach beyond those that relate to the organizational boundaries of the sustainability

assurance client. It is especially difficult to understand how Sections 5407 and 5700 of the proposed standard can be implemented and consistently applied to value chain entities. See further comments in our response to Question 13.

PwC - PricewaterhouseCoopers International Limited

Overall response: No, with comments below

We agree that the new Standard fits well into the overall body of the Board's standards, and concur with the creation of a new Part 5 to the Code addressing Sustainability Reporting and Assurance.

However, the Public Interest Framework published by the Monitoring Group sets out the characteristics that should be used to assess whether a Standard is responsive to the public interest, which include:

- Clarity and conciseness, to enhance understandability and minimise the likelihood of differing interpretations, and thus supporting proper intended application and facilitating implementation;
- Implementability, and ability of being consistently applied and globally operable across entities of all sizes and regions, respectively, as well as considerations of the different conditions prevalent in different jurisdictions. Standards that cannot be adopted, or cannot be implemented by practitioners are not of much use.

We have concerns regarding achievement of both of these characteristics, as set out below.

As noted in our response to Question 1, we are concerned that the proposed standard does not meet the ambition of being clear and concise.

Furthermore, with respect to implementability, as explained in our responses to Questions 12-14 below, we have significant concerns regarding the ability of PAs and non-PAs to fully implement the standard with respect to evaluating and maintaining independence of value chain entities and to do so in a consistent manner.

Question 2 - No Specific Comment

Regulators and Oversight Authorities, incl. Monitoring Group members

ACRA - Accounting and Corporate Regulatory Authority (Singapore)

CEAOB - Committee of European Auditing Oversight Bodies

ESMA - European Securities and Market Authority

IAASA - Irish Auditing & Accounting Supervisory Authority

IFIAR - International Forum of Independent Audit Regulators

IOSCO - International Organization of Securities Commissions

SGX - Singapore Exchange Limited

Investors and Other Users

Ceres Accelerator

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

MSCI - Morgan Stanley Capital International

NBIM - Norges Bank Investment Management

SAAJ - The Securities Analysts Association of Japan

Preparers and Those Charged With Governance

Asma Jan Muhammad

BD - Bruno Dirringer

Public Sector Organizations

AGNZ - Office of the Auditor General of New Zealand

We have chosen not to comment on this question because it relates to the different view we have about the adequacy of the underlying Code.

Professional Accounting Organizations (PAOs)

BICA - Botswana Institute of Chartered Accountants

CBPS-CFC-IBRACON

FACPE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

INCP - National Institute of Public Accountants of Colombia

ISCA - Institute of Singapore 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

BKTI - Baker Tilly International

GTIL - Grant Thornton International Limited

Academia and Research Institutes

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

No comment.

NNN - Nada Naufal Director at the American University of Beirut

NRS - Professor Nicole Ratzinger-Sakel

Others

IBA - The International Bar Association

IIA - The Institute of Internal Auditors