

### IESBA Sustainability

#### Question 4 - Agree

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

##### BAOA - Botswana Accountancy Oversight Authority

Yes, we agree with the proposed scope. Adhering to the ethics including standards set out in the Code in all professional activities contributes to public trust in sustainability information that is subject to assurance. Extending the scope to other services acknowledges the broader impact of a Practitioner's conduct on the credibility and public trust in sustainability assurance work.

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

As long as there is uniformity and consistency between the ethics sustainability standards and the extant attest standards, NASBA agrees with the proposed scope for the ethics standards in Part 5, believing that the ethics standards in the new Part 5 (Chapter 1 of the Exposure Draft) should cover not only all sustainability assurance engagements provided to sustainability assurance clients but also to all other services provided to the same sustainability assurance clients.

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

The PAAB agrees to the IESBA's proposal since we believe it is in the best interest of the public as the other services provided by a sustainability assurance practitioner are also important because other aspects of the conduct of a practitioner may impair the credibility of, and public trust in, the practitioner's sustainability assurance work.

##### SGX - Singapore Exchange Limited

Yes, the totality of the relationship between the practitioner's firm and the sustainability assurance client should be considered in determining whether the firm is in compliance with the ethics standards.

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

Yes, the scope is appropriate.

#### Investors and Other Users

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

Yes.

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

We basically agree with the scope of the proposed IESSA as follows:

#### Scope of the ethics standards

- All sustainability assurance engagements
- Any other services that the practitioner provides to the same sustainability assurance client

#### Scope of the independence standards

- Assurance engagements on sustainability information that meets the following criteria:
  - a) Reported in accordance with a general purpose framework; and
  - b) Required to be provided in accordance with laws and regulation; or publicly disclosed to support decision-making by investors or other stakeholders

Under the objective of profession-agnostic standards, we believe that it is a balanced approach that the scope of the ethics standards includes not only all sustainability assurance engagements, but also any other services that the practitioner provides to the same sustainability assurance client.

### **Public Sector Organizations**

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

I Agree - 100% of respondents

#### **UNCTAD ARP - UNCTAD African Regional Partnership**

100% of the respondents agree with the scope of the ethics standards as well as the proposal that sustainability assurance engagements should cover all services for the same sustainability assurance clients.

### **Independent National Standard Setter**

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

We agree that those who provide assurance services should adhere to the same ethical standards when providing any other services to assurance clients. These ethical standards should expand across the entire assurance organisation irrespective of a firm's legal structure and the other ethical standards that the company may have to adhere to.

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

#### **AE - Accountancy Europe**

Yes, we agree that Part 5 should also cover other services provided to the same entity. However, as noted in our response to question 16, the IESBA should follow a principles-based approach setting general requirements in section 5600.

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

Yes, we agree. Under the ED the IESBA had three options: a narrower option, a broader option, and a third option; an intermediate option between the two, which was to develop ethical standards for all sustainability assurance engagements and any other services the practitioner provides to the same sustainability assurance client. We believe that this option is the most appropriate as it allows the sustainability professional practitioner to have a stricter ethical and independence standard on which to base their professional performance not only with sustainability engagements but with any other type of service they provide to the same client; including those who are not accountants but perform sustainability assurance engagements.

This IESBA proposal would not only ensure the confidence of users of the reports of professionals, accountants and non-accountants, who provide sustainability assurance,

but of other engagements provided to the same client, but also would strengthen and increase such confidence.

What is new and challenging is the scope given to the IESBA's proposal to allow compliance with the International Code of Ethics on Sustainability Assurance, including the International Standards of Independence, to non-accounting professionals. By complying with Parts 1 to 4B, practicing professionals who are not independent accountants gain the benefit of public confidence - which is linked primarily and foremost to the performance of sustainability assurance engagements - in their work and in their business relationships.

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

Agreeing with the proposed scope for the ethics standards in Part 5 is essential as it ensures comprehensive coverage not only for sustainability assurance engagements but also for other services provided to the same sustainability assurance clients, aligning with the broader objectives of maintaining ethical standards.

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

We agree with the proposed scope for the ethics standards in Part 5. We believe that sustainability assurance engagements should follow the same high ethical and independence requirements as financial statement audits.

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

We agree with the proposed scope for the ethics standards and including in Part 5 all other services provided to the same sustainability assurance clients.

### **CNCC-CNOEC - Compagnie Nationale des Commissaires aux Comptes**

We agree with the approach taken in new Part 5 of the Code to cover sustainability assurance engagements and non-assurance engagements provided to sustainability assurance clients.

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

Paragraph 5410.11 A1 of the ED states that “where a firm performs both an audit engagement and a sustainability assurance engagement for a sustainability assurance client, paragraphs 410.11 A1 to 410.11 A3 apply in the context of the fees charged by the firm or network firm to the sustainability assurance client [...]”

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

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

This is an issue we discussed at length in the EU during the legislative process of the CSRD, and both the European Parliament and the European Council of Ministers

concluded that there was absolutely no problem of independence in the provision of statutory audit and sustainability assurance to the same client by the same firm. And this, even if the respective fees are unbalanced.

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

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

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

We therefore request the IESBA to delete the first sentence of paragraph 5410.11 A1.

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

We agree that the ethics standards in the new Part 5 which provide ethical principles to practitioners who carry out professional services to the sustainability assurance clients extend to all other services provided to the same sustainability assurance clients.

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

Yes

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

IPA supports the proposed scope for the ethics standards in Part 5 of IESSA.

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

Yes, we agree that Part 5 should also cover other services provided to the same entity. However, as already noted above, IESBA should follow a principles-based and sustainability-information specific approach setting general requirements in section 5600.

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

The Code applies to all engagements and activities performed by PAs. Considering that the sustainability assurance practitioner who is not a PA is also expected to adhere to the high standards of ethical behavior, the appropriate scope for the ethics standards in Part 5 should cover at least other services provided to the sustainability assurance client by such non-PA assurance practitioners.

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

Agree. However, the application of the IESSA principles and guidance must apply to all practitioners equally, irrespective of whether such practitioners are PAs or non-PAs. If non-PAs will be practising within the IESSA framework, and especially if such non-PAs will claim that their work is provided in terms of such framework, then all the principles and guidance set out in the IESSA must apply to PAs and non-PAs in the same manner (i.e. it must be profession-agnostic).

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

We agree with the IESBA's proposed scope for the ethics standards in Part 5 of the Code.

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

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

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

SAICA agrees with the proposed scope. We support the middle ground option as the broad option would go beyond the scope of the project.

To effectively safeguard the public interest, all professionals and organisations conducting sustainability assurance engagements, as well as other services provided to the same sustainability assurance clients should adhere to the same high standards of relevant ethical requirements.

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

We agree with the IESBA's decision to choose the "middle ground" option as a balanced approach.

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

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

Yes, we agree with the proposed approach of developing ethics standards for all sustainability assurance engagements and any other services that the SAP provides to the same sustainability assurance client.

#### **MAZARS - Mazars Group**

We agree with the proposed scope for Part 5 of the ethics standard. We agree with the IESBA that it is in the public interest for those providing sustainability assurance services to comply with ethical requirements for all services provided to the same client.

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

Yes, we agree with the proposed scope for the ethics standards in Part 5. It is imperative that a sustainability assurance practitioner apply the same ethics and independence standards when dealing with a sustainability assurance client, as a professional accountant in public practice, especially when considering non-assurance services that may be provided to a sustainability assurance practitioner.

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

PKF Global Response: We agree with the proposed scope for the ethics standards in Part 5.

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

Yes, we agree with the proposed scope. The proposed ethics standards are an extension of similar standards for the provision of assurance services by professional accountants.

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

Notwithstanding our concern over the scope of the proposed Part 5 of ED-IESSA detailed in question #2, we agree with the proposed scope for the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients for the reasons listed in paragraphs 32-34 of the EM.

Although it appears to be more implied than explicitly stated in Section 5100 of ED-IESSA, we agree that the ethics standards as described in paragraph 5100.2(a) in the proposed IEISSA should cover all sustainability engagements regardless of the scope of the IIS as stated in paragraph 35 of the EM.

### **Academia and Research Institutes**

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

Yes.

We support the IESBA's proposal that the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients (i.e., the middle approach).

Given that the ethics standards referred to are heavily borrowed from the International Code of Ethics for Professional Accountants (including Independence Standards) issued by the Ethics Board, and apply to accountants, including those involved in the provision of assurance engagements over the financial reporting process, we refer to the literature from the financial reporting domain to support our view above. In the financial reporting domain, there are ethical rules that apply to incumbent auditors seeking to also provide non-audit services (NAS) and these rules are in place to maintain the integrity and quality of the external audit function and resulting audit opinion.

Research within the financial reporting domain indicates that, left alone, financial reporting auditors do not suffer any negative consequences when they provide NAS and there are NAS failures resulting. Such research indicates that, without regulatory intervention in the form of standards, auditors will act opportunistically for their own benefit (Friedrich and Quick 2024). Other complementary research suggests that the capital market imposes additional costs (in the forms of higher equity and debt capital costs) on companies which purchase NAS from their existing auditors, suggesting that the market views the joint provision of auditing and NAS as being detrimental (Friedrich, Quick, and Schmidt 2024).

Although there is academic literature which reports a positive association between NAS and audit quality (suggesting a knowledge spillover argument), there are also numerous other findings which report a negative association between NAS and audit quality (suggesting an economic bonding argument). It is necessary to understand that many of these findings are context-specific depending on other factors such as the strength of investor protection regimes, culture, country-level institutional environments etc. (Mustikarini and Adhariani 2022). As such, in the interest of adopting a conservative approach to the provision other services provided to the same sustainability assurance clients and literature suggesting the detrimental effects from the joint provision of auditing

and NAS, it would be beneficial to develop standards which would regulate all these other services.

In summary, applying findings from the financial reporting and assurance domain to sustainability assurance engagements and adopting a careful approach, we believe that it is appropriate that ethical standards be in place and particularly apply to all other services provided to the same sustainability assurance clients.

#### **Question 4 - Agree With Comments**

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

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

Question 4: Yes, subject to consideration of our comments in response to Question 2.

#### **Public Sector Organizations**

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

The IESBA should also consider extending the ethics standards in the new Part 5 to address “interests in or relationships with” entities beyond the sustainability client, but that fall within the “value chain”.

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

We believe there should be parity between the ethics standards for both professional accountants and practitioners who provide other services to the same assurance clients. Part 5 addresses sustainability assurance engagements that are attestation engagements but does not address direct engagements. We believe that part 5 should also provide ethics standards for direct engagements to help ensure public trust, as there may be practitioners that provide services for direct engagements.

#### **Independent National Standard Setter**

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

APESB is supportive of the IESBA’s proposed scope, which extends ethics standards to all other services provided to the same sustainability assurance clients. We agree that other aspects of the practitioners’ services can impact public trust and confidence in their sustainability assurance work. Accordingly, it is important to hold practitioners to the same high ethical standards for any other services they provide to the same client.

Some stakeholders have raised concerns that non-professional accountants may be reluctant to conduct other services provided to sustainability assurance clients in line with the provisions in the proposed Part 5. In addition, the costs of establishing the relevant quality control and monitoring systems may be prohibitive for non-professional accountant practitioners and so the proposed scope of the provisions may not be complied with if it is not being mandated by legislators or regulators.

APESB notes that the strategic partnership between the International Accreditation Forum (IAF) and the IESBA in accrediting and authorising conformity assessment bodies for corporate sustainability disclosure assurance work also involves collaborative efforts in training activities related to the proposed IESSA and the scope of the standard. We believe these training activities will highlight the importance of internal monitoring and

control systems and that the provisions of independent sustainability services uphold the public interest.

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

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

We agree with the proposed scope for the ethics standards in Part 5. Adhering to the highest standards of ethical behaviour only when performing the sustainability assurance engagement for the client might not sufficiently safeguard stakeholder confidence and the public interest at large, therefore Part 5 should also cover any other professional services provided to a sustainability assurance client. Due to the complexity of the application of the ethics standards, particularly the Independence requirements, we suggest that this could be implemented in on a phased basis, starting with in the first instance the sustainability assurance client and the following year including all other work as well.

We recognise the logic that having high ethics standards that address circumstances outside the scope of the ethics standards in Part 5, such as services provided by a sustainability assurance practitioner to other clients, is important because other aspects of the conduct of a practitioner may potentially impair the credibility of, and public trust in, the practitioner's sustainability assurance work, as noted in the EM. We note the two routes provided for PAs firstly to apply Parts 1 to 4B of the Code apply in all situations not covered by Part 5, and secondly encouraging practitioners who are not PAs to apply Parts 1 to 4B of the Code in all situations not covered by Part 5. Whilst complying with Parts 1 to 4B, non-PAs potentially derive the benefit of public trust in their work and business relationships.

During our outreach, it was questioned how many non-PAs will choose to apply this in practice and therefore its relevance. The requirements in Part 5 create prohibitions for providing other services in many cases, it is challenging to see why non-PAs would choose to apply the Code. We understand the argument for consistency with extant requirements where reasonable assurance engagements are being provided, but this may not be the case for some time in sustainability assurance.

Non-PAs may experience confusion when considering how to apply Part 5, for example the requirements of Paragraph 5100.2, which is worded in a way that implies application of the ethics element of Part 5 (5100-5390) is not always accompanied by the independence element of Part 5 (5400-5700). We note the wording of 5100.2(a) potentially creates an implication that Part 5 would apply to all services undertaken for sustainability assurance clients. We suggest it is not clear which other professional services would be in scope of Part 5, and which are not. The position for audit and review engagements may be clarified in 5400.16a with respect to Part 4A, but it is still not clear for PAs whether Part 5 applies to only to sustainability assurance engagements, all sustainability related work or everything except audit and review engagements.

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

The PTC agrees that a sustainability assurance practitioner should be consistently held to the same high ethics standards for SAEs and with respect to any other professional services they might provide to the same client, and that the IESBA's proposal to use a middle ground option is reasonable. We also agree that the broader option to develop

standards for all activities and services that non-PA practitioners provide to all their clients (including those for which they do not perform sustainability assurance engagements for) would be beyond the remit of the IESBA.

However, we strongly disagree with the IESBA's proposal to only encourage non-PAs to apply Part 4B of the Code to SAEs that do not fall within the scope of the IIS in Part 5. If Part 4B of the extant code is mandatory for PAs and optional for non-PAs when performing other sustainability assurance engagements outside of the scope of the IIS in Part 5, this would create an unlevel playing field for non-PAs. We believe that this proposal introduces a different, lower standard for non-PAs that will result in an expectation gap and put public trust in sustainability information at risk. Non-PA practitioners should be required to follow Part 4B independence requirements, or other independence requirements that are at least as demanding, when performing sustainability assurance engagements when they do not meet the criteria under proposed paragraph 5400.3a, particularly because that paragraph as currently drafted might lead to inconsistent identification of SAEs within the scope of the IIS in Part 5 (please refer to our response to Question 5 for further detail on this point).

In line with our earlier remarks, we would also like to highlight that the importance of continued outreach with non-PAs in this area to obtain feedback on the types of other services that they are providing, and what additional application material or training might be helpful to them in understanding and applying the concepts and terminology in Part 5.

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

We agree with the proposed scope for the ethics standards.

We believe it is appropriate that the ethics standards in the new Part 5 cover sustainability assurance engagements and all other services provided to the same sustainability assurance clients. We welcome the diagrams in Appendix 1 for the inter-relationship between ethics and independence standards for sustainability assurance practitioners (PAs and non-PAs) as this helps clarify the scope of the standard.

That said, we believe the wording in this section may create some confusion. Paragraph 5100.2(a) states: "Sections 5100 to 5390 which set out ethics standards for sustainability assurance engagements and other professional services performed for sustainability assurance clients". This implies that sections 5100 to 5390 would be applicable for all services performed for sustainability assurance clients by both PAs and non-PAs. For PAs, this conflicts with what is presented in 5100.2b and 5400.16a. This apparent contradiction needs to be resolved.

### **GAA - Global Accounting Alliance**

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

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

Yes. In principle we agree with the proposed scope of the ethics standards in Part 5 and consider that the broadest option is needed to ensure a level playing field in sustainability assurance.

However, we note that this will necessarily require firms and practitioners to have in place adequate processes, disclosure procedures and quality management systems, which may require significant investment; and which may have the unintended consequence of acting as a barrier to providing services for smaller firms and practitioners.

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

We agree with your statement at paragraph 32 of the Explanatory Memorandum that ‘adhering to the highest standards of ethical behavior only when performing the sustainability assurance engagement for the client might not sufficiently safeguard stakeholder confidence and the public interest at large. The IESBA, therefore, believes it is important to hold the practitioner to the same high ethics standards with respect to any other professional services they might provide to the same client.’

However, we note paragraph 36 of the Explanatory Memorandum which states the following:

“36. In addition, the IESBA recognizes that having high ethics standards that address circumstances outside the scope of the ethics standards in Part 5, such as services provided by a sustainability assurance practitioner to other clients, is also important because other aspects of the conduct of a practitioner may contribute to (or impair) the credibility of, and public trust in, the practitioner’s sustainability assurance work.

Thus, the proposed IESSA:

- Reminds practitioners who are PAs that Parts 1 to 4B of the Code apply in all situations not covered by Part 5 – see paragraph 5100.2b(a) in Chapter 1.
- Encourages practitioners who are not PAs to apply Parts 1 to 4B of the Code in all situations not covered by Part 5 – see paragraph 5100.2b(b) in Chapter 1 which includes examples of situations not covered by the IESSA, such as aspects of the relationships between the practitioner and other clients, and the practitioner and the firm.

In complying with Parts 1 to 4B, the practitioners who are not PAs derive the benefit of public trust – which is first and foremost tied to the performance of sustainability assurance engagements – in their work and business relationships.”

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

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

We agree with the proposed scope for the ethics standards in Part as we believe that the application of the ethics standards to all services offered to sustainability assurance clients in addition to the sustainability assurance engagements is reasonable. We believe that this will promote integrity, objectivity, and professional due care in all the work provided to sustainability assurance clients.

However, we are a bit apprehensive about the requirement in paragraph 5100.2b. We wonder how this will be enforced since practitioners who are not professional accountants

do not subscribe to the International Code of Ethics for Professional Accountants and whether this would not offend the Public Interest Framework's qualitative characteristics, of Consistency, where for sustainability assurance practitioners that are professional accountants, their obligation in respect to Parts 1 to 4B is mandatory (see paragraph 5100.2b(a) while for non-accountant sustainability assurance practitioners, it is optional. While we agree with this proposal, we would like to know more about how this will be enforced.

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

The wording in this section will cause confusion for users. Paragraph 5100.2(a) states "Sections 5100 to 5390 which set out ethics standards for sustainability assurance engagements and other professional services performed for sustainability assurance clients." This implies that sections 5100 to 5390 would be applicable for all services performed for sustainability assurance clients by both PAs and non-PAs. For PAs, this conflicts with what is presented in 5100.2b and 5400.16a.

5100.2b states "Sustainability assurance practitioners might perform professional activities and have professional and business relationships that are not covered by this Part, in which case: (a) Parts 1 to 4B of the Code apply to a practitioner who is a professional accountant." 5400.16a clarifies that for firms performing both audit and sustainability assurance engagements for the same client "the provisions in the Code applicable to audit and review engagements, including Part 4A, and this Part apply to the firm, a network firm and the audit team members." Taken together these paragraphs may suggest that where Part 5 does not apply, PAs should apply Parts 1 to 4B. However, there are two issues to adopting this approach. First, the wording of 5100.2(a) creates an implication that Part 5 would apply to all services undertaken for sustainability assurance clients so this would be inconsistent with that. Second, it is not clear exactly which other professional services would be in scope of Part 5, and which are not. The position for audit and review engagements may be clarified in 5400.16a with respect to Part 4A, but it is still not clear for PAs whether Part 5 applies only to sustainability assurance engagements, all sustainability related work or everything except audit and review engagements. Part of this confusion is borne from the wording of 5100.2(a) so we recommend this is amended to make clearer how the other parts of the Code may need to be used for PAs. 5100.2b could also be amended to clarify where Part 5 does and does not apply for PAs. These changes will assist PAs understanding of which sections apply for which services so will aid consistent application.

Non-PAs may experience similar confusion when considering the requirements of Paragraph 5100.2. This is worded in a way that implies application of the ethics element of Part 5 (5100-5390) is not always accompanied by the independence element of Part 5 (5400-5700). As we note above, 5100.2(a) states 5100-5390 apply for sustainability assurance engagements and other professional services performed for sustainability assurance clients. As such, this would be applicable in all cases, whereas 5100.2b states 5400-5700 apply for sustainability assurance engagements "within the scope of the International Independence Standards". This implies potential for sustainability assurance engagements where the practitioner may be within the scope of the ethics standards, but not the independence standards. It is unclear whether these situations would legitimately arise, and this may need to be reworded.

Linked to the above, in the case of non-PAs, if it is possible to have a sustainability assurance engagement where the ethics standards of Part 5 applies but the independence standards do not (as it is outside of the scope of International Independence Standards), para 5100.2a indicates that Part 4B of the Code sets out the applicable independence standards. This could be taken to imply Part 4B would be applicable in such circumstances regardless of whether the sustainability assurance practitioner is a PA or not. We note paragraph 36 of the EM explains that practitioners who are not PAs are encouraged to apply Parts 1 to 4B of the Code in all situations not covered by Part 5. However, paragraph 35 in the EM states “The IESBA also agreed that the ethics standards in the new Part 5 of the Code should cover all sustainability assurance engagements irrespective of whether they are within the scope of independence standards in Part 5”.

There also appears to be unintended inconsistency in the use of the terms 'professional activities' and 'professional services'. It would make sense if the former was applied where in-house practitioners are conducting sustainability related work (e.g., PAIB staff) and the latter practitioners from firms providing services to clients. However, this is not how the definitions are used. For example, in 5100.6.A4, 'professional activities' is used in a context where 'professional services' would make more sense following that logic. If there is no intended difference, a consistent term should be used to avoid confusion.

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

We agree with the proposed scope for the ethics standards in Part 5.

However, we suggest the IESBA clarify which Parts of the Code should be applied to whom when performing which sustainability-related services for a client and provide guidance so that professional accountants and sustainability assurance practitioners can apply Part 5 appropriately.

For example, when a professional accountant performs a sustainability assurance engagement, the firm performing a sustainability assurance engagement that does not meet the proposed criteria set out in paragraph 5400.3a shall apply the ethics standards in Part 5 and the International Independence Standards in Part 4B, but we believe that it is unclear whether the firm shall apply the ethics standards in Parts 1 and 3.

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

We broadly agree with the proposed scope for the ethics standards. It is in the public interest and will enhance stakeholder confidence in assurance provided on sustainability information if the same ethical standards apply to all services provided to sustainability assurance clients.

We believe the IESBA's scope for the ethics standards in Part 5 could be wider (see the recommendation below). Part 5 – Ethics, forms the base for the provision of services to sustainability assurance clients prior to applying the more stringent provisions related to objectivity and integrity within either Part 5 – Independence or Part 4B (depending on the nature of the assurance engagement). Part 5 – Ethics, mirrors Part 1 of the Code in terms of the Fundamental Principles and the Conceptual Framework by applying a sustainability lens. Part 5 – Ethics also mirrors Part 3 of the Code; for example, conflicts of interest, NOCLAR, Reviewers, Professional Appointments etc. are considered for all engagements

regardless of whether the client is an assurance or audit client under Part 3 and are typically assessed as part of client and engagement acceptance and continuance procedures. Having these requirements mirrored in Part 5 – Ethics, for services to sustainability assurance clients provides practical application and guidance on how the fundamental principles set out in Part 1 and Part 3 are considered more closely in the context of a sustainability assurance engagement prior to the independence assessment under 4B or Part 5 – Independence. This would be helpful in bridging a gap between Parts 1 and 3 in relation to Part 4B and Part 5 – Independence, in that the application of this is specific to sustainability assurance clients.

A gap remains in that other assurance engagements that are not sustainability-related do not have the necessary clarification in relation to the application of Part 1 and 3 under Part 4B; however this may be due to the diverse nature of other assurance engagements and as such may not be feasible.

Based on paragraphs 31-34 of the Explanatory Memorandum, the IESBA has chosen to apply the requirements of the IESSA to a practitioner's performance of sustainability assurance engagements and any other services for the same clients only. It does not appear credible that a practitioner would be able to "switch on and off" compliance with ethical standards depending on the type of engagement. Questions remain, for instance, as to how it would be acceptable to behave in accordance with the fundamental principle of professional behaviour in only part of a professional's working life.

We believe that the broader alternative of applying the same ethical requirements to the general conduct of non-PA practitioners performing sustainability assurance engagements would be consistent with, and equivalent to, the requirements applicable to the conduct of professional accountants who perform audit and review engagements. In order to effectively safeguard stakeholder confidence in sustainability assurance and the public interest at large, there should be a "level playing field" whereby other professionals and organisations who perform sustainability assurance engagements are expected to adhere to the same minimum ethical standards in the provision of their services, as professional accountants do.

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

While we agree on the spirit of the proposal, we are concerned that the wording in this section may cause confusion. Paragraph 5100.2(a) suggests that sections 5100 to 5390 would apply to all services for sustainability assurance clients by both PAs and non-PAs, which conflicts with what is presented in 5100.2b and 5400.16a. 5100.2b indicates that Parts 1 to 4B of the Code apply to PAs when Part 5 does not cover certain professional activities. However, it's unclear which other services fall under Part 5's scope. Non-PAs may also face confusion with Paragraph 5100.2, as it implies that ethics standards may apply without accompanying independence standards. This raises questions about when independence standards are necessary.

There's inconsistency in using 'professional activities' and 'professional services', which could lead to confusion. Considering Part 5's restrictions on providing other services, it's unclear why non-PAs would opt to apply the Code, especially in sustainability assurance where reasonable assurance engagements may not be prevalent.

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

While SOCPA agrees with the proposal to adopt a middle ground option for the scope of the ethics standards in the International Ethics Standards for Sustainability Assurance (IESSA) which seem balanced, SOCPA wishes to highlight that adhering to ethics standards that cover a broad spectrum of services may pose challenges for practitioners operating in different jurisdictions with varying regulatory requirements. Ensuring compliance with diverse regulatory frameworks while maintaining consistency with international ethics standards could be demanding and resource-intensive.

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

#### **IAF - International Accreditation Forum**

We support the concept, but we believe that, where exist different codes of practice aiming to regulate the behavior of practitioners who provide other services, different from sustainability assurance engagements, those codes should prevail over Part 5.

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

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

Overall response: Yes, with comments below

We agree that it is in the public interest and will enhance stakeholder confidence in assurance provided on sustainability information if the same ethical standards apply to all services provided to sustainability assurance clients.

We note that bullet (a) of 5100.2 includes mention of the application of the ethical standards (Sections 5100 to 5390) “to other professional services performed for sustainability assurance clients”.

While we acknowledge that the same ethical standards should apply to all services provided to the client, we note that other than tax planning services, which are covered in proposed section 5380 and some references to other services (e.g., in the fees section), it is not clear which other services are being referred to in Sections 5100 to 5300.

### **Academia and Research Institutes**

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

We concur with the IESBA proposal that the ethics standards in the new Part 5 cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients.

A key issue is how a requirement for assurers from outside the profession would be policed. Even when assurers outside the profession use ISAEs, and should disclose and meet equivalent ethics and quality management standards, there is no way to police this. It makes little sense to set requirements which assurance providers cannot follow and can ignore.

Further, when assurance practitioners do not use accounting profession standards, such as ISO or AA1000, how would such a requirement work? While many countries use IAASB standards, many do not adopt IESBA standards.

It may be better that the firm and audit committee co-ordinate assurance processes through approaches such as combined assurance or three pillars, where they combine and report the various combinations of assurance for their circumstances.

Regarding disclosure, requirements such as Recommendation 4.3 (to be 4.2) of the ASX Corporate Governance Principles and Recommendations should be included in the various country codes of conduct to enhance the integrity of integrated reports, as demonstrated by Deakin research.

We recognise that going further than encouraging practitioners that are not PAs to apply Parts 1 to 4B of the Code in all situations not covered by Part 5 is not within the scope of the IESBA mandate. We encourage that IESBA work with their jurisdictional equivalents (for example, the Accounting Professional & Ethical Standards Board in Australia) to achieve equivalent monitoring and enforcement regimes that apply to PAs.

### **NSU - Nova Southeastern University (Florida)**

Question 4 opinions in favor:

- Yes, I support the proposed scope for the ethics standards in Part 5. It is reasonable and necessary for the ethics standards to cover all sustainability assurance engagements and related services provided to sustainability assurance clients. This comprehensive approach ensures consistency and upholds ethical principles across all relevant activities.
- Yes. Expanding the scope can be seen as proactive in upholding ethical principles and maintaining public trust. Ensuring ethical standards are applied equivalently across all services provided to sustainability assurance clients promotes consistency and integrity in professional conduct. The expansion can also provide oversight of professional behavior in sustainability engagement. It can also help safeguard the public interest by promoting transparency, objectivity, and independence.
- Yes. Expanding the scope can be seen as proactive in upholding ethical principles and maintaining public trust. Ensuring ethical standards are applied equivalently across all services provided to sustainability assurance clients promotes consistency and integrity in professional conduct. The expansion can also provide oversight of professional behavior in sustainability engagement. It can also help safeguard the public interest by promoting transparency, objectivity, and independence.
- In my humble opinion, I agree with the proposal of the IESBA to apply the ethics standards in the new Part 5 to all sustainability assurance clients and services, finding a middle ground for ethics standards that can be applied to assurance engagements and other services provided to the same client will help to boost the reliability of the practitioner and enhance the public trust on the veracity of the information provided on the sustainability reports issued by the practitioner. Having the assurance that the information provided by the practitioner was prepared following similar ethical standards as of the audits and other services will contribute to supporting more effectively the decision-making process of employees, stockholders, and investors.
- As stated in paragraph 30 of the Explanatory Memorandum, “the objective of the sustainability project is to develop ethics standards for sustainability assurance engagements that are equivalent to those that apply to audits of financial statements”. In this context, I agree with the issuance and implementation of profession-agnostic

ethical standards meant to cover all services provided to sustainability assurance clients, whether such services are related to sustainability assurance engagements or not; and regardless of the different group of practitioners providing the services. Therefore, out of the three options for the scope of ethics standards in the proposed IESSA, I am inclined to the middle ground option and therefore correspond with the IESBA's consideration, not only for being a more balanced approach, but most importantly, for being receptive to the public interest by requiring all practitioners and engagements to adhere to the highest standards of ethical behavior.

Question 4 opinions opposed:

- This speaks to the scope of the sustainability framework. The IESBA proposes that the ethics standards cover not only sustainability assurance engagements provided to sustainability assurance clients, but also all other services provided to the same customers. I contest this proposed scope. Under this agreement, the IESBA will develop sustainability standards for all sustainability-related activities, even when other parties extend the same services. This approach raises concerns about independence and overall accountability. Ideally, the board should develop standards for elements that relate directly to its mandate. In this case, the board should focus solely on sustainability assurance engagements subject to independence requirements. This approach has been presented as the narrowest option. Admittedly, this approach provides for a narrow scope and is seen as isolationist because the board does not seek to extend its mandate beyond the immediate scope. However, the narrow scope would allow for effective formulation, implementation, and enforcement of standards (Versus, 2023). This outcome contrasts with the expansive scope of assurance engagement and other services provided. Thus, the board should adopt a narrow scope instead of a wide one.
- The purpose of these standards is to ensure that sustainability assurance practitioners act with the same ethics and independence as Auditors do. But instead, let's remember that the standards and legislation were developed, improved, and implemented over the years. I would say that in this case it would also require us to start at a middle point and adjust the requirements on the go. The Corporate Sustainability Reporting Directive (CSRD), in place from January 2023 in the EU had enforcement nature, however, allows certain flexibility to incorporate forms and methods while working in bringing it on their own laws which is required by June 16, 2024. This could be a suggestion to consider by the IESAA also. With different countries and regions applying different standards and laws and, why not to say it, different approaches to what is Ethic or not, the ESG reporting practitioners need to be highly trained and skilled to adapt the specifications of each case to the required reporting standards.

#### **Question 4 - Disagree**

#### **Preparers and Those Charged With Governance**

#### **ICFOA - International CFO Alliance**

We agree that in terms of all types of assurance services, the new Part 5 should set the standards and be profession agnostic. However, non-assurance services (whether provided to the same or other clients) may be guided by the Professional Standards of

the Professional Body to which the non-PA individual or firm belongs. This will necessitate active outreach and alignment between IESBA and the other non-PA Professional Bodies to obtain convergence on ethics and independence in the different disciplines for all types of services. Additionally, some stakeholders may look upon PAs as “beholden” to the capital markets and not ‘stakeholder agnostic’. Therefore, we recommend sensitivity and care in promoting this objective relating to non-assurance services.

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

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

Overall response: No.

Detailed comments: We disagree with the proposed scope for the ethics standards in part 5, because it results in increased risk of confusion among PAs and less stringent requirements for non-PAs, neither of which are in the public interest.

Because of the proposed scope of part 5, professional accountants will have to look to part 5 and parts 1–4B, as demonstrated in appendix 1 of the explanatory memorandum, to ensure that they are complying with the incremental and more robust requirements already applicable to PAs. This is confusing (hence, the need for such diagram in appendix 1) and creates a greater risk of misapplication and inconsistent application in practice by professional accountants. We would support a single version of the requirements that are applicable to PAs when performing a sustainability assurance engagement to help reduce the risk of misapplication or inconsistent application in practice.

Part 5 also sets forth less stringent requirements for non-PAs. Professional accountants are required to comply with the ethics requirements, including independence, for all services they perform. Non-PAs should comply with the same standards professional accountants are required to comply with for ethics requirements, including independence, for all services that they perform. In appendix 1, IESBA encourages but does not require non-PAs to comply with parts 1–4B. Stakeholders will not know that PAs and non-PAs are subject to different requirements unless they read appendix 1. The public interest is not served by having differing ethical requirements for non-PAs and PAs. This will have serious negative consequences with respect to protecting stakeholders and maintaining public trust, as discussed above.

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

5100.2 to 5100.2b, in the general introduction to Part 5, is ambiguous. On one hand, 5100.2 sets out that the requirements of the Code, 5100 to 5390, apply to all sustainability assurance providers (SAPs), and the International Independence Standards (IIS) apply to certain sustainability assurance engagements (see our response to question 5 below) per 5400.3a and 3b. On the other hand, 5100.2b sets out that Parts 1 to 4B of the extant Code, which currently only applies to Professional Accountants (PAs), may also apply to non-professional accountants (non-PAs) in circumstances where non-PAs provide any of professional services covered by the extant Code. 5100.2b is not a requirement, but an encouragement, and only in the instance where the non-PA is not applying ethics standards that are at least as demanding as the Code. Furthermore, 5400.16a scopes

Part 4A of the extant Code in respect of the IIS that should be applied by a SAP performing an audit or review engagement for the same sustainability assurance client.

There are several ambiguities within these requirements/encouragements that we believe pose challenges for the ethical standards complying with the Public Interest Framework (PIF), and will create inconsistent application, and consequently fail to meet a constant expectation of high ethical standards by the public and various classes of stakeholders outlined in the PIF. Examples of the issues, which we believe require resolution before implementing IESSA, include the following:

- The consequence of these sections of the Code is that if any SAP provides any professional services, including an audit or review engagement for their sustainability assurance client, the full Code applies, or as the current wording implies by use of the word “encouraged”, ‘should’ apply. To ensure a consistent approach, 5100.2b should be a requirement, rather than an encouragement. We support the application of high ethical standards to professional activities performed by all SAPs for sustainability assurance clients, and don’t believe it is possible to have anything less than a requirement to uphold such standards. Key characteristics of the PIF are to ensure standards have the ability of being consistently applied and globally operable across all regions, and are enforceable, through clearly stated responsibilities that make it possible to ascertain the extent to which compliance with the standards has been met.
- We are aware of the IESBA engagement with regulators and accreditation bodies to seek a formal mechanism for the oversight and enforcement of Part 5 of the Code for non-PAs. There is a significant risk that the public interest will not be consistently served until such time as these mechanisms are put in place. If there are any difficulties additionally requiring non-PAs to comply also with Parts 1 to 4B of the extant Code, then the IESBA should explore mechanisms to incorporate the relevant parts into Part 5, assuming this is the Part that will consistently apply to PAs and non-PAs.
- We support recognising alternative ethics standards that are at least as demanding as the Code. However, it is not clear what are the measures to adopt alternative ethical standards for example, publication of benchmarking, equivalence status or an interoperability index. There is a high risk to the public interest not to address the use of alternative ethical standards.
- Notwithstanding the other sections of the Code referred to above that scope in Parts 1 to 4B of the extant Code in certain circumstances, 5100.2 sets out that Part 5 of the Code applies not only to sustainability assurance engagements, but also to other professional services, audits and other review engagements performed by the SAP. This is confusing and questions why Parts 1 to 4B of the extant Code are being scoped in, with the consequence that some SAPs may believe that by applying only Part 5 of the Code they are also meeting the ethical standards contained within the extant Code. If this is not the intention, then it is not clear what “other professional services” Part 5 is addressing, and which are not covered by Part 5, but instead by Parts 1 to 4B of the extant Code. We recommend the IESBA provides further clarification of which professional services are covered by Part 5, and which are not.

- It is not clear what the distinction is between 5100.2 (a) and 5100.2 (b), as (a) refers to sustainability assurance engagements, and (b) refers to sustainability assurance engagements that are within the scope of the IIS. It is not clear what type of sustainability assurance engagement would not be subject to independence requirements. Please see also our response to question 5 regarding the lack of clarity between a sustainability assurance engagement subject to independence requirements, and an “other sustainability assurance engagement” that is not subject to independence requirements.

### **CPAA - CPA Australia**

CPA Australia is of the view that expanding the coverage of the proposed Part 5 beyond the provision of sustainability assurance engagements, to other assurance engagements provided to sustainability assurance clients and all other services provided to the same sustainability assurance clients, is problematic. Professionals who are outside of the accountancy profession are unlikely to be amenable to having regulations and requirements imposed upon their activities. Moreover, it is not clear that these other professionals would define and characterise their other activities and services (including other assurance engagements) in the same manner as professional accountants. However, CPA Australia recognises that decisions about the use of Part 5 in a jurisdiction are judgement calls that would need to be made by governments and regulators, taking into account the considerable additional monitoring and enforcement arrangements needed and the associated significant costs.

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

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

BDO disagrees, with the following additional comments:

BDO believes the IESBA's scope for the ethics standards in Part 5 should be wider (see the recommendation below).

Part 5 – Ethics, forms the base for the provision of services to sustainability assurance clients prior to applying the more stringent provisions related to objectivity and integrity within either Part 5 – Independence or Part 4B (depending on the nature of the assurance engagement).

Part 5 – Ethics, mirrors Part 1 of the Code in terms of the Fundamental Principles and the Conceptual Framework by applying a sustainability lens.

Part 5 – Ethics mirrors Part 3 of the Code, as an example, conflicts of interest, NOCLAR, Reviewers, Professional Appointments etc. are considered for all engagements regardless of whether the client is an assurance or audit client under Part 3 and are typically assessed as part of client and engagement acceptance and continuance procedures.

Having these requirements mirrored in Part 5 – Ethics, for services to sustainability assurance clients provides practical application and guidance on how the fundamental principles set out in Part 1 and Part 3 are considered more closely in the context of a sustainability assurance engagement prior to the independence assessment under 4B or Part 5 – Independence. This in our view is helpful and assists in bridging a gap between

Part 1 and 3 in relation to Part 4B and Part 5 – Independence, in that the application of this is specific to sustainability assurance clients.

A gap still exists in that other assurance engagements that are not sustainability related don't have the necessary clarification in relation to the application of Part 1 and 3 under Part 4B, however this may be due to the diverse nature of other assurance engagements and as such may not be feasible.

### **Recommendations:**

As discussed in paragraphs 31-34 of the Explanatory Memorandum, the IESBA has chosen to apply the requirements of the IESSA to a practitioner's performance of sustainability assurance engagements and any other services for the same clients only. It does not feel credible that a practitioner would be able to 'switch on and off' compliance with ethical standards depending on the type of engagement. BDO questions, for instance, how it would be acceptable to behave in accordance with the fundamental principle of professional behaviour in only part of a professional's working life. BDO, therefore, think that the broader alternative of applying the same ethical requirements to the general conduct of non-PA practitioners performing sustainability assurance engagements would be more consistent with, and equivalent to, the requirements applicable to the conduct of professional accountants who perform audit and review engagements.

In order to effectively safeguard stakeholder confidence in sustainability assurance and the public interest at large, there should be a 'level playing field' whereby other professionals and organisations who perform sustainability assurance engagements are expected to adhere to the same minimum ethical standards in the provision of their services, as professional accountants do.

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

We understand the aim of the IESBA to encourage a non-PA to follow the most stringent ethics requirements. While we appreciate the middle ground approach proposed by the IESBA, we believe ethics standards should be applied by all SAPs regardless of their profession. The middle ground approach brings to question the appearance of a non-PA applying Part 5 ethics to "other services" provided to a sustainability assurance client and not applying those same ethics when providing the same "other services" to a non-sustainability assurance client. Any unethical behavior that an SAP may exhibit when providing services to non-sustainability assurance clients affects the reputation of the SAP as a whole. This impact cannot be ringfenced to only affect the SAP's reputation when serving non-sustainability assurance clients. To illustrate, Sections 5270 Pressure to Breach the Fundamental Principles, 5300 Applying the Conceptual Framework, and 5340 Inducements, including Gifts and Hospitality contain ethics standards that ought to be universally applied by the SAP across all professional services for all clients.

Additionally, to suggest that the ethics standards be applied only to services provided to the same sustainability assurance client, representing a cross section of their clients, creates an unnatural division. From a practical implementation perspective, it may be difficult for these practitioners to distinguish whether or which ethical standards are being applied on a client-by-client basis, as opposed to having one standard for all

engagements and services. Integrity, objectivity, confidentiality and the other fundamental principles are integral concepts for any professional service provider, so it seems reasonable for non-PAs who perform SAEs to apply Part 5 ethics for all services performed to all clients.

For the proposed scope of ethics standards in Part 5 as it relates to PAs, we are not confident that the same approach is in the public interest when a sustainability assurance client is also a financial statement audit client. Parts 1 and 3 of the Code already cover all professional services that a PAPP provides to its clients and is well established by PAs in relation to their clients. We believe use of these extant ethics provisions should continue to set the highest bar for PAPPs in support of the public interest for all other services a PAPP will provide to their client, notwithstanding that the Part 5 ethics provisions were developed to be the same high bar as those of the extant Code. Sections 5100.1 to 5390.21 A1 would only add confusion for PAPPs, especially when interpreting wording that has been adapted for sustainability assurance for application to a financial statement audit or review. We encourage the Board to reconsider this proposal in view of the continued focus on public trust in the accounting profession, increased regulatory scrutiny and continued efforts to operate a system of quality management in line with the relevant ethics requirements of the IESBA Code.

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

The scope of ethics standards at least should match the extant code. This standard of ethics should also be applicable to sustainability assurance and we propose that any bespoke ethical matters that may arise from sustainability reporting be incorporated to the code

#### **Others**

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

The IESSA ethics standards apply to SAE and 'and any other services that the practitioner provides to the same sustainability assurance client'. We understand this to mean that IESSA applies where a lawyer undertakes an SAE for a client as well as to any other services that the lawyer provides to that client: this broad scope effectively means that IESSA applies to all services which a lawyer provides to a client, where that lawyer (or their firm) provides a SAE to that same client.

We appreciate that the reason for adopting this 'middle ground' approach is the high level of public reliance on sustainability information disclosed by companies, which means that adhering to the highest standards of ethical behavior only when performing the SAE for the client might not sufficiently safeguard stakeholder confidence and the public interest at large. IESBA therefore believes it is important to hold the practitioner to the same high ethics standards with respect to any other professional services they might provide to the same client.

In our view, however, it is equally important that the scope of IESSA does not go beyond regulating assurance, such that it regulates other aspects of a legal practitioner's approach to legal services. This is particularly the case given the broad definition of 'sustainability information'. In our view, the proposed scope of IESSA is too broad and

may unjustifiably limit legal practitioners' ability to conduct legal services, particularly in light of the following considerations:

As the Explanatory Memorandum notes, the objective of IESBA's Sustainability Project is to develop ethics (including independence) standards for SAEs that are equivalent to those that apply to audits of financial statements. The proposed IESSA scope goes beyond this objective by applying beyond SAEs and has potential to unnecessarily limit lawyers' ability to provide legal services to clients.

The proposed scope of IESSA has significant overlap with and may contradict existing jurisdictional professional conduct rules which apply to lawyers when they provide legal services, for example with respect to principles governing client confidentiality and conflicts of interest (see our response to Question 1).

IESSA should not preclude legal practitioners within a single law firm from providing legal advice to a client with respect to (for example) their sustainability reporting or assurance obligations under a particular reporting or assurance framework, or how to develop a sustainability reporting or assurance process; while also providing SAEs to that same client – provided that appropriate measures to manage conflicts of interest and confidentiality concerns are in place (for example, that the client provides consent, separate personnel undertake these different work types and robust information barriers are installed). Law firms commonly manage potential conflicts of interest through information barriers, and IESSA should not restrict this practice.

In light of these considerations, the scope of IESSA should be limited to SAEs (i.e. the 'narrow ground' approach).

In order to protect the public interest in relation to other services (which we understand is IESBA's concern), IESSA could also specify that where an SAP is not subject to profession-specific ethics standards, then that SAP 'should' apply IESSA to 'other services that the practitioner provides to the same sustainability assurance client' (where doing so is consistent with existing law and regulations).

### **Clarity of ethics v independence standards**

We understand that the ethics standards in IESSA are intended to cover all SAEs irrespective of whether they are within the scope of independence standards in Part 5. However, the wording of subsection 5100.2 suggests that the ethics element of Part 5 (sections 5100- 5390) is not always accompanied by the independence element of Part 5 (sections 5400- 5700). The text of IESSA should make clear that the ethics standards apply to all SAEs, regardless of whether they meet the thresholds for the Part 5 International Independence Standards (IIS).

We understand that where an SAE does not fall within the scope of the Part 5 IIS, then the IIS in Part 4B of the Code is intended to apply to non-PAs as well as PAs. Other elements of IESSA and Explanatory Memorandum, however, indicate that parts 1 – 4B only mandatorily apply to PAs. IESSA should clearly and consistently state the circumstances where non-PAs are required to apply Part 4B of the Code.

Paragraph 5100.2b(b) of the ED 'encourages' practitioners who are not professional accountants to apply Parts 1 to 4B of the Code to guide their general conduct. This will not be appropriate for legal practitioners – who are required to apply their professional

conduct rules in their provision of legal services. Therefore, subsection 5100.2b(b) should be amended to specify that this encouragement is ‘subject to any profession-specific rules or regulations that apply to the practitioner’ (or words to similar effect).

### **Definition of ‘intended users’**

An SAE is defined as ‘an engagement in which a sustainability assurance practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information’. We recognise that the ‘intended user’ of sustainability information will depend on the applicable sustainability reporting and assurance framework. However, this term should be given some definition to clarify the scope of what constitutes a SAE.

### **Application of IESSA to firms**

We understand that the scope of IESSA extends not only to individual practitioners but also to the firms which undertake SAEs. The determination of a ‘firm’ in the context of a SAE is equivalent to the approach in the context of an audit or other assurance engagement. It includes:

- a) A sole practitioner, partnership or corporation of sustainability assurance practitioners;
- b) An entity that controls such parties, through ownership, management or other means; and
- c) An entity controlled by such parties, through ownership, management or other means.

This definition of ‘firm’ as we understand it does not capture an entire law firm or other partnership which could comprise some legal practitioners who are SAPs (i.e. undertake SAEs) and some which who are not. However, other provisions of IESSA (for example, the fees provisions at section 5410) indicate that the term ‘firm’ is intended to cover such law firms. This should be clarified.

In our view, whatever the definition of ‘firm’, the obligations in IESSA should as far as possible be clearly limited to the team in the law firm who undertakes SAEs, as law firms themselves (as well as individual legal practitioners) may be subject to jurisdiction-specific professional conduct rules.

### **Question 4 - No Specific Comment**

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

ACRA - Accounting and Corporate Regulatory Authority (Singapore)

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

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

Ceres Accelerator

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

**MSCI - Morgan Stanley Capital International**

**NBIM - Norges Bank Investment Management**

**Preparers and Those Charged With Governance**

**Asma Jan Muhammad**

**BD - Bruno Dirringer**

**Professional Accounting Organizations (PAOs)**

**CBPS-CFC-IBRACON**

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

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

The stand-alone nature of Part 5 does not reflect the fact that the auditor could be the SAP and, where this is the case, there could be the same or different oversight authorities involved. In our view, this potential scenario needs further consideration.

In this context, we note that the section on confidentiality proposed in para. R5114.3 also refers to the potential “use of” confidential information, citing some examples. In our opinion, potential coordination and collaboration with a financial statement auditor ought to be an example addressed more explicitly here, when the SAP is not the financial statement auditor, as the potential for, and possible limitations governing, coordination and collaboration (including the role of client consent) need to be clear to both financial statement auditors and SAPs. As we have noted in response to q. 7 below, the issue of confidentiality restrictions in national legislation also needs to be addressed. We note that IESBA proposes new text in this Section to address possible use for training purposes (5114.3 A3) but has neglected to address this important issue.

As noted in the overall comments, the considerable number of unwarranted differences between the ED and the other parts of the code will make compliance unnecessarily complex and will likely lead to further unnecessary divergence in future.

**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)**

**AccountAbility**

**JAB - Japan Accreditation Board**

**Accounting Firms and Sole Practitioners**

**Assirevi - Association of Italian Audit Firms**

**BKTI - Baker Tilly International**

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

Deloitte Global agrees that Part 5 should include the independence requirements that apply to both the sustainability assurance engagement and other services provided to the same sustainability assurance client. We do not agree that the same independence standards that apply to financial statement audits should be replicated in Part 5 as they are not all applicable in the same manner as in a sustainability assurance context (for example, the criteria for determining whether a self-review threat exists when providing non-assurance services to a sustainability assurance client). This is discussed further in Question 15.

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

#### **Academia and Research Institutes**

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

**NRS - Professor Nicole Ratzinger-Sakel**

#### **Others**

**IIA - The Institute of Internal Auditors**