

**IESBA Sustainability****Question 15 - Agree****Regulators and Oversight Authorities, incl. Monitoring Group members****BAOA - Botswana Accountancy Oversight Authority**

We agree with the provisions of section 5600 because they ensure that there are adequate safeguards on threats to independence for the Firm providing non assurance services to a sustainability assurance Client. Furthermore, the provisions are also in line with independence standards for audit engagements.

**IRBA - Independent Regulatory Board for Auditors**

Yes (with no further comments)

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

NASBA agrees with the provisions in Section 5600 (for example, the “self-review threat prohibition,” determination of materiality as a factor, and communication with TCWG).

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

The PAAB supports the set requirements and application material. Independence requirements should be similarly and wholly applied in these instances particularly in relation to vis a vis financial statement audits and other engagements. This is set forth in 5600.9 and is a mandatory requirement.

**UKFRC - United Kingdom Financial Reporting Council**

Yes.

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

Yes.

**Public Sector Organizations****UNCTAD - UNCTAD’s African Regional Partnership**

100% of the respondents agree with the provisions in Section 5600.

**Independent National Standard Setter****APESB - Accounting Professional & Ethical Standards Board (Australia)**

APESB supports the proposed provisions in Section 5600. Stakeholders at APESB’s Roundtable also agreed that the “self-review threat prohibition” is consistent with the audit engagements in Part 4A of the Code.

**Professional Accounting Organizations (PAOs)****ACCA - Association of Chartered Certified Accountants**

We agree with the provisions in Section 5600 (for example, the “self-review threat prohibition,” determination of materiality as a factor, and communication with TCWG) as the threats arising from NAS are the same for sustainability and an audit engagement. Therefore, the same principles apply to ensure that self-review threat or providing management services.

### **AE - Accountancy Europe**

Yes, we agree with the provisions in Section 5600 including the self-review threat prohibition, determination of materiality as a factor, and communication with TCWG.

Paragraph R5600.17 sets a general requirement that sustainability assurance provider shall not provide a non-assurance service to the same entity that is a PIE if the provision of that service might create a self-review threat. This makes other paragraphs repeating the self-review threat prohibition for specific type of NAS (such as R5603.5, R5604.15, R5604.19 R5604.24, etc.) redundant. As such, Part 5 does not need to include those paragraphs in Part 5.

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

Yes, we agree.

We consider Part 5, Section 5600, to be one of the most important sections of the IESBA ED, and we concur because we fully agree with the provisions of that Section, which include among several others the prohibition on assuming management responsibility, the prohibition on the threat of self-review, the determination of materiality as a factor, and communication with the TCWG.

We similarly agree with the IESBA that the IISs in the IESSA proposal state that the provision of NAS to a sustainability assurance client could create threats to compliance with the core principles and to independence. The provision of NAS to an audit client focuses on the impact of such services on the financial statements. Similarly, the IESBA considers that, in the context of a sustainability assurance engagement, the provision of the same NAS may affect the sustainability information on which the firm expresses an opinion.

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

-Agreeing with the provisions in Section 5600, such as the "self-review threat prohibition," determination of materiality as a factor, and communication with Those Charged With Governance (TCWG), is crucial for maintaining independence and ensuring the quality of sustainability assurance services

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

We agree with the provisions in Section 5600.

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

We agree with the provisions in Section 5600.

We concur with the IESBA that in the context of a sustainability assurance engagement it is appropriate to adopt an equivalent approach to the independence standards for audit engagement.

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

Yes – we agree with the IESBA that the general requirements and application material set out in Section 600 of Part 4A for audit engagements (such as the prohibition from assuming management responsibility, “self-review threat prohibition,” and communication with TCWG) should also be applicable when the firm provides NAS to a sustainability assurance client.

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

Yes

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

IPA generally supports the approach taken by IESBA on providing non-assurance services to sustainability assurance clients.

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

The KICPA supports using the provisions equivalent to the audits of financial statements in Section 5600, because it is appropriate to evaluate and address the threat to independence that can be created by NAS, in the same manner as the audits of financial statements.

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

While, as already noted above, MIA is of the opinion that all the principles and guidance set out in the IESSA must apply to PAs and non-PAs in the same manner, the Institute agrees with the provisions in Section 5600 setting out requirements and application material addressing the provision of NAS by a sustainability assurance practitioner to a sustainability assurance client.

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

We support the provisions in Section 5600. The proposed provisions are clear in taking an equivalent approach to independence standards for audit and assurance engagements.

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

We agree with the provisions in Section 5600.

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

We agree with the provisions.

## **Accounting Firms and Sole Practitioners**

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

BDO agrees that an approach equivalent to the independence standards for audit engagements must be taken with regards to sustainability assurance engagements and that providing NAS to a sustainability assurance client might create threats to compliance with the fundamental principles and to independence in particular.

BDO agrees that the general requirements and application material set out in Section 600 of Part 4A for audit engagements (such as the prohibition from assuming a management responsibility, the ‘self-review threat prohibition,’ and ‘communication with TCWG’) should also be applicable when the firm provides a NAS to a sustainability assurance client.

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

Yes, we agree with the provisions in Section 5600.

### **MAZARS - Mazars Group**

We agree with the principle that independence standards for audit and sustainability assurance engagements should be aligned, and therefore support the provisions in Section 5600 regarding non-assurance services to sustainability assurance engagement clients.

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

Yes, we agree with the provisions in Section 5600. The independence requirements for the provision of NAS by a SAP should be as strong as those required for a PA in public practice performing assurance work on a client.

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

We agree with the rationale of applying similar provisions from audit to sustainability

### **PKF - PKF Global**

We are supportive of the provisions in Section 5600.

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

In principle yes, subject to our response to Question 12.

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

We agree with the provisions in proposed Section 5600, Provision of Non-Assurance Services to a Sustainability Assurance Client, of ED-IESSA (for example, the 'self-review threat prohibition', determination of materiality as a factor and communication with those charged with governance) as it is consistent with extant Section 600, Provision of Non-Assurance Services to an Audit Client, of the Code.

### **Academia and Research Institutes**

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

Agree.

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

We agree with the provisions in Section 5600.

## **Question 15 - Agree With Comments**

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

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

We note that the IESBA has taken an equivalent approach to the independence standards for audit engagements regarding the provision of non-assurance services to a sustainability assurance client. General requirements and application material set out in Section 600 of Part 4A for audit engagements have been included in section 5600 of ED-IESSA. We invite

the IESBA to reinforce the proposed requirements in order to take more into consideration the rules concerning the provision of non-assurance services already in place in several jurisdictions, such as the Corporate Sustainability Reporting Directive in the European Union, and thereby contributing to the quality of sustainability assurance engagements across jurisdictions.

We encourage the IESBA to expand especially on the threats to compliance with the fundamental principles and to independence when providing non-assurance services to a sustainability assurance client, especially for those to which this is a new concept. We also invite the IESBA to consider whether the same improvements should be applied in section 600 ensuring a consistent approach throughout the Code.

We believe that certain non-assurances services create self-review threats in almost all circumstances. We are concerned that the current terms "...if the provision of ... service(s) might create a self-review threat..." or "...might create a self-review threat when there is a risk that..." will be subject to various interpretations and judgements by practitioners resulting in inconsistent application. Against this backdrop, we highlight that the provisions do not clarify that these non-assurance services create a self-review threat in most if not all circumstances. Considering also the lack of sufficient and appropriate guidance on how the PA or SAP determines that there is a self-review threat we continue to urge the IESBA to further limit the provision of these services to PIEs given the particular public interest in such entities. We also stress that clear and well understood provisions are essential to support enforceability.

In this context, the changes made to the ED-IESSA based on feedback received to the consultation should feed through to the related sections in Part 4 of the Code.

### **ESMA - European Securities and Market Authority**

ESMA generally supports the approach proposed with regards to Section 5600 on the provision of non-assurance services to a sustainability assurance client and the consistency with Part 4A of the Code. ESMA notes, however, that the proposed requirements leave substantive room for judgement with regards to the possibility for the sustainability assurance practitioners to engage in NAS. ESMA notes that the Code – both in the new Part 5 and in Section 600 – would benefit from more stringent requirements and specific prohibitions.

Furthermore, one of the factors to be considered in evaluating threats that might be created by providing NAS to a sustainability assurance client is the consideration of whether the outcome of the service will have a material effect on the sustainability information. In this regard, ESMA supports the proposal to link the concept of materiality to the relevant underlying sustainability reporting framework.

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

We note that the IESBA has taken an equivalent approach to the independence standards for audit engagements regarding the provision of non-assurance services to a sustainability assurance client. General requirements and application material set out in Section 600 of Part 4A for audit engagements have been included in section 5600 of ED-IESSA. We invite the IESBA to reinforce the proposed requirements in order to take more into consideration the rules concerning the provision of non-assurance services already in place in several

jurisdictions, such as the Corporate Sustainability Reporting Directive in the European Union, and thereby contributing to the quality of sustainability assurance engagements across jurisdictions.

In particular, we encourage the IESBA to expand on the threats to compliance with the fundamental principles and to independence when providing non-assurance services to a sustainability assurance client, especially for those to which this is a new concept. We also invite the IESBA to consider whether the same improvements should be applied in section 600 ensuring a consistent approach throughout the Code.

We believe that certain non-assurances services create self-review threats in almost all circumstances. We are concerned that the current terms “...if the provision of ... service(s) might create a self-review threat...” or “...might create a self-review threat when there is a risk that...” will be subject to various interpretations and judgements by practitioners resulting in inconsistent application. Against this backdrop, we highlight that the provisions do not clarify that these non-assurance services create a self-review threat in most, if not all, circumstances. Considering also the lack of sufficient and appropriate guidance on how the PA or SAP determines that there is a self-review threat we continue to urge the IESBA to further limit the provision of these services to PIEs given the particular public interest in such entities. We also stress that clear and well understood provisions are essential to support enforceability.

In this context, the changes made to the ED-IESSA based on feedback received to the consultation should feed through to the related sections in Part 4 of the Code.

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

We note that the IESBA has taken an equivalent approach to the independence standards for audit engagements concerning the provision of non-assurance services to a sustainability assurance client. General requirements and application material set out in Section 600 of Part 4A for audit engagements have been included in section 5600 of ED-IESSA.

Although users of the Code might be familiar with non-assurance services in the context of an audit engagement and understanding transitions easily to a sustainability assurance engagement. For some SAPs and users however, non-assurance services might be a new concept. This leads to a risk of inconsistent interpretation across practitioners. Furthermore, engagements specific to sustainability such as advisory services on ESG strategy add an extra layer of complexity when identifying, evaluating and addressing threats to independence. We encourage the IESBA to expand on the threats to compliance with the fundamental principles and to independence when providing non-assurance services to a sustainability assurance client. We believe that certain non-assurances services create self-review threats in almost all circumstances and the use of the word “might” increases the risk of inconsistent understanding and application across practitioners. We suggest strengthening the requirements proposed in ED-IESSA by prohibiting provision of those non-assurance services to PIEs, rather than referring to the evaluation of the threats.

Accordingly, we invite the IESBA to take more into consideration the prohibition rules already in place in several jurisdictions and thereby contributing to the improvement of consistency across the globe.

## Public Sector Organizations

### GAO - US Government Accountability Office

We generally agree with the provisions in section 5600, Provision of Non-Assurance Services (NAS) to a Sustainability Assurance Client, which are based on the general requirements and application material in section 600, Provision of Non-Assurance Services to an Audit Client, of part 4A of the extant Code for audit engagements. However, we believe that the discussion of “materiality” in proposed paragraph 5600.11 A1 should relate to the significance of the non-assurance services provided in relation to the sustainability information for which the firm will express an opinion and not to the sustainability information itself.

### UNCTAD - UNCTAD’s Latin America Regional Alliance

( )

I agree 60% of respondents

( )

I am not sure 20% of respondents

( )

I don’t agree (please qualify) 20% of respondents

## Independent National Standard Setter

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

We broadly support the independence provisions for providing non-assurance services by assurance practitioners to an assurance client but recommend some further considerations as detailed below.

#### *Self-review threat prohibition is not consistently understood*

We believe that it is important to issue non-authoritative guidance to educate users of the Code not familiar with writing conventions of the IESBA to address how to interpret the self-review threat prohibition. During our outreach, we found out that the self-review threat prohibition is not well understood. The word “might” is not consistently considered as a very high bar. Some understand that the prohibition would apply only if the service actually created a self-review threat, as opposed to the consideration being a possibility of creating the threat.

There are also inconsistencies in interpreting how a self-review threat should be identified in practice. The confusion is created when IT related services are provided to the assurance client, as in many circumstances it is not obvious when the IT services might create the threat.

#### *Transitional provision for providing non-assurance services*

We are concerned that it is not clear whether the requirements apply prospectively or retrospectively.

We recommend that the IESBA should add a transitional provision to clarify that the proposals are not applicable to non-assurance services provided for services that might be currently performed by the assurance practitioners before the proposals take effect.

There may be services underway at the time the proposals become effective that are not in accordance with the proposed new independence requirements, but the practitioners who entered into those services provided them in good faith, following the independence requirements at the time. The IESBA might consider adding a similar transitional provision that was adopted when NAS related revisions to the Code were adopted.

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

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

Overall response: Yes, with exceptions.

Detailed comments: Outside of our concerns and objections related to the PIE requirements as discussed in response to question 9., SAPs will need some clarification regarding how to apply the “might” create self-review threats in paragraph R5400.32 and R5600.17, so that diversity in practice does not develop.

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

In our experience the self-review threat prohibition is not very well understood amongst NPAPs. The word “might” is not consistently considered as the mere possibility of a self-review threat occurring. Rather it is interpreted as needing to be probable that a self-review threat would occur. This appears to be most prevalent in relation to information technology systems services. Therefore, this is a particular area where implementation guidance would be well received.

Furthermore, we encourage the IESBA to consider adding a similar transitional provision to that of the Revisions to the Non-Assurance Services Provisions of the Code. This would enable the firm or network firm to continue such engagements, entered into before the effective date and for which the work has already commenced, under the extant provisions of the Code until completed in accordance with the original engagement terms.

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

Except for the following recommendations, we agree with the provisions of Section 5600, and taking an equivalent approach to the independence standards for audit engagements:

We note the guidance in 5600.7 A1, that if “there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to audit sustainability assurance clients that differ from or go beyond those set out in this section, firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions”. This is especially important in some parts of the EU, where legal provisions allow a firm to disregard sustainability assurance engagements provided in accordance with the Corporate Sustainability Reporting Directive (CSRD) in calculating the total value of non-audit services provided by that firm.

Linking with Section 5700, and our response to question 14, it would be useful to also include either reference to Section 5700, if it is updated with guidance for threats and

safeguards regarding a sustainability assurance client's value chain entities, or examples of threats that might present if providing non-assurance services to a sustainability assurance client's value chain entities, and possible safeguards that can be taken.

We agree with R5600.15, R5600.17, and R5600.18. However, given the early stages of evolution of sustainability reporting and emergence of new authoritative sustainability assurance frameworks, there is a high likelihood that many SAPs are currently providing non-assurance services to potential sustainability assurance clients. While we agree all possible safeguards should be taken, up to not accepting the sustainability assurance engagement, we believe there is merit in exploring the inclusion of some transitional arrangements that can be applied to "limited assurance" sustainability assurance engagements.

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

Unlike the provision of non-assurance services (NAS), provided for in Part A of the Code, which addresses the auditor independence in the audit services of financial statements, we understand that the range of non-assurance services related to sustainability information can be very extensive and difficult to address it in the Code. Further clarification and examples of what may pose a threat to the independence required in assurance engagement can be as valuable as providing a list of permitted and non-permitted services.

Connecting again to the comment above about another practitioner who is not an accounting professional providing assurance engagement, it is possible that the understanding of restrictions on types of services provided at the client or its related companies or even at Value Chain Entities is not achieved adequately or even evaluated without the same professional skepticism that an accounting professional has developed throughout the profession, due to their experience in providing assurance of the financial information of their clients. In short, a practitioner who is not an accounting professional can very simply conclude that there is no threat to independence, while an accounting professional can conclude that their objectivity and independence would be compromised by the same identified situation.

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

Yes, we agree in principles that, similar to what exists for the audit of financial statements, the provision of non-assurance services related to sustainability, to a sustainability assurance client might create threats to independence.

We agree with the provisions in section 5600 concerning self-review threat, materiality, communication with TCWG, etc.

However, we find that when it comes to specific types of NAS, they have not been adapted enough to sustainability matters (see for example all the NAS around taxation) and seem to be copy-pasted from the NAS related to financial audits.

This creates a confusion about which NAS may create a threat to independence on which engagement, especially in the case where the firm is both the auditor of the financial statements and the sustainability assurance provider for the same client.

It should be made clear that only the NAS related to financial information may create a threat to independence on the audit, and only the NAS related to sustainability may create a threat to independence on the sustainability assurance engagement.

For example, providing bookkeeping services to an audit client may not create a risk on the sustainability assurance engagement for that same client. As presently drafted, the lack of sufficient “customization” and adaptation of the NAS related to sustainability, creates a confusion as to whether the two types of NAS (financial NAS and sustainability NAS) may mutually create a threat to independence on financial audit and sustainability assurance engagement.

We believe they should clearly be treated in two different silos.

Overall, we find that the NAS section is much too long and much too detailed.

### **CPAA - CPA Australia**

CPA Australia is of the view that the logic pertaining to paragraphs 5600.16 A2 and R5600.17 remains flawed (as it does in equivalent paragraphs in Part 4 of the Code). While acknowledging the explanation of the prohibition detailed in the guidance paragraph (5600.16 A2) that a self-review threat for a PIE cannot be eliminated and safeguards are not capable of being applied to reduce that threat to an acceptable level, paragraph R5600.17 is not consistent with this reasoning. It “goes further”. This paragraph includes a requirement that prohibits a non-assurance service from being provided merely because it “MIGHT” create a threat rather than because it does create a threat.

Arguably, any service “might” create a threat and hence this requirement is tantamount to a blanket prohibition on the provisions of all non-assurance services. If it is the intention of the IESBA to prohibit all non-assurance services for PIEs, it should make that statement, which would vastly simplify these sections of the Code. This would then be consistent with IESBA’s view of detailing those non-assurance services that do not create a threat to independence and which can still be offered.

CPA Australia is comfortable with the provisions relating to the determination of materiality and communication with those charged with governance.

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

Yes, we agree. However, as outlined in our response to Question 4, the PTC is of the strong view that non-PAs should be required instead of encouraged to apply 4B of the Code or other independence requirements that are at least as demanding, for sustainability assurance engagements that do not meet the criteria in proposed paragraph 5400.3a. Encouraging non-PAs to comply with Part 4B but imposing a requirement for such compliance on PAs when performing other sustainability assurance engagements would create an unlevel playing field for non-PAs because they do not have to apply the more stringent requirements or requirements “at least as demanding” as Part 4B, which may not be in the public interest. We think that this would effectively mean that non-PAs would not be consistently held to the same high standards as PAs for all sustainability assurance engagements, and that the resulting expectation gap poses a risk to public trust in sustainability information.

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

In principle, we agree with the provisions of proposed new Section 5600.

However, we consider that the creation of a new type of engagement which includes restrictions, might have the potential unintended consequence of deterring audit firms from undertaking Sustainability Assurance Engagements. This is because they may be conflicted by reason of other services that they already provide to the entity (particularly to PIEs).

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

We agree with the provisions in Section 5600 however since we noted a replication with Section 600, we suggest that the wording in the proposed standards be amended to make reference to the principles in Section 600 regarding the evaluation of threats associated with provision of NAS.

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

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

It would be helpful for IESBA to be clear as to the impact of the timing of non-assurance services provided in the past and discuss issues such as the extent to which they might result in a prohibition due to a self-review threat.

Not all SAPs will be familiar with the application of the IESBA's conceptual framework. We therefore suggest that requirement in R5600.9 "the firm shall apply the conceptual framework to identify, evaluate and address any threat to independence ... " needs further clarification as to how exactly to apply the conceptual framework – just listing factors to consider will likely not be sufficient to drive consistency.

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

The provisions in this section replicate some of the information within Part 4a of the Code, so we reiterate our previous comment that some of the context may be lost without the other points of reference that are available to auditors in applying Section 4A. Additionally, a problem that exists in Section 600 of the extant Code has been replicated in 5600 here. The use of the word 'might' in a requirement paragraph is problematic and this happens on several occasions within the section, for example R5600.9 and R5600.15. The sections would be clearer if focusing on threats that 'will' occur, but we acknowledge the wording may intend to convey that a perceived threat rather than an actual threat may arise which then still need resolution or action. However, there would be more appropriate ways of dealing with such instances than through this wording that can create confusion and inconsistency. It could be argued that almost any service 'might' create a threat, so wording of the requirement could effectively prohibit all NAS services.

We note again that the level of sustainability advisory work being completed at present may also create future challenges if those clients request sustainability assurance services, so

potentially some transitional provisions may be needed to allow practitioners to organize their workloads without disrupting the quality of sustainability assurance.

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

We agree with the fundamental principles outlined in Section 5600.

We do not agree with paragraph 5600.7 A1 where it stipulates that, if there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to sustainability assurance clients, “firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions”. It is self-understood that firms providing non-assurance services need to comply with relevant laws and regulations. The requirement to comply with the more stringent provisions contradicts, in a well-regulated environment, the decisions, intentions and considerations of the legislator and hinders acceptance of the Code as such.

We also disagree with the communication requirements with TCWG of PIEs to the extent it contradicts the legally established allocation of responsibilities between TCWG and the auditor/assurance provider, as outlined in our cover letter.

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

We agree with the provisions in Section 5600.

However, we suggest the IESBA provide a sufficient preparation period to address the requirements and application material in Section 5600 including transitional provisions, because in many cases firms, including sustainability assurance practitioners who are not professional accountants, provide sustainability-related NAS to audit clients, and the firms are required to organize these services to comply with the International Independence Standards in Part 5.

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

SAICA agrees with the provisions of section 5600, as there is different NAS that could result in the future which could have an impact on independence. SAICA believes that there will be challenges in trying to explain materiality as a factor. Materiality is from IFRS and IFRS for SME which best suit the financial statement audits. SAICA recommends that the IESBA provides application guidance on the definition of materiality.

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

SOCPA agrees with the proposed provisions in Section 5600 of the exposure draft; however, the documentation requirements in paragraph R5600.28 which are necessary could be enhanced by introducing specific examples.

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

We agree with the IESBA's approach.

In 5600.12 A1, reference should be made to R5600.15 instead of R600.15.

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

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

*Self-review threat prohibition*

Deloitte Global agrees with the premise in Section 5600 that sustainability assurance providers should apply the conceptual framework to identify, evaluate and address threats to independence when providing non-assurance services to sustainability assurance clients. Importantly, we value the basis in determining the permissibility of a service to a sustainability assurance client is largely dependent on whether the service might affect the sustainability information on which a firm expresses an opinion.

Deloitte Global notes this differs from Section 600 in Part 4A, where there are some services that are not permissible for a PIE given the presumed existence of a self-review threat (e.g., accounting and bookkeeping services). We believe this created an unintended consequence during IESBA's non-assurance services project. Even with the exception provided in paragraph R600.27, those prohibitions for listed entity audit clients create prohibitions for non-PIE audit clients in the broader group given the definition of a listed audit client includes all related entities including non-PIE upstream and sister entities. For example, accounting and bookkeeping services for a non-PIE sister entity of a PIE audit client would not be permissible, even if the level of self-review threat for that non-PIE audit client is at an acceptable level. The provisions under Section 5600 remove this issue for sustainability assurance clients as it allows the sustainability assurance practitioner to assess whether a self-review threat might exist instead of presuming that a self-review threat is always created for certain services. We suggest that conforming amendments be made to Section 600 to state the services are prohibited if they might create a self-review threat. Alternatively, paragraph R600.27 could be revised to specify that the provision of services to upstream and sister entities is only prohibited if the service might create a self-review threat with respect to the financial statements of the PIE audit client on which the firm will express an opinion.

#### *Evaluation of self-review threat*

Deloitte Global suggests that paragraph R5600.15 be clarified to ensure consistent interpretation of the boundary for evaluating the risk of a self-review threat. In a financial statement audit engagement, the subject matter information encompasses the accounting records, the internal controls over financial reporting and the financial statements. In mirroring this concept from Part 4A, it appears that the evaluation considers whether the service impacts the records underlying any sustainability information or any internal controls over sustainability reporting which may be too broad in the context of the sustainability assurance engagement. Part 4B limits the determination of the risk of a self-review threat to the subject matter information which subsequently becomes the subject matter information of an assurance engagement (paragraph 950.11 A1), which is more appropriate for evaluating non-assurance services under Part 5. We consider a self-review threat will only exist if there is a risk that the results of the service will form part of or affect:

- the records underlying the sustainability information on which the firm will express an opinion;
- the internal controls over sustainability reporting on which the firm will express an opinion, or;
- the sustainability information on which the firm will express an opinion.

**KMPG - KPMG IFRG Limited**

We agree with the provisions that address providing NAS to a sustainability assurance client with a suggested clarification to paragraph R5600.15 to reword point (a) to ensure it is clear that the “records underlying the sustainability information” and “the internal controls over sustainability reporting” are those that are linked to the sustainability information on which the firm will express an opinion. Without these edits to bring in sustainability terminology, this paragraph may be incorrectly interpreted too broadly as the results of the service forming part of or affecting internal controls over any sustainability reporting or records underlying any sustainability information.

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

Yes, but with comments

In general we support the principle that threats to independence should be identified and addressed. We agree that, if a NAS might create a self-review threat in relation to the assurance engagement, there should be an evaluation of threats and safeguards.

We agree that materiality of the service and the impact of the sustainability information would be a relevant factor in the evaluation of any self-review or other threat.

Given that the term “sustainability information” is used throughout this section, it is important that there is clarity on the scope of that definition as it would impact the application of the provisions in section 5600. Please refer to Question 3.

In section 5601.3 A1, "sustainability data and information services" (i.e., the 'replacement' for bookkeeping) lacks clarity and poses a potential hindrance to benchmarking services that would otherwise be permissible as a "data and information service". It is suggested that the term "sustainability information recordkeeping or sustainability information preparation" be considered as an alternative.

We agree with the position taken in R5601.6 that whether a “sustainability data and information service” might create a self-review threat is dependent on whether the service "might affect the sustainability information on which the firm expresses an opinion to a sustainability assurance client that is a public interest entity". This provides clear guidance that the relevant self-review threat is in relation to the assurance report provided to the sustainability assurance client that is a public interest entity (and not, for example, in relation to services to upstream and sister entities of that client where there is no self-review threat in relation to the client itself). We recommend, as an aside to comments on this ED, that the IESBA considers making a revision to the accounting and bookkeeping paragraph 601.6 in Part 4A to also reflect this clarity.

### **Academia and Research Institutes**

#### **NSU - Nova Southeastern University**

Question 15 opinions in favor:

- Yes, I agree with the provisions in Section 5600. Clear guidelines on the provision of NAS by sustainability assurance practitioners ensure transparency and mitigate potential conflicts of interest. The prohibition of self-review threats and considerations of materiality enhance the credibility and objectivity of assurance engagements.

- Section 5600's provisions play a vital role in maintaining the independence, objectivity, and credibility of sustainability assurance engagements. The self-review threat prohibition stops practitioners from assessing their own work, while the determination of materiality ensures that practitioners focus on issues of significance to stakeholders. Supporting these provisions shows a commitment to ethical conduct and professional integrity. By sticking to strict independence standards and communicating effectively with those charged with governance, practitioners uphold the principles of accountability and transparency, thereby enhancing public trust.
- Yes, I agree with the proposed criteria for such engagements in paragraph 5400.3a. These criteria help ensure that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have a significant level of public interest, similar to audits of financial statements, which is important for maintaining public trust.

Question 15 opinion opposed:

- I disagree that the “self-review threat prohibition” would be valid concern in this situation. I have worked for and seen firms perform NAS work for clients such as reviews and perform audit engagements for the same client. I believe that if materiality can be protected and not breached there should not be an issue when it comes to sustainability assurance clients.

## **Question 15 - Disagree**

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

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

In view of the evolving development of sustainability reporting and assurance, we suggest that the IESBA incorporate transitional arrangement or implement the provisions in Section 5600 in phases. With the emergence of new sustainability reporting requirements in recent years and the absence of sustainability assurance requirement in certain jurisdictions, entities are expected to prioritize their efforts on preparing sustainability information and approaching external consultants (PA and non-PA practitioners) for assistance in the form of non-assurance services. We believe that the experience gained by external consultants from such non-assurance services will also be helpful to them in pitching for, planning and conducting sustainability assurance engagements when the need for assurance arises.

In this regard, the implementation of the provisions in Section 5600 at the same time as the other fundamental principles within ED-IESSA may result in unintended consequences in reducing the pool of practitioners that will be available to clients as a practitioner who intends to provide sustainability assurance in future years cannot provide certain NAS to the same client. This is particularly relevant in the current market where there are already limited quality sustainability assurance providers and where the majority of clients seeking sustainability assurance are public interest entities.

From a practitioner’s perspective, they might become more cautious when accepting sustainability assurance engagements and negotiating fees due to the proposed restrictions imposed by Section 5600. As a result, the pool of practitioners available to client

may also be limited as clients may be declined and compelled to seek another practitioner for their sustainability assurance needs. If that other practitioner is not subject to regulatory oversight and enforcement regarding sustainability assurance, this raises concern about the quality of work, considering the absence of mandatory regulatory requirements to comply with specific assurance frameworks and ethical requirements. The overall impact could be detrimental to the sustainability reporting and assurance as a whole.

Furthermore, the inaugural ISSB standards (i.e. IFRS S1 & S2) were published just ten months ago and the ISSB is already planning to publish more topical standards; at the same time, the assurance reporting framework (i.e. ISSA 5000) is still undergoing development. These developments indicate that a larger volume of sustainability information would be subject to reporting requirements and subsequently require assurance. Given the ever-evolving landscape, implementing such a stringent requirement within Section 5600 may not be conducive to the development of the sustainability market.

Lastly, after examining Section 5600, we believe that it is not the intention of the IESBA to expand the scope of NAS requirements to include the value chain entities of sustainability assurance clients. To enhance clarity on this matter, we recommend that the IESBA follow the wording of the proposed paragraph 5360.7 A3(b) to explicitly state in Section 5600 that NAS requirements are applicable to sustainability assurance clients only and exclude their value chain entities. Currently, neither the IESBA's explanation memorandum nor Section 5600 discusses or provides guidance in this regard.

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

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

Sustainability is an emerging area and the non-audit services performed for sustainability assurance clients is also emerging and developing. For this reason, we do not agree with IESBA's approach to lift the requirements from section 600 in the Code for non-audit services provided to financial statement audit clients and include them in the proposed standard.

The provision of NAS in section 600 has been developed for what is relevant to financial statement audits and the impact of such services have on the financial statements.

The approach taken by the Board does not reflect the nuances of sustainability services and may fail to capture future services that are becoming more prominent.

Therefore, we recommend the Board consider providing more practical examples of sustainability services and their impact on independence.

### **Question 15 - No Specific Comments**

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

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

##### **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

ICFOA - International CFO Alliance

**Public Sector Organizations**

AGNZ - Office of the Auditor General of New Zealand

**Professional Accounting Organizations (PAOs)**

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

GAA - Global Accounting Alliance

INCP - National Institute of Public Accountants of Colombia

ISCA - Institute of Singapore Chartered Accountants

NBA - Royal Netherlands Institute of Chartered Accountants

NYSSCPA - New York State Society of CPAs

PICPA - Pennsylvania Institute of Certified Public Accountants

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

AA - AccountAbility

IAF - International Accreditation Forum

JAB - Japan Accreditation Board

**Accounting Firms and Sole Practitioners**

Assirevi - Association of Italian Audit Firms

BKTI - Baker Tilly International

**Academia and Research Institutes**

NNN - Nada Naufal Director at the American University of Beirut

NRS - Professor Nicole Ratzinger-Sakel

**Others**

IBA - The International Bar Association

IIA - The Institute of Internal Auditors