

**IESBA Sustainability****Question 6 - Agree****Regulators and Oversight Authorities, incl. Monitoring Group members****BAOA - Botswana Accountancy Oversight Authority**

Yes, we support inclusion of Section 5270 in Chapter 1 of the ED. It sets out the specific requirements and application material in circumstances where pressure is exerted on, or by, a Sustainability Assurance Practitioner creates an intimidation or other threat to compliance with one of more of the fundamental principles.

**UKFRC - United Kingdom Financial Reporting Council**

Yes.

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

Yes.

**Public Sector Organizations****AGNZ - Office of the Auditor General of New Zealand**

Yes.

**GAO - US Government Accountability Office**

We support including section 5270 of chapter 1 in the ED.

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

I do support - 100% of respondents

**UNCTAD ARP - UNCTAD African Regional Partnership**

100% of the respondents support the inclusion of the Section 5270 in Chapter 1 of the ED as its exclusion would compromise the performance of sustainability assurance engagements and undermine public trust.

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

Yes, we agree with the inclusion of Section 5270 in the proposed IESSA. We agree that most standards in Part 2 of the extant Code do not need to be replicated in Part 5, since Part 2 applies to PAs in business, who do not perform audits of financial statements. We support the inclusion of Section 5270 (Pressure to Breach the Fundamental Principles) in Chapter 1 of the ED because pressure to breach the fundamental principles is not explicitly covered by the Part 1 equivalent standards in the IESSA. We note that there is a separate workplan for public sector accountants doing sustainability work.

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

Yes. We support the initiative to include in section 5270 of the IESSA, the necessary safeguards for cases of pressure to breach the Fundamental Principles, as provided for in Part 2, section 270 of the current Code. Considering that such pressure could arise and compromise the performance of assurance engagements and, therefore, damage the image and, above all, the confidence of the public in the assurance provided on sustainability information.

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

Supporting the inclusion of Section 5270 in Chapter 1 of the ED is beneficial as it enhances the structure and completeness of the standards, providing clear guidance and requirements for practitioners.

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

We support including Section 5270 Pressure to Breach the Fundamental Principles, adapted from Part 2 of the IESBA Code, in the ED. As Part 2 of the IESBA Code applies to professional accountants in business (PAIBs), i.e., sustainability assurance practitioners in the context of their relationship with the firm (e.g., in their capacity as an employee) this section might be particularly useful for NPAPs.

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

We support the inclusion of Section 5270 “PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES”, considering compliance with fundamental principles and conceptual framework.

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

Yes, the PTC is supportive of the IESBA’s proposal to include Section 5270 in Chapter 1 of the ED.

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

We support the inclusion of Section 5270.

We support its inclusion since pressure to breach the fundamental principles might compromise the performance of sustainability assurance engagements and consequently impair the public trust in it.

In 2017 EFAA published the report “Accounting and Ethics: Pressure Experienced by the Professional Accountant” which demonstrated the extent to which professional accountants find themselves under pressure to behave in an unethical manner.

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

Yes. As a matter of principle, we consider it important to incorporate the provisions relating to pressure to breach the fundamental principles.

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

Yes – we support the inclusion of Section 5270 ‘Pressure to Breach the Fundamental Principles’ as we believe it’s important for sustainability assurance providers to understand that pressure exerted on, or by, a sustainability assurance practitioner might create threats to compliance with one or more of the fundamental principles, and also how to address those threats.

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

We support the inclusion of Section 5270 as it addresses different pressures to breach the fundamental principles that sustainability assurance practitioners may encounter. We believe that this will provide very valuable insight into how these situations may be handled to minimize any threats to independence.

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

This section serves as a reminder of some important requirements, and we are supportive of its inclusion. However, as ethical codes and cultural norms vary jurisdiction to jurisdiction, these requirements may create complexity to navigate for some. Additionally, non-PAs may be subject to matters other than those common to PAs. While we have not identified any particular issues that are problematic, this is something that should be further monitored and considered in terms of practical application challenges.

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

Yes

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

IPA supports the inclusion of proposed Section 5270 of IESSA.

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

We support including Section 5270 in Chapter 1 of the ED.

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

The KICPA supports the IESBA's views that there is no significant difference between sustainability assurance engagements and audits of financial statements in terms of the nature of ethical issues to address and application of the conceptual framework. In this regard, the KICPA agrees with the proposed structure to maintain equivalent standards to Part 1~ 4A.

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

We have no objection to the inclusion of this Section.

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

We are supportive of the structure of the proposed IESSA including Section 5270 in Chapter 1 of the ED.

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

SAICA supports including Section 5270 in Chapter 1 of the ED.

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

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

Yes, we support the inclusion of proposed Section 5270 in Part 5 and believe these provisions are important in guiding SAPs, in particular those who are non-PAs, in applying the conceptual framework in such circumstances.

### **MAZARS - Mazars Group**

We support the inclusion of Section 5270 in the new Part 5 as section 270 (Pressure to breach the fundamental principles) of the extant code may apply to PAs performing audits of financial statements in certain circumstances. Other than section 270, it is not necessary to include equivalent standards for other sections in Part 2 of the extant Code.

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

Yes, we support the inclusion of Section 5270.

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

The rationale of including section 5270 is understandable and the basis sound.

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

PKF Global Response: We support including Section 5270 in Chapter 1 of the ED.

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

Yes, we support this inclusion.

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

Overall response: Yes, with no comments

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

We support including Section 5270 in Chapter 1 of the ED.

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

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

We support including Section 5270 in Chapter 1 of the ED.

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

Question 6: All students provided positive feedback, with examples below.

- I support the definition of sustainability information provided in Chapter 2 of the exposure draft (ED). The definition is broad and technical enough and provides sufficient operational room for sustainability assurance practitioners. Furthermore, the inclusion of environmental social and governance (ESG) elements provides a holistic and comprehensive approach to perform the sustainability assurance process. Sakalasooriya (2021) notes the linkage between ecological concepts and social aspects in the definition of sustainability. Markedly, sustainability is presented as the deliberate attempt to use ecological systems to guarantee the continuity of social systems (Sakalasooriya, 2021). The definition presented by IESBA is consistent with this understanding. Notably, this understanding is crucial as it highlights the endpoint of the wider sustainability efforts. Ultimately, sustainability seeks to ensure that future generations can enjoy the same resource endowments utilized by existing generations. The definition provided captures this element while providing operational freedom for practitioners. Therefore, I find the definition presented agreeable.
- I do support including section 5270. It is imperative to maintain transparency and trust with the public when producing reports. Stakeholders will prioritize having quality information, so it is important to include this section to avoid any mistrust or mistakes in the future. By creating a safety net in the case of a breach of fundamental principles

it will act as a necessary preventative measure to accompany these proposals. If this was left out, any event could occur that would lose the public's trust and destroy the integrity of the standards and future sustainability reporting.

- Yes, I strongly support the inclusion of Section 5270 in Chapter 1 of the ED. Accounting and auditing professionals are often faced with ethical dilemmas. It is our responsibility to act in the public interest. Ethical behavior in an organization is vital to establishing and maintaining the long-term trust of investors and stakeholders. With the increasing importance of sustainability reporting and assurance, it is imperative that we recognize and address the pressures and intimidation tactics that accounting professionals may encounter that could lead to threats of compliance and ethical standards. Therefore, Section 5270 in Chapter 1 of the ED addresses an extremely critical area of concern.
- After reviewing the rationale for including section 5270 in Chapter 1 of the ED, I fully support the rationale provided by the IESBA. Ensuring that the 'Pressure to Breach the Fundamental Principles' is present will be critical since the Part 1 standards which are equivalent to the IESSA may not fully encapsulate all of the scenarios professionals may run into while pursuing sustainability assurance. Reviewing Section 5270 specifically, I was glad to see key examples, such as in 5270.3 A2, where pressures to overlook breaches of environmental safety were specifically called out. Having these pressures described in Chapter 1 of the ED included will provide valuable examples for professionals to consider when carrying out their duties.
- I do support the inclusion of Section 5270 in part 5 of the exposure draft. This inclusion will ensure that pressure is not allowed from clients, corporate environments or the audit firms. Removal of pressures being placed or enforced by the practitioner that could potentially lead to breaches of compliance with the fundamental principles, will lower the risk of unethical behavior spawned by fear of not reaching expected goals. By including Section 5270, the board is acknowledging that unethical behavior is bred from an environment that allows pressure to sway individuals from compliance with standard practices. With this section, sustainability assurance is safeguarded from potential fraud and non-compliance.

## **Question 6 - Agree With Comments**

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

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

NASBA supports including Section 5270 in Chapter 1 of the Exposure Draft; however, as previously mentioned, the proposed standard is predicated on the notion that non-CPAs are going to follow the standards to the same rigor and equivalency as CPAs while there is no defined enforceability framework for non-CPAs.

### **Independent National Standard Setter**

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

APESB supports the inclusion of Section 5270 Pressure to Breach the Fundamental Principles, in the Sustainability ED. We believe this section provides clear guidance to practitioners in understanding examples of pressures that may result in threats to compliance with the fundamental principles and relevant information on how to navigate

those challenging situations. However, we note that the proposed section 5270 includes examples of pressure to act without sufficient expertise or due care but does not provide any supplementary guidance on how to address such pressures. APESB believes that the extant section 230 Acting with Sufficient Expertise provides relevant guidance material on evaluating and addressing threats that would be relevant and useful for sustainability assurance practitioners in applying the provisions in the proposed Part 5.

We would encourage the IESBA to consider including an equivalent section 230 within the Part 5 provisions to ensure practitioners can understand and appropriately address threats relating to acting with insufficient expertise and due care or to provide a reference to applicable guidance within the proposed Part 5 if it is felt it is dealt with in the existing proposals.

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

#### ***Pressures to Breach the Fundamental Principles***

Yes. This section might be particularly useful for assurance practitioners who are less familiar with the Code.

#### ***Other relevant sections from Part 2***

In our view Section 230 – Acting with Sufficient Expertise, should be brought from Part 2 and, after adjusting it for sustainability considerations, included in Part 5.

‘Sufficient Expertise’ is especially important for assurance over reported sustainability information, as the subject matter may be broad.

We highlight the importance of having sufficient knowledge of the context of the sustainability information. This “contextual knowledge” may be engagement specific to cover both the topic and a location, for example if there are any specific environmental, social, economic or cultural matters (understanding local communities, indigenous communities, etc.). It would be important for practitioners to evaluate their expertise in relation to each engagement performed.

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

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

Yes, we agree with the inclusion of Section 5270 in proposed IESSA. Examples of potential pressures mentioned in this section can be expanded by including pressures from the entity connected with intentional or unintentional greenwashing.

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

We understand the basis for and support the inclusion of Section 5270. However, we do not fully agree with the decision to focus on only these aspects of a SAP’s relationship with their firm. There are other aspects of a SAP’s relationship with their firm, addressed in the Part 2 of the extant Code, that, unless addressed in Part 5, might also compromise the performance of sustainability assurance engagements and consequently impair the public trust in them. Examples of these include issues such as communicating with those charged with governance in the firm (200), preparation and presentation of information between the SAP and their employing firm (220) and acting with sufficient expertise within the employing firm (230).



### **CPAA - CPA Australia**

While CPA Australia is supportive of the inclusion of Section 5270 in Chapter 1 of the ED. Its inclusion highlights two points:

- Should there be an equivalent of Section 270 in Part 3 of the Code, notwithstanding that Paragraph R300.5 exists?
- The creation of a separate Part 5 has created additional complexity for those using the Code. Revisions to the Code, rather than the creation of separate new Part, may have reduced this complexity.

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

In line with our comments elsewhere concerning the appropriateness of equivalency for professional accountants engaged as auditors and SAPs, whilst we note a few new bullet points, we urge the IESBA to consider whether further “new” examples might be needed in the Section 5270 relating to potential pressures facing a SAP – as opposed to over- or under-stating financial amounts, a SAP may be subject to pressures from the client connected with greenwashing (i.e., a desire to appear greener or less green than reasonably substantiable).

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

Whereas we have no concerns with respect to the examples listed in paragraph 5270.3 A2, we miss what we consider to be the biggest threat to the reputation of the profession, ie the threat to accept wording that does not objectively represent positive and negative impacts or progress made, or to accept a substantial amount of non-relevant information to be included in a sustainability report to disguise negative messages – in a nutshell, all sorts of verbal greenwashing.

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

We agree that Section 5270 should be included as it offers guidance to sustainability assurance practitioners in the event there is pressure to breach the fundamental principles.

Since the IESSA is restricted to sustainability clients only, this section could be further tailored, especially for non-PA practitioners, to deal with an ethics issue when facing pressure from the firm or other colleagues during the performance of sustainability assurance or related services. For example, paragraphs 5270.2 and R5270.3 could specify the section’s scope, for instance, only address the pressure from the firm or other colleagues on sustainability assurance engagements or other services, while the pressure from the sustainability assurance client (including management and related parties) is addressed in other sections (for example Section 5300), and thus, enables the related application material to be adapted accordingly.

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

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

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

We acknowledge the importance of Section 5270 as a reminder of key requirements and support its inclusion. However, given the variations in ethical codes and cultural norms

across jurisdictions, these requirements may pose navigational challenges for some. While we haven't identified specific issues of concern, it's important to monitor and consider potential practical application challenges.

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

SOCPA supports inclusion of section 5270, however, wishes to highlight that evaluating pressure threats and determining appropriate responses may involve subjective judgment, which could lead to inconsistencies in interpretation and application among practitioners. This subjectivity may introduce challenges in achieving uniformity and consistency in ethical decision-making across the profession.

Additionally, the specific examples of pressure provided in Section 5270 may also not be exhaustive. There is a risk that practitioners might misinterpret the section and fail to recognize other forms of pressure they might encounter.

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

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

BDO agrees with the proposal to add section 5270 to cover the relationship between the practitioner and his/her firm.

#### **Recommendation:**

Given that the IESSA is restricted to sustainability clients only, in our view, the section can be tailored more, especially for non-PA practitioners, dealing with an ethics issue when facing pressure from the firm or other colleagues when performing sustainability assurance or related services, e.g.:

Paragraphs 5270.2 & R5270.3 can specify the section's scope, e.g. only address the pressure from the firm or other colleagues on sustainability assurance engagements or other services, while the pressure from the sustainability assurance client (incl. management and related parties) is addressed in other sections for example 5300, and thus the related application material can be adapted accordingly.

The third point under paragraph 5270.3 A2, 'Pressure to act without sufficient expertise or due care' is more related to an intimidation threat from the client, which can be further detailed under section 5300, and the point about 'Pressure related to non-compliance with laws and regulations' can elaborate further on the pressure from the firm or other colleagues to overlook the non-compliance.

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

Deloitte Global does not object to including Section 5270 in the proposed IESSA. It would be helpful to include examples and guidance that are specific to sustainability assurance engagements, such as what actions a sustainability assurance practitioner would take if pressured to:

- reduce the scope that is being assured in order to influence the public's perception of an entity (e.g., the risk of "greenwashing").
- accept a narrower scope than that which is established by law or regulation.
- accept a scope that differs from the recommended approach when assurance is voluntary (e.g., the entity falls short of a key performance indicator ("KPI") that is in



scope of the voluntary assurance, and the entity requests that the sustainability assurance practitioner change their scope to exclude the KPI result).

### **Academia and Research Institutes**

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

Yes, with comments.

Section 5270 sets out that a sustainability assurance practitioner shall not allow pressure from others to result in a breach of compliance with the fundamental principles, and not place similar pressure on others. It gives examples of pressure. It suggests that a sustainability assurance practitioner should discuss the matter with the person exerting pressure, and with the practitioner's superior, and escalate the matter within the firm if necessary. The facts, communications, action considered and how the matter was addressed should be documented.

There is relevant research on the issue of pressures to breach FPs (Neesham & Azim, 2017). That study examined the ethical accountability needs of accounting professionals in Australia. The authors obtained 162 questionnaire responses and conducted 76 interviews.

The major sources of ethical conflict were pressure from the client, conflicts of interest, and pressure from employers (in that order). The respondents had considerable confidence in confidential counselling from their professional accounting bodies and from peer support on a confidential basis from accounting peers. They also commented on the need for their employer to have high ethical standards and appropriate tone from the top (Neesham & Azim, 2017).

The proposed standard already makes reference to confidential consulting with professional bodies. We believe this section (5270.3 A4) should be expanded to make it clear that a sustainability assurance practitioner can expect to be able to get confidential support from their professional body, or from other colleagues where necessary. The research also shows the importance of employer organizations having an appropriate firm culture.

We support the inclusion of section 5270 and suggest that it should be expanded.

### **Others**

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

Consistent with our response to Question 4, the scope of the obligations set out in section 5270 should be limited to the undertaking of SAEs and not to other services.

### **Question 6 - Disagree**

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

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

Overall Response: No with comments for your consideration below.

The IESBA's consideration of this matter is duly acknowledged.

We concur that professional accountants and sustainability assurance practitioners may face significant pressure in performing their duties, whether related to sustainability assurance, audits, or other professional services. Therefore, the question arises whether it is logical to solely elevate this issue within Part 5 (pertaining to sustainability assurance clients).

The IESBA Code outlines pressure as a component of the fundamental principle of integrity (111.1 A1) and as a factor that can compromise objectivity due to intimidation threats (120.6 A3), encompassing both real and perceived pressures. Moreover, exhibiting professional scepticism (120.16 A2) involves maintaining ethical conduct despite external pressures, a quality essential for professional accountants in business and professional accountants in public practice.

Given the universal significance of resisting pressure across all activities and professions, irrespective of whether one is a professional accountant or non-professional accountant, it would be prudent to enhance Part 1 of the Code instead. Some supporting reasons include:

- Section 270, even when replicated in Part 5, remains generic and lacks specific insights into sustainability-related pressures, mainly referring to other sections.
- From a structural standpoint, such enhancement in Part 1 would not unduly emphasise or prioritise certain activities over others, thereby promoting interoperability and consistency throughout the IESBA Code.

This also serves as a practical example of a more efficient structure and streamlined interoperability between the different parts of the IESBA Code (refer to our response to Question 2 above.)

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

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

No, not needed, as it is covered by fundamental principles.

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

We cannot fully comprehend why it is considered necessary to include these requirements and application material in the sustainability assurance provisions. As they originate from Part 2 relating to PAIBs, they seem to fit more into the environment of public accountants being employed by or working for non-PAs. As analogous provisions have not been included in Part 3 as well, the IESBA should double-check the necessity of including these requirements and application material here and their appropriateness for the intended purpose.

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

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

We agree with the Board's overarching direction that there is no need to develop equivalent standards to those in extant Part 2 for purposes of the IESSA. Given the proximity of subject matter already existing within Part 1 and Part 3, we believe any relevant points from Section 270 that are missing in relation to the pressure on the SAP to breach the fundamental principles could be added in Section 5120 or other sections in

Part 5 that cover the same subject matter, such as fees in Section 5330 or inducements in Section 5340. Thus, we do not support the inclusion of this section in Part 5.

### **Question 6 - No Specific Comments**

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

ACRA - Accounting and Corporate Regulatory Authority (Singapore)

CEAOB - Committee of European Auditing Oversight Bodies

ESMA - European Securities and Market Authority

IAASA - Irish Auditing & Accounting Supervisory Authority

IFIAR - International Forum of Independent Audit Regulators

IOSCO - International Organization of Securities Commissions

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

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

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

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

Overall response: No comment.

#### **CBPS-CFC-IBRACON**

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

GAA - Global Accounting Alliance

HKICPA - Hong Kong Institute of Certified Public Accountants

No specific comment.

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**

**IAF - International Accreditation Forum**

**JAB - Japan Accreditation Board**

**Accounting Firms and Sole Practitioners**

**Assirevi - Association of Italian Audit Firms**

**BKTI - Baker Tilly International**

**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**