

IESBA Sustainability**Question 5 - Agree****Regulators and Oversight Authorities, incl. Monitoring Group members****BAOA - Botswana Accountancy Oversight Authority**

Yes, we agree with the proposed criteria for such engagements in paragraph 5400.3a. It requires Practitioners to comply with the fundamental principles and independent requirements while acting in the public interest when performing sustainability assurance engagement.

IRBA - Independent Regulatory Board for Auditors

Yes (with no further comments)

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

NASBA agrees with the proposed criteria that the International Independence Standards (IIS) in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements for such engagements in paragraph 5400.3a standards for sustainability.

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

The PAAB supports the IESBA's proposed criteria for such engagements to be where the sustainability information is reported in accordance with a general-purpose framework; and is required to be provided in accordance with law or regulation; or is publicly disclosed to support decision-making by investors or other stakeholders. Application of the same independence requirements will maintain consistency and be in the public interest and create trust in the assurance process, whether financials or sustainability.

UKFRC - United Kingdom Financial Reporting Council

We believe the proposed criteria are sensible.

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 agree with the proposed criteria in paragraph 5400.3a.

UNCTAD - UNCTAD's Latin America Regional Alliance

Agree 100% of respondents

Independent National Standard Setter

APESB - Accounting Professional & Ethical Standards Board (Australia)

APESB supports the IESBA's approach to applying independence standards in Part 5 to sustainability assurance engagements that have the same level of public interest as audits of financial statements. We also agree with the proposed criteria in paragraph 5400.3a, especially the requirement for reporting in accordance with a general-purpose framework. This helps to identify engagements that are subject to the scope of independence standards. We believe the inclusion of the definition of general-purpose framework supports consistent application of this criteria.

NZAuASB - New-Zealand Auditing & Assurance Standard Board

Yes. We support the criteria in paragraph 5400.3a.

Professional Accounting Organizations (PAOs)

ACCA - Association of Chartered Certified Accountants

We agree with the proposed criteria to apply the International Independence Standards (IIS) in Part 5 where the sustainability information on which the sustainability assurance practitioner expresses an opinion is reported in accordance with a general-purpose framework and is required to be provided in accordance with law, regulation or is publicly disclosed to support decision-making by investors or other stakeholders. We understand the IESBA will consider how the Code might be enhanced as part of its Strategy and Workplan 2024-2027, whether through revision of the extant Part 4B or the development of a Part 4B equivalent in the new Part 5 (where the SAP (Sustainability Assurance Practitioners) is a PA (Professional Accountant)). We encourage expedience in this matter to ensure that all independence standards for sustainability assurance engagements are addressed in the Code in a profession-agnostic manner.

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

Yes. We agree, and understand, that the IESSA incorporating the International Independence Standards -IIS- Part 5, under development should contain the same requirements, adapted or appropriate to sustainability assurance engagements. As those required to financial statement audit engagements, consequently, the proposed criteria for sustainability assurance engagements proposed in paragraph 5400 3a we consider appropriate, provided that the sustainability information on which the sustainability assurance professional expresses an opinion that:

- (a) Is presented in accordance with a general purpose framework (as defined in the proposed revised Glossary); and
- (b) It is require to be provided in accordance with law or regulation; or is publicly disclosed to support making decision by investors or other interested parties.

As provided in paragraph 5400.3d of the draft IESSA, the sustainability information constitutes a certification and not a direct assignment.

Given that the IESSA project proposes to incorporate in its scope non-accounting professionals performing sustainability assurance work, Part 4B should be appropriate to that proposal, which the IESBA is already proposing in its 2024 to 2027 agenda.

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.

CFAR - Chamber of Financial Auditors of Romania

We agree with the proposed criteria for such engagements.

EFAA - European Federation of Accountants and Auditors for SMEs

We agree with the proposed criteria for such engagements.

We believe that the IIS in Part 5 applies to sustainability assurance engagements that have the same level of public interest as audits of financial statements and concur with the proposed criteria for such engagements in paragraph 5400.3a.

We understand that sustainability information prepared in accordance with the SME sustainability reporting standard for voluntary use by non-listed SMEs (VSME) under development by EFRAG (for the European Commission) will satisfy the proposed criteria and so IIS in Part 5 will apply to sustainability assurance engagements performed on reports prepared using the VSME.

HKICPA - Hong Kong Institute of Certified Public Accountants

We agree that the independence standards in Part 5 should only be applied to sustainability assurance engagements with a similar level of public interest as audits of financial statements which applies specifically to sustainability assurance engagements where the sustainability information, on which the practitioner expresses an opinion, is reported in accordance with a general purpose framework and is required to be provided by law or regulation, or publicly disclosed to support decision-making by investors or other stakeholders, as set out in paragraph 5400.3a.

ICAS - The Institute of Chartered Accountants of Scotland

Yes – we agree with the proposed criteria for sustainability assurance engagements in paragraph 5400.3a.

ICPAU - Institute of Certified Public Accountants of Uganda

We agree with the proposed criteria of the same level of public interest for both sustainability assurance engagements and financial statement audits. However, more resources should be availed to support non-professional accountants in gaining an understanding of the different terminologies in the Code such as reasonable and limited assurance, opinion, conclusion, and public interest, among others which are repeatedly used in the Code. As a result, there should be a public interest need to educate users about such terms like limited assurance in order to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse to include even non accountant practitioners.

IICA - Institute of Indonesia Chartered Accountants

Yes

IPA - Institute of Public Accountants (Australia)

IPA supports the proposed application of international independence standards in Part 5 of IESSA analogous to the application of the Part 4A requirements applying to financial statement audits.

IWP - Institut Österreichischer Wirtschaftsprüferinnen

In our view, audits of financial statements (not any audits) meeting the criteria proposed in paragraph 5400.3a and sustainability assurance engagements meeting those criteria broadly have the same level of public interest.

MIA Malta - The Malta Institute of Accountants

We agree with the proposed criteria set out in 5400.3a.

In addition, as already stated above the application of the IESSA principles and guidance must apply to all practitioners equally whether such practitioners are PAs or not. 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 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 have no objection to the proposed criteria.

WPK - Wirtschaftsprüferkammer (Germany)

We agree with the criteria proposed by the IESBA.

Accounting Firms and Sole Practitioners

BDO - BDO International Limited

BDO is in agreement with IESBA applying the same level of public interest to sustainability assurance engagements as those applied to audits of financial statements as per the Exposure Draft. Our rationale for this is that a sustainability assurance engagement is similar to a financial statement audit/review in that sustainability and financial information and/or internal controls related to sustainability and financial information originate from numerous functions within an organisation.

It is BDO's view that this would be difficult to ring fence specific to the subject matter as per Part 4B of the Code. As an example, the prohibition on performing a management responsibility is applied to sustainability assurance engagements under Part 5 – Independence, in the same way as per Part 4A of the Code, where, regardless of the type of service, it is prohibited. Given the various functions within the organisation that are involved in gathering, recording, analysing, maintaining and controlling information that will be subject to procedures as part of a sustainability assurance engagement, application of the management responsibility provisions under Part 4A of the Code to all services rather than limiting the management responsibility assessment to subject matter overlap as per Part 4B of the Code, seems reasonable.

Given the wide range of stakeholders that use sustainability reporting in order to make various decisions, there is a high level of public reliance placed on this reporting. Leveraging off Part 4A of the Code provides the foundation to assess independence from Public Interest Entity (PIE) and non-PIE sustainability assurance clients differently, which aligns well with the level of public interest associated with the organisation (and therefore provides for scalability). Given the high level of public interest for purposes of PIE sustainability assurance clients, BDO believes it makes sense for certain services and arrangements to be prohibited outright, for example when a self-review threat is created by providing a Non-Assurance Service (NAS) to a sustainability assurance client or when financial interests in a sustainability assurance client are held by members of the sustainability assurance team.

Recommendations:

In terms of practical application, BDO suggests that the IESBA considers referring to the engagements which are performed under Part 5 – Independence as a ‘Sustainability audit engagement’ or as a ‘Sustainability review engagement’. This will avoid confusion with the application of Part 4B to other sustainability assurance engagements that do not fall within the scope of Part 5.

Aligning the performance of sustainability assurance engagements with the policies and procedures in place within professional services firms for the performance of audits/reviews of financial statements, will require further substantial consideration and work effort. BDO recommends that the IESBA takes this into consideration and allows for sufficient time when deciding on the effective date.

DTTL - Deloitte Touch Tohmatsu Limited

Deloitte Global agrees with the proposed criteria in paragraph 5400.3a.

KMPG - KPMG IFRG Limited

We agree with the proposed approach to apply the International Independence Standards in Part 5 to SAEs with the same level of public interest as audits of financial statements.

As "general purpose framework" is an integral piece of the criteria for applying Part 5 as stated in paragraph 5400.3a, we believe attention should be given to this topic in the suggested implementation guide. The guide should cover the definitions and differences between a general purpose and a special purpose framework, along with examples of each. In addition, given the framework-neutral construct of Part 5, implementation guidance should also cover attestation versus direct engagements as a non-PA may not be familiar with IESBA Code Part 4B or ISAE 3000.

MAZARS - Mazars Group

We agree with proposal that the independence standards in Part 5 should apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements; that is, engagements over information on which an opinion is reported in accordance with a general purpose framework and is required to be provided in accordance with law or regulation, or is publicly disclosed to support decision making by investors or other stakeholders.

We also agree that Part 4B of the extant Code should apply to other sustainability engagements performed by PAs, and note that the IESBA currently encourages other practitioners who are not PAs to adopt the provisions of 4B when appropriate given that the IESBA cannot define ethical standards for non-PAs performing such engagements. Further we note that the IESBA will consider in its future work plan whether to revise extant Part 4B or develop a Part 4B equivalent in the new Part 5 and urge the IESBA to adopt the latter approach to provide consistency and a level playing field between PAs and non-PA sustainability assurance practitioners.

PKF - PKF Global

We agree with the proposed criteria, as specified in paragraph 5400.3a.

Academia and Research Institutes

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

Yes.

DIRC - Deakin University Integrated Reporting Centre

We agree with the proposed criteria for sustainability assurance engagements that have the same level of public interest as audits of financial statements in paragraph 5400.3a.

NSU - Nova Southeastern University

All students who answered this question provided positive feedback.

- The IESBA proposes that International Independence Standards be applied to sustainability engagements with the same level of public interest as financial statement audits. I support this proposal as it reflects the acute understanding that sustainability audits have an expansive scope, nature, and purpose. By focusing on sustainability assurance with a significant public interest, the board provides guidance on independence, which enables practitioners to balance their professional obligations with public interest. Notably, the public interest is qualified based on a double-point criterion: the disclosure is required by law or regulation as such information supports decision-making by investors or other stakeholders, and the sustainability information must be reported in accordance with a general-purpose framework. Under this provision, direct engagements where the practitioner audits other business components would not be covered. This additional element ensures consistency in the quest to promote independence and credibility of sustainability assurance processes.
- I agree with the fact that the standards in the proposed IESSA should focus on applying international independence standards. This new standard will have a lot of trial and error, and something consistently gathered in all accounting processes is the importance of independence. This not only applies to external auditors, but it also applies to internal organizations. For example, the system of segregation of duties has a foundation of independence and ensuring there is no conflict of interest and no one in the company can be a preparer and reviewer of their own work. In the ESG space, there are a lot of different experts entering the market to assist with assurance engagements that are not public accountants. Public accountants

understand the importance of independence, but it is important for the rest of the professionals to understand independence from the beginning. In my opinion, it is better to create this independence standard at the beginning than wait for fraud to occur. ESG is a hot topic with many stakeholders involved, so it is important that the environment assurance engagements are being performed ethically once the standards is put into practice.

- Paragraph 5400.3a refers to engagements where the practitioner must express an opinion regarding sustainability assurance per, general-purpose framework, law, or regulation or to support the decision-making process of shareholders and potential investors. In such instances, I agree with the view that the opinion expressed by the practitioner should be upheld to the full scope of the International Independence Standards being drafted in part 5. This practice will help to align the importance of these engagements with the current worldwide sustainability efforts and preserve the objectivity and independence of the engagements. In the current economic environment, the sustainability of our production processes will ensure the continuity of the world the way we know it and we need to be able to rely on the information that is being provided about a company's sustainable efforts.

Question 5 - Agree With Comments

Regulators and Oversight Authorities, incl. Monitoring Group members

IOSCO - International Organization of Securities Commissions

We support the objective that the International Independence Standards (IIS) in proposed Part 5 that apply to sustainability assurance engagements should have the same level of public interest as is applicable to audits of financial statements of public interest entities. However, as there are many circumstances in which more than one of the three criteria for such engagements (listed in paragraph 5400.3a) could be applicable, we believe it would be more appropriate to list them as “and/or” criteria. We also believe any assurance over sustainability information required to be provided in accordance with law or regulation (such as a specific sustainability metric) should be subject to the IIS, not only such information reported in accordance with a general-purpose framework.

SGX - Singapore Exchange Limited

Yes, with comments.

In some cases, especially before seeking sustainability assurance, the sustainability assurance client may opt for sustainability assurance without the assurance report being made publicly available, or to conduct an internal assessment to identify gaps and ascertain its readiness for a sustainability assurance engagement. These are also sometimes referred to as “pre-assurance”. Please clarify if the International Independence Standards (IIS) in Part 5 also apply to pre-assurance.

Investors and Other Users

SAAJ - The Securities Analysts Association of Japan

While we believe that the scope of the independence standards is also appropriate, we have the following suggestions for improvement from the user’s perspective:

Regarding the criterion of sustainability information that is “required to be provided in accordance with laws and regulation; or publicly disclosed to support decision-making by investors or other stakeholders”, we encourage the IESBA to clarify the definition of “to support decision-making by other stakeholders”. There is already a common understanding of “to support decision-making by investors” in financial information. On the other hand, since “to support decision-making by other stakeholders” used in sustainability information is a relatively new concept, we believe that a clarified definition is necessary to promote a common understanding.

To reduce diversity in practice among sustainability assurance practitioners and to improve the understandability of users, we encourage the IESBA to provide an explanatory memorandum with examples of sustainability information that meets certain criteria. For example, integrated reports that are not intended for a limited audience and can be widely used by the public should be subject to the independence standards.

Public Sector Organizations

UNCTAD - UNCTAD’s African Regional Partnership

95% of the responses support the proposed criteria for sustainability assurance engagements.

The respondent who disagreed with the proposal indicated that every engagement must be accountable, thus international independence standards must apply to all engagement, including those with different level of public interest.

Professional Accounting Organizations (PAOs)

AE - Accountancy Europe

Yes, we agree with the criteria proposed in paragraph 5400.3a and the objective of the IESBA to develop ethics (including independence) standards for sustainability assurance engagements that are equivalent to those that apply to audits of financial statements.

However, the IESBA should consider revising Part 4-B which will be applicable for other sustainability assurance engagements that are not within the scope of the IIS in Part 5, when the sustainability assurance practitioner is a PA.

CAANZ - Chartered Accountants Australia and New Zealand

We concur that the International Independence Standards in Part 5 should apply to those sustainability assurance engagements that have the same level of public interest as financial statement audits. We agree, in principle, with the proposed criteria for such engagements in paragraph 5400.3a, although consistent with our response to question 2 we recommend “investors and other stakeholders” is replaced by “users of the sustainability information”.

All sustainability assurance engagements should be underpinned by the IESBA ethics and independence standards. We strongly encourage the IESBA to include in their work plan a project to extend the scope of Part 5 to include all sustainability assurance engagements in the near future.

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

We agree in principle with having Part 5 applying to sustainability assurance engagements that have the same level of public interest as audits of financial statements.

However, we struggle to see whether this principle, as enunciated, is actually conveyed by the scope as presently drafted in paragraph 5400.3a.

Consequently, we also struggle to determine whether the scope is too wide or too narrow.

We tried to test the scope with real life examples, and we wondered whether it would apply to the third-party verification of the EU green bonds for example.

Some say no because they consider that the information is not prepared in accordance with a general-purpose framework, even though the underlying information to consider in the EU green bonds is the EU green taxonomy, which is a general-purpose framework.

Some say yes, for that same reason described above.

This uncertainty as to which engagements are covered by Part 5 and which are not creates an additional difficulty when PAs will be using / relying on assurance reports issued by non-PAs. Indeed, since non-PAs do not have to apply part 4B of the Code when they are not in Part 5, they do not have to be independent for all assurance engagements which are not covered under Part 5. In such situation PAs will not know whether non-PAs were independent when issuing their assurance report.

One way to clarify the scope of Part 5 could be to provide application material on the notion of “general purpose framework” since it is a corner stone of the definition of the scope of ISSA 5000.

CPAA - CPA Australia

CPA Australia recommends that the IESBA consider adding the words “and assured” between “provided” and “in” in 5400.3 (b) (i).

Extensive education and guidance will be needed for sustainability assurance practitioners from outside of the accountancy profession with respect to:

understanding the definition of a “general purpose framework”, and understanding the concepts of reasonable and limited assurance, and opinion and conclusion (refer to proposed Paragraph 5400.3c).

The IESBA should consider including a paragraph in the section titled “Scope of International Independence Standards in Part 5” that provides for the voluntary use of the standards by sustainability assurance practitioners.

ICAEW - Institute of Chartered Accountants in England and Wales

Yes, we agree that this is a sensible first step.

However, as we note in our response to question 9, matters of public interest in a sustainability context may not be the same as purely financial considerations relating to audit.

The fact that Professional Accountants are required to apply the Independence Standards set out in Part 4B to other Sustainability Assurance Engagements whilst non-Professional Accountants are only encouraged to do so, has potential to distort the market in Sustainability Assurance Services.

IDW - Institute der Wirtschaftsprüfer (Germany)

We agree that the International Independence Standards in Part 5 should apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements as established in paragraph 5400.3a.

(..)

As explained in our response to q. 1, we disagree with the use of the term “encourage” in proposed 5100.2b(b) where a non-PA SAP is only encouraged to apply the general conduct provisions of Parts 1 to 4B of the IESBA Code.

IFAC - International Federation of Accountants

We agree with the proposed criteria in paragraph 5400.3a, though we note there could be some challenge for non-PAs to gain an understating of terminology such as ‘general purpose framework’ even with the availability of definitions. Terms such as ‘reasonable and limited assurance’, ‘opinion’ and ‘conclusion’ which are referred to in other areas of the related section may also be problematic.

As we note in our response to 1(a), we are also concerned that 5100.2b(b) only encourages application of the general conduct provisions of Parts 1 to 4B of the IESBA Code for sustainability assurance practitioners that are non-professional accountants. This does not create a level playing field in key areas, including but not limited to NOCLAR.

ISCA - Institute of Singapore Chartered Accountants

Paragraph 5400.3e sets out examples of sustainability assurance engagements (SAEs) that are not within the scope of Part 5. In such SAEs, SAPs who are PAs have to comply with Part 4B, but non-PAs are only encouraged to do so.

It is understandable that SAPs will need time to implement and adopt the IESSA. Hence, the proposed scope of Part 5 would be a practical approach as it applies to mandatory assurance (i.e., those required by law or regulation) and generally excludes voluntary assurance (except reports in accordance with a general-purpose framework and publicly disclosed). Focusing on mandatory assurance for a start will ease implementation efforts by SAPs who are non-PAs and facilitate enforceability of the Code by local regulators.

However, we received feedback from PAs that for example, a restricted use and distribution report made available to the bank for green financing may affect more stakeholders and have greater financial impact than one that is required by law or regulation or publicly disclosed.

If the intent is to have a set of profession-agnostic standards to level the playing field for SAPs, then IESBA should consider whether the scope of Part 5 should apply to all SAEs in the longer term (i.e. including SAEs under paragraph 5400.3e).

JICPA - Japanese Institute of Certified Public Accountants

We agree with the proposed criteria for such engagements in paragraph 5400.3a.

However, we suggest the IESBA provide guidance on how to consider 5400.3a (b) (ii) “Publicly disclosed to support decision-making by investors or other stakeholders” to avoid a situation in which each sustainability assurance practitioner has a different judgement on

whether a sustainability assurance engagement meets the proposed criteria set out in paragraph 5400.3a.

When a sustainability assurance practitioner who is not a professional accountant performs a sustainability assurance engagement that does not meet the proposed criteria set out in paragraph 5400.3a, the sustainability assurance practitioner shall apply the ethics standards in Part 5 and is encouraged to apply the International Independence Standards in Part 4B as described in subparagraph 5100.2b (b). However, this subparagraph can be read as a provision allowing the sustainability assurance practitioner to apply independence standards other than the Code. We suggest the IESBA require the sustainability assurance practitioner to disclose which Part of the Code is applied on the sustainability assurance report to enable users of sustainability information to confirm which standards, particularly independence standards, are applied by the sustainability assurance practitioner.

Furthermore, when a sustainability assurance practitioner who is not a professional accountant performs a sustainability assurance engagement that does not meet the proposed criteria set out in paragraph 5400.3a, the sustainability assurance practitioner is encouraged to apply the International Independence Standards in Part 4B. However, we believe that the Code should require all sustainability assurance practitioners to apply Part 4B because we are of the view that the same ethics and independence requirements should be applied to the same sustainability assurance engagements. We suggest the IESBA provide guidance on, for example, the differences between the International Independence Standards in Part 4B and Part 5 to enable a sustainability assurance practitioner who is not a professional accountant to apply Part 4B appropriately.

KICPA - Korean Institute of Certified Public Accountants

The KICPA believes that the appropriate scope of the International Independence Standards in Part 5 is to apply them only to the sustainability assurance engagement where the sustainability information is reported in accordance with a general-purpose reporting framework and required to be publicly disclosed in accordance with laws or regulations, considering the level of public interest involved.

PAFA - The Pan-African Federation of Accountants

We agree with the proposed criteria in paragraph 5400.3a. However, there may be challenges for non- PAs in understanding terms like 'general purpose framework', despite available definitions. Additionally, terms like 'reasonable and limited assurance', 'opinion', and 'conclusion', referenced elsewhere, may also pose difficulties.

PICPA - Pennsylvania Institute of Certified Public Accountants

Consistency among SAP practitioners - The committee believes that the requirements for non-PAs should be as rigorous as PAs. Therefore, as PAs must apply part 4B independence standards to a sustainability assurance engagement not meeting the criteria in paragraph 5400.3a, the committee believes that non-PAs should also be required to apply part 4B and not simply “encouraged” to apply part 4B for the same engagements.

Response - The committee finds the criteria under the second bullet point to be unclear; specifically, proposed 5400.3a(b) (ii) “publicly disclosed to support decision-making by investors and other stakeholders.” The committee believes that the timing of when the information is publicly disclosed is not always known, and/or a decision to make it publicly

available could be made after the engagement has been completed. The committee recommends further clarification (e.g., consider referring to whether management intends to make the information publicly available). At the same time, it is not clear whether simply by publishing the information publicly that the engagement has the same level of public interest as financial statement audits. Therefore, the committee supports the proposed criteria under 5400.3a(b)(i) “required to be provided in accordance with law or regulation” without the second bullet point.

SAICA - South African Institute of Chartered Accountants

We agree with the proposed criteria.

However, the scope must be broader, and it should include all assurance work even if it is voluntary. Ethical and independence issues are an assumed aspect of assurance engagements and scoping them out merely due to the voluntary nature of a sustainability engagement would expose a user who may rely upon such assurance. There could be possible independence and ethical issues which could influence the assurance engagement.

Careful consideration should be given to the level of ethical and independence requirements applicable to voluntary engagements, however removing it from the scope of part 5 is not in the public interest.

Accounting Firms and Sole Practitioners

EY - Ernst & Young Global Limited

We encourage the IESBA to further deliberate the scope of the IIS in Part 5 and have the following specific comments for the Board’s consideration.

As proposed, the IIS in Part 5 would apply to assurance over information reported in accordance with a general purpose framework that is either publicly disclosed to support decision-making by investors or other stakeholders or is required to be provided in accordance with law or regulation. According to a recent global survey of largest companies reporting sustainability information, only 42% of companies that applied Global Reporting Initiative (GRI) Standards reported “in accordance with” GRI Standards and only 10% of companies who applied Sustainability Accounting Standards Board (SASB) Standards reported “in accordance with” SASB Standards. Twenty-nine different phrases were used to describe the application of the GRI Standards and 37 different phrases were used to describe the application of SASB Standards. Companies used terms such as “in reference,” “based on,” “aligned,” etc. Entities may report “in reference” to GRI Standards as a transitional step because they cannot comply with all the requirements for reporting in accordance with the GRI Standards, and therefore comply with selected requirements. We believe it is clear that assurance over sustainability reporting that is in accordance with GRI or SASB Standards would be in scope of the proposed Part 5, because both GRI and SASB Standards would meet the proposed definition of a general purpose framework. And we believe that reporting “in reference” to GRI Standards as a transitional step to full compliance is of equal importance to the stakeholders as reporting that is fully in accordance with GRI Standards and thus should be in scope of the proposed Part 5. However, it is not clear whether IESBA intended for assurance over reporting that cites a

general purpose framework using terms other than “in accordance with” to also be in scope of the proposed Part 5.

Given the broad range of terms used today in sustainability reporting when referring to general purpose frameworks, we recommend that IESBA clarify its intent either in the application material or in the Basis for Conclusions by providing examples of sustainability assurance engagements that would and would not be in scope of the International Independence Standards in Part 5 based on the criteria in paragraph 5400.3a. In addition, because it is common practice in various jurisdictions today to report in accordance with a general purpose framework that is supplemented by entity-developed criteria, we believe that IESBA should clarify in the definitions, application material or Basis for Conclusions that the general purpose criterion is satisfied in such situations.

Finally, the IESBA should seek opportunities to engage with regulators, local standard setters, local accreditation bodies, and others to consider mechanisms that would promote requirements for the standards of Part 5 of the Code to be applicable for all sustainability assurance engagements, including those performed by non-PAs that do not meet the scope for Part 5 of the Code and are instead encouraged to comply with the provision of Part 4B.

GTIL - Grant Thornton International Limited

Furthermore, when applying the independence requirements to the sustainability assurance client, the proposed standard requires independence of the sustainability assurance client’s related entities. The definition of ‘related entity’ in the Code is applicable to audit clients and may not be appropriate for sustainability assurance engagements as these entities’ sustainability information may not be included in the sustainability client’s report.

Therefore, we recommend the proposed requirements should focus on entities that report information subject to the sustainability assurance engagement.

PP - Pitcher Partners Advisors Proprietary Limited

5400.3a, addresses when the assurance practitioner expresses an opinion, but in some cases only a conclusion is required for limited assurance as opposed to reasonable assurance. Suggest that the paragraph be amended to say opinion or conclusion, and or that paragraph 5400.3c be moved to be the first paragraph in this sub-section (thus it would become 5400.3a) as reference to “opinion” includes both reasonable and limited assurance throughout the whole of Part 5, not just in para 5400.3a

PwC - PricewaterhouseCoopers International Limited

Yes, with comments below

Our understanding of the proposals is that:

Part 4B applies to sustainability assurance engagements for which there is no public distribution of the sustainability information and, consequently, the assurance report will be restricted for the intended use by the engaging entity and other identified stakeholders only (“private assurance”);

Part 5 applies to sustainability assurance engagements where the sustainability information is either a) required to be provided by law or regulation or b) is publicly distributed, in which

case there is an expectation that the assurance report will also be made available and may be used by all stakeholders (“public assurance”); and

Additional independence requirements in Part 5 apply to entities that meet the definition of PIEs (“public assurance - PIE entities”).

The IESBA asserts in the explanatory memorandum that “the objective of the Sustainability project is to develop ethics (including independence) standards for sustainability assurance engagements that are equivalent to those that apply to audits of financial statements” and “the IESBA believes that, as a first step, the independence standards in Part 5 should focus on sustainability assurance engagements with the same level of public interest as audits of financial statements.” It is unclear what “the same level of public interest as audits of financial statements” means in practice for Part 5, as Part 4A applies to all audits and does not distinguish between “levels” of public interest in the financial statements of an entity, other than defining public interest entities (PIEs) and applying differential requirements to such PIEs. Nor does Part 4A distinguish between public versus private auditor reporting. The independence requirements apply to all audits or reviews of financial statements, with certain provisions specified in section 800 of Part 4A for special purpose financial statements. We think this is a clear and logical approach and recommend that it would be easier for practitioners, in particular non-PA practitioners who are not familiar with Part 4B, if Part 5 adopted a similar approach, by describing baseline independence requirements that apply to all sustainability assurance engagements, incremental requirements applicable to PIEs and a section that describes modifications to such requirements when the sustainability reporting is not publicly issued. This could be accomplished by copying the relevant sections of Part 4B into Part 5 such that a PA does not need to refer to both sections of the Code in order to understand the requirements to be applied.

The approach proposed in Part 5 is complicated to understand and we believe there may be significant confusion about which independence requirements are to be applied based on, what is essentially, public vs private assurance and voluntary vs required assurance. We also believe some users may be interpreting 5400.3a as a proxy for defining public interest entities (PIEs). Drawing a distinction in independence requirements for different classes of sustainability assurance engagements (and applying different parts of the Code) is different from drawing a distinction between audit/review engagements (Part 4A) and other assurance engagements (Part 4B).

Furthermore, we believe there may be a perceived conflict between paragraphs R5100.6 and 5400.3a. R5100.6 states that “a practitioner shall comply with this Part” (Part 5). We understand that if a practitioner is not required to apply the independence requirements in sections 5400-5700, they are still in effect “complying with this Part”, as required by R5100.6, if they comply with the other sections in Part 5. We believe this could easily be misinterpreted if R5100.6 is read too literally.

If the IESBA determines that it continues to be appropriate to differentiate the relevant independence requirements based on whether the engagement involves public vs private assurance and voluntary vs required assurance and to utilise Part 4B as set out in the ED, we believe that to address the risk for confusion described above, the clarity and applicability of the specific independence requirements that are to be applied, and related applicable sections of Part 5, would be significantly enhanced by amending paragraph

5100.6 to provide clearer signposting. This could be achieved by incorporating the conditions from 5400.3a into this requirement. Likewise the statement in 5400.3e could be elevated to follow R5100.6.

Our recommendation is:

R5100.6 A sustainability assurance practitioner shall comply with:

For all sustainability assurance engagements, Sections 5100-5300 of this Part; and

For sustainability assurance engagements on sustainability information that is reported in accordance with a general purpose framework and where the information is either (a) required to be provided in accordance with law or regulation or (b) the sustainability information and assurance report are publicly disclosed to support decision-making by investors or other stakeholders, Sections 5400-5700 of this Part.

R5100.6A For sustainability assurance engagements on sustainability information that is reported in accordance with a framework designed to meet the information needs of specified users, or when the sustainability information is not publicly disclosed, a sustainability assurance practitioner shall comply with the International Independence Standards in Part 4B of the Code.

So that the Independence Standard can be read as a stand-alone document, 5400.3a to 5400.3e can also remain within Section 5400. In doing so, we recommend our proposed simplified language, as shown in proposed R5100.6, be adopted to clarify the conditions for which the International Independence Standards apply. This contains the important concept that the assurance report should also be publicly disclosed (avoiding unintended consequences if the client published information without the related assurance report).

5400.3a The International Independence Standards in this Part only apply to a sustainability assurance engagement where the sustainability information on which the sustainability assurance practitioner expresses an opinion:

- (a) Is reported in accordance with a general purpose framework; and
- (b) Is
 - (i) Required to be provided in accordance with law or regulation; or
 - (ii) The sustainability information and the assurance report are publicly disclosed to support decision-making by investors or other stakeholders.

RSM - RSM International Limited

We agree that the IIS in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. We also agree with the proposed criteria for such engagements in paragraph 5400.3a. We believe the sustainability assurance engagements that would meet the proposed criteria are the types of sustainability assurance engagements that would have a similar level of public interest as audits of financial statements. In addition, the other sustainability assurance engagements that do not meet the proposed criteria would apply similar independence requirements as other assurance requirements, which would be similar to Part 4B of the Code.

As detailed in our response to question #1(b) and based on solely what is in the proposed Code, it is unclear whether SAPs who are non-PAs are required to comply with Part 4B when they perform a sustainability assurance engagement that is not within the scope of the IIS in Part 5, and it is unclear of the IESBA's intent. In order to be profession-agnostic, we believe the IIS should be equivalent for all SAPs regardless of whether they are a PA or a non-PA. Notwithstanding our concern over the scope of the proposed Part 5 of ED-IESSA detailed in question #2, we encourage the IESBA to develop a Part 4B equivalent in the new Part 5 as suggested in paragraph 42 of the EM to ensure that all independence standards for sustainability assurance engagements are addressed in the Code in a profession-agnostic manner.

Whether or not a Part 4B equivalent in the new Part 5 is developed, we recommend that IESBA clarify in the Code (rather than just the EM) if the referred-to portions in Part 4B are required for non-PA SAPs and ensure independence requirements are equivalent for all SAPs regardless of whether they are a PA or a non-PA for each type of sustainability assurance engagement (i.e. engagements within the scope of 5400.3a, 5400.3b, or other sustainability assurance engagement).

Others

IBA - The International Bar Association

We understand that the IIS are intended to apply to SAEs that are attestation engagements where the criteria in subsection 5400.3a are satisfied. The term 'general purpose framework', while defined, lacks clarity and may benefit from specific guidance.

Further, the reference to 'investors or other stakeholders' should be clarified: is this intended to have the same meaning as 'intended users' (which is the term used in the definition of SAE)? We emphasise the importance of consistent use of terminology throughout the document.

We otherwise do not make any specific comment about the appropriateness of IIS applying to SAEs that have the same level of public interest as audits of financial statements, but in principle recognise the value in maximising consistency between the standards that apply to SAEs and financial audits.

Question 5 - Disagree

Professional Accounting Organizations (PAOs)

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

Overall response: No.

Detailed comments: The criteria described in 5400.3a(b) requires clarification and refinement.

Lack of clarity of item (i)

The trigger for item (i) is unclear:

- Is the trigger when law or regulation requires a sustainability assurance engagement be performed over specific sustainability information?
- Is the trigger simply a requirement to provide sustainability information?

We believe the trigger should be the former (i.e. when law or regulation requires an engagement to be performed).

If the intent is the latter (i.e., simply a requirement to provide the information) this could result in more engagements that will meet the criteria without the sustainability assurance practitioner's knowledge.

Lack of clarity and unintended consequences of item (ii)

Because of the lack of clarity and the possible unintended consequences, item (ii) should be removed and evaluated further as this environment evolves and matures.

The trigger for item (ii) is unclear:

- Is it when the sustainability information is in the public domain?
- Or is it when the public has been made aware that such information has been assured?

Also, the phrase “publicly disclosed for decision-making purposes by investors or other stakeholders” is unclear.

Does “publicly disclosed” simply mean that a general use report is intended to be provided to others outside the client? If so, should practitioners assume that any sustainability assurance report that is not restricted for internal use could be “publicly disclosed”?

For example, the practitioner may not know at the time of the sustainability assurance engagement whether the engagement meets this criterion or will meet the criterion in the future if the client makes the report publicly available. The client could make the report publicly available at any point, even months after the engagement has been completed. In that case and assuming the information was reported in accordance with a general-purpose framework, part 5 independence would be required when those requirements may not have been applicable at the time of the engagement.

It is also unclear how a sustainability assurance practitioner will determine that the publicly disclosed sustainability information the practitioner assured will not be used for decision making purposes. Intuitively, a company will publicly disclose information only to support decisions made by its stakeholders (investors, customers, vendors, etc.).

For all of the above reasons, the criterion as drafted with no application guidance will be challenging for sustainability assurance practitioners to apply consistently.

CAI - Chartered Accountants of Ireland

While we agree with the criteria in 5400.3a, we do not agree with not setting out independence standards for all SAPs for all sustainability assurance engagements, including direct engagements (as defined in the glossary). Other sustainability assurance engagements, as referred to in 5400.3d and 3e, may be performed on elements of a client's value chain, or reporting boundary, and may be presented as evidence for the purposes of a sustainability assurance engagement. While we acknowledge the IESBA plans to consider scoping other sustainability assurance engagements into Part 5 later, we are

concerned in the interim period the public interest is not being fully protected due to risk of inconsistent application of high ethical standards across all sustainability assurance engagements. The public may not appreciate or understand the nuance between sustainability assurance engagements, which, assuming oversight and application of Part 5 of the Code to all SAPs, will be in accordance with high ethical standards, and “Other Sustainability Assurance Engagements”, for which only Professional Accountants will be accountable to regulatory authorities for ensuring compliance with high ethical standards set out in Part 4B of the extant Code.

CPAC - Chartered Professional Accountants Canada Public Trust Committee

We disagree that the proposed criteria will capture sustainability assurance engagements that have the same level of public interest as audit engagements because we note that the definition of an audit engagement does not include any reference to public disclosure. In contrast, the IESBA has proposed that a SAE within the scope of the IIS in Part 5 must either be “required to be provided in accordance with law or regulation or publicly disclosed to support decision-making by investors or other stakeholders.” The PTC believes that, in jurisdictions where the sustainability information is not required to be provided by law or regulation, it will be unclear whether an engagement to provide an opinion on sustainability information that is voluntarily publicly disclosed falls within the scope of the IIS in Part 5. Consequently, in voluntary disclosure regimes the proposed IESSA may do little to address public interest concerns such as greenwashing, and SAPs will not be subject to the same independence standards as those providing assurance over sustainability information in mandatory disclosure regimes.

We think that this concern may be further exacerbated because, as raised in our response to Question 4, the IESBA is proposing that SAPs that are not PAs only be encouraged to apply the independence requirements for other assurance engagements in Part 4B to SAEs that do not meet the criteria in paragraph 5400.3a. The PTC is concerned that under the combined effect of these proposals it will not be clear to users of sustainability information in voluntary disclosure regimes, what, if any, independence standards have been applied.

Accordingly, the PTC recommends that proposed paragraph 5400.3a should be changed in the final standard to include a SAE within the scope of the IIS in Part 5 when the sustainability information is reported in accordance with a general-purpose framework and either: “required to be provided or disclosed in accordance with law or regulation or voluntarily publicly disclosed to support decision-making by investors or other stakeholders.” The PTC thinks that this will more clearly capture SAEs with the same level of public interest as audit engagements in jurisdictions with a voluntary disclosure regime.

We also reiterate our recommendation in Question 4, that the IESBA reconsider requiring, rather than encouraging, a non-PA to apply Part 4B or other independence requirements that are at least as demanding, to SAEs that do not fall within the scope of the IIS in Part 5.

MIA-Malaysian - Malaysian Institute of Accountants

We find there should be further clarity regarding what “the same level of public interest as audits of financial statements” means in practice for Part 5, as Part 4A applies to all audits and does not distinguish between “levels” of public interest in the financial statements of an

entity, other than defining public interest entities (PIEs) and applying differential requirements to such PIEs. Part 4A also does not distinguish between public and private auditor reporting.

It appears that paragraph 5400.3a (b) scopes out assurance work on private reporting. We are of the view that the independence requirements of Part 5 should apply to all sustainability assurance engagements regardless of whether the reporting is public or private. Since there is a high level of public interest for purposes of PIE sustainability assurance clients, we believe that it is understandable for certain services and arrangements to be prohibited outright, for example when a self-review threat is created by providing a Non-Assurance Service (NAS) to a sustainability assurance client or when financial interests in a sustainability assurance client are held by members of the sustainability assurance team.

SOCPA - Saudi Organization for Chartered and Professional Accountants

Stakeholders (e.g. shareholders, lenders, suppliers, customers...etc.) place increasing importance on sustainability related information. SOCPA therefore believes targeting engagements with publicly disclosed information used by investors and other stakeholders is important as this would be aligned with the principle of prioritizing public trust. The exposure draft is proposing that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. SOCPA suggests that this be extended to all sustainability assurance engagements as any sustainability information that has been audited would invariably have some exposure to stakeholders, and excluding engagements solely based on framework used (e.g., specific user vs general purpose) or disclosure limitations (restricted reports) might be overly restrictive.

Accounting Firms and Sole Practitioners

MOORE - Moore Global Network Limited

No, we do not agree with the proposed criteria. The independence standards should relate to all sustainability assurance services, including both reasonable and limited assurance engagements, as set out in 5400.3c of the ED.

We believe that 5400.3(a) should be revised to change the “and” at the end of para (a) to “or”. Currently, the reading of the current paragraph is taken to mean that voluntary sustainability assurance work is not covered by these independence standards. Only those required by laws and regulations or publicly disclosed to investors or other stakeholders.

MU - Muhammad Umar - Mo Chartered Accountants

Similar or more rigorous independence standards should be adopted for assurance engagements

Question 5 - 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

Investors and Other Users

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

ICFOA - International CFO Alliance

Professional Accounting Organizations (PAOs)

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

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

GAA - Global Accounting Alliance

INCP - National Institute of Public Accountants of Colombia

NBA - Royal Netherlands Institute of Chartered Accountants

NYSSCPA - New York State Society of CPAs

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

IIA - The Institute of Internal Auditors