

IESBA Sustainability**Question 8 - Agree****Regulators and Oversight Authorities, incl. Monitoring Group members****BAOA - Botswana Accountancy Oversight Authority**

We support expanding the scope of the extant requirement for PAIBs. The expansion introduces a responsibility for the Professional Accountant to consider disclosing (actual or suspected) non-compliance to the External Auditor or Sustainability Assurance Practitioner and to provide information necessary to enable them to perform their duties.

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

NASBA supports expanding the scope of the extant requirements for PAIBs.

PAABZ - The Public Accountants and Auditors Board of Zimbabwe

The PAAB support the IESBA's proposal.

UKFRC - United Kingdom Financial Reporting Council

Yes.

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

Yes.

Public Sector Organizations**GAO - US Government Accountability Office**

We believe it is reasonable to require the senior professional accountant in business (PAIB) to determine whether to disclose (actual or suspected) noncompliance with laws and regulations to the employing organization's external auditor or sustainability assurance practitioner depending on the jurisdiction. We support expanding the scope of the extant requirement for PAIBs.

UNCTAD ARL - UNCTAD's Latin America Regional Alliance

I do support - 80% of respondents

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

We support expanding the scope of the extant requirement for Professional Accountants in Business to require senior professional accountants of the employing organisation to determine whether to disclose (actual or suspected) NOCLAR to the external auditor and the sustainability assurance practitioner.

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

Yes, we support expanding the scope of the extant requirement for PAIBs to require the senior PA to determine whether to disclose (actual or suspected) NOCLAR to the

employing organization's sustainability assurance practitioner performing a sustainability assurance engagement within the scope of the IIS in Part 5.

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

Yes, we are in favor of expanding the scope of the current requirement for Professional Accountants in Businesses (PAIBs) in Part 2 of the current Code, as provided for in Chapter 3 of the ED.

We also believe it is relevant for the IESBA to propose, as provided for in Chapter 3 at paragraphs R260.15 and 260.15 A1, revisions to the current Section 260 to align it with the above communication provisions for Parts 5 and 3. Such proposed revisions would require the senior PA to determine whether also disclose NOCLAR, actual or purported, to the employing organization's sustainability assurance professional performing a sustainability assurance engagement within the scope of the IIS in Part 5.

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

Overall response: Yes.

BICA - Botswana Institute of Chartered Accountants

Supporting the expansion of the scope of the extant requirement for PAIBs is important as it strengthens the accountability and responsibility of professional accountants in business, ensuring ethical behavior and compliance with standards.

CAANZ - Chartered Accountants Australia and New Zealand

We support the proposed revisions requiring a senior PA to determine whether to disclose (actual or suspected) NOCLAR to the external auditor or the sustainability assurance practitioner.

CFAR - Chamber of Financial Auditors of Romania

We support expanding the scope of the extant requirement for PAIBs.

CNCC-CNOEC - Compagnie Nationale des Commissaires aux Comptes

Yes.

CPAA - CPA Australia

CPA Australia supports expanding the scope of the extant requirement relating to NOCLAR for PAIBs.

EFAA - European Federation of Accountants and Auditors for SMEs

We support expanding the scope of the extant requirement for PAIBs.

ICAS - The Institute of Chartered Accountants of Scotland

We support this proposal.

IICA - Institute of Indonesia Chartered Accountants

Yes

IPA - Institute of Public Accountants (Australia)

IPA supports the NOCLAR provisions to be included in IESSA and the revised provisions to be added to extant sections 360 and 260.

IWP - Institut Österreichischer Wirtschaftsprüferinnen

Yes, we support the proposed revisions that require the senior PA to determine whether to disclose (actual or suspected) NOCLAR to the external auditor and sustainability assurance provider, although we don't see any practical relevance in our legal environment.

JICPA - Japanese Institute of Certified Public Accountants

We support expanding the scope of the extant requirement for PAIBs.

KICPA - Korean Institute of Certified Public Accountants

The KICPA supports the proposed expansion of the scope.

MIA-Malaysian - Malaysian Institute of Accountants

We agree with expanding the scope of the extant requirements for PAIBs as this recognises the role senior PAs have in organisations to address (actual or suspected) NOCLAR.

MICPA - Malaysian Institute of Certified Public Accountants

We are supportive of the proposal to expand the scope of the existing requirements for PAIB.

PAFA - The Pan-African Federation of Accountants

We support the proposed expansion of the scope for communication requirements for PAIBs. Given the direct relationship between PAIBs and the sustainability assurance provider, this extension can be effectively managed through clear wording in engagement letters, minimizing the risk of inadvertently breaching local laws and regulations compared to communication between financial statement auditors and sustainability assurance providers.

It is, however, crucial to remain mindful of potential challenges in this area. Jurisdictional variations in due process and risk considerations, particularly when addressing suspicions rather than evidence-based concerns, may complicate matters. These complexities necessitate careful consideration to ensure effective implementation.

SOCPA - Saudi Organization for Chartered and Professional Accountants

SOCPA supports this suggestion as we believe expanding the scope of the requirement for Professional Accountants in Business (PAIB) to disclose actual or suspected NOCLAR to the employing organization's external auditor or sustainability assurance practitioner can be seen as a step towards enhancing accountability and transparency in corporate reporting.

Accounting Firms and Sole Practitioners

DTTL - Deloitte Touch Tohmatsu Limited

Deloitte Global has no objection to expanding the scope of the extant requirement for PAIBs.

EY - Ernst & Young Global Limited

Yes, we support expanding the scope of the extant requirement for PAIBs.

KMPG - KPMG IFRG Limited

We support the expanded provisions for PAIBs in Section 260.

MAZARS - Mazars Group

We support expanding the scope of the requirements for PAIBs to determine whether disclosure of relevant matters should be made to the entity's sustainability assurance practitioner in addition to the auditor.

MOORE - Moore Global Network Limited

Yes, we support expanding the scope of the extant requirements for PAIBs. Requiring a PAIB to determine disclosing to the entity's external auditor or sustainability assurance practitioner any NOCLAR that may have occurred at the employing organisation will enhance the reliability of the audit or sustainability assurance opinion or conclusion. It would assist in determining if any modification of the opinion or conclusion is necessary.

MU - Muhammad Umar - Mo Chartered Accountants

Yes, we support the expansion to include PAIBs.

PKF - PKF Global

PKF Global Response: We support expanding the scope of the extant NOCLAR requirements for PAIBs as stipulated in R260.15 and 260.15 A1 in Chapter 3 of the ED.

PP - Pitcher Partners Advisors Proprietary Limited

Yes, we support expanding the scope for PAIBs.

PwC - PricewaterhouseCoopers International Limited

Overall response: Yes, with no comments

Academia and Research Institutes

DIRC - Deakin University Integrated Reporting Centre

We support expanding the scope of the extant requirement for PAIBs.

NSU - Nova Southeastern University (Florida)

Question 8: All students provided positive feedback, with examples below.

- I support the recommended expansion of the scope of the extant requirements for PAIBs. This recommended expansion aligns with specific provisions related to communications and provides specific recommendations to senior professional accountants about legal obligations. The overall purpose of sustainability reporting and assurance is to provide useful information and ensure that information is truthful and of high quality.

- Yes. I fully support expanding the scope of sustainability assurance engagement requirements. As accountants, we must champion transparency, uphold the integrity of financial reporting, and safeguard the public interest.
- Expanding requirements for professional accountants to present a disclosure on any actual or suspected non-compliance of laws and/or regulations seems like a fair addition. This expansion of scope will seem to treat sustainability assurance like a financial reporting audit, in that, the professional accountant is required to communicate with the sustainability assurance practitioner of any potential non-compliance during the engagement.
- Expanding the scope and ensuring Senior Professionals in Business are responsible for reporting was necessary and of great importance especially in the public's interest. The concept of senior PAs now being required to disclose Non-Compliance with Laws and Regulations will help mitigate the increase in fraud. The more persons involved and required to report may make dishonest employees less like to commit fraud. The senior Professional Accountants will disclose any NOCLAR, actual or suspected to the auditor or the sustainability assurance practitioner. Additionally, making this a legal obligation for senior PAs will ensure the auditor and or the sustainability assurance practitioner have valuable information and make their job more seamless. Overall, this will ensure the public interest is protected as varying roles are working together to ensure that businesses information being reported is accurate and complete as it often relied upon by the public to make crucial decisions.

Question 8 - Agree with Comments

Public Sector Organizations

UNCTAD ARP - UNCTAD African Regional Partnership

95% of the respondents support the expansion of the extant requirement for PAIBs.

The response that did not support the expansion indicated that the current system must be tested and can always be consistently reviewed in line with experience and competency.

Professional Accounting Organizations (PAOs)

AE - Accountancy Europe

Yes, we support proposed revisions that require the senior PA to determine whether to disclose (actual or suspected) NOCLAR to the external auditor and sustainability assurance practitioner performing an engagement within the scope of the IIS in Part 5. R260.15 requires considering disclosure to the external auditor or sustainability assurance provider. We believe that there may be instances where communication to both is warranted especially when they are not the same firm.

CAI - Chartered Accountants of Ireland

Except for the following observations and recommendations, we support the proposed amendments to Section 260, Responding to Non-compliance with Laws and Regulations, applying to PAIBs:

We note the scope of non-compliance with laws and regulations, described in the glossary and 260.5 A1, extends only to parties within the PAIB's employing organisation.

A PAIB with responsibilities related to working with sustainability information may encounter examples of non-compliance with laws and regulations with parties outside of their employing organisation, e.g. entities in the value chain. We recommend the IESBA include additional application guidance for the PAIB to consider in such circumstances, for example, to discuss the matter with their direct report for the assignment and/or management and, if appropriate, those charged with governance, or to engage with the governance mechanisms put in place by the employing organisation for reporting concerns.

Regarding R260.15, sustainability assurance engagements will initially be with the objective of providing limited assurance, and at a future date requirements to provide reasonable assurance will apply. We recommend including the PA's consideration of the scope of the sustainability assurance engagement, for example to provide limited or reasonable assurance, within the guidance that follows the requirement.

Regarding R260.15, we recommend the IESBA includes additional application guidance following this requirement to address circumstances where the senior PAIB may not be authorised to engage directly with the external auditor or SAP on such matters. The guidance could highlight the PAIB's first duty, in such circumstances, is to report the matter internally to the appropriate line manager, or individual charged with responsibility for engaging with the external auditor or SAP, or the relevant governance mechanism, e.g. Audit Committee. In circumstances where this is not possible, the PA should consider the organisation's internal policies and procedures or, where appropriate, any whistleblowing protocols.

CPAC - Chartered Professional Accountants Canada Public Trust Committee

The PTC supports expanding the scope of the extant requirement for PAIBs to align the communication requirements regarding NOCLAR across different professional roles, ensuring that senior professional accountants in business also consider the implications of NOCLAR on sustainability assurance engagements. Expanding the scope in Part 2 further broadens the reach and impact of the standards in promoting ethical conduct.

The PTC notes this proposal does not address disclosure requirements when a sustainability assurance engagement is outside the scope of the IIS in Part 5, and that this is consistent with the extant Code which only addresses disclosure requirements for audits. However, we think that it would be helpful if IESBA clarified this intent in additional application material when the final standard is issued.

ICAEW - Institute of Chartered Accountants in England and Wales

Yes, in principle, we support expanding the scope for PAIBS.

However, we note that a PAIB's obligations as regards sustainability information would extend beyond financial fraud, and potentially include complex issues such as human rights and modern slavery etc. This might prove challenging within some jurisdictions.

In addition, PAIBS may be faced with pressures that pose threats to compliance, such as to make decisions that breach international agreements, or the use of high or low carbon options. Issues of governance are critical to this discussion, and we consider that it would be helpful for IESBA to produce more detailed application material and additional guidance for PAIBs in this area, including worked case studies.

ICPAU - Institute of Certified Public Accountants of Uganda

We support the expanding scope of the extant requirement for PAIBs as we agree that this will align the NOCLAR communication requirements between the sustainability assurance client's external auditors and sustainability assurance practitioners. However, it would be desirable that supporting guidance be provided to clarify how such communication should be managed. There might be circumstances where such disclosure is contrary to prevailing jurisdictional laws and regulations. Therefore, the supplementary guidance should provide guidance about how such disclosures should be done.

IDW - Institute der Wirtschaftsprüfer (Germany)

We would support IESBA addressing this. However, to ensure para. R360.15 results in appropriate action and does not lead to expectations that cannot be met, we suggest instead of requiring a PAIB to only determine whether disclosure of a NOCLAR or suspected NOCLAR is needed, this section should also require the PAIB to 1) ensure disclosure is permitted, and 2) communicate to both the auditor and SAP, where these are not the same practitioner.

IFAC - International Federation of Accountants

We support the extension of scope for the extant communication requirements for PAIBs in cases where this is permissible according to laws and regulations. There would be a direct relationship with the sustainability assurance provider that can be managed through wording on engagement letters. As such, this creates a lower risk of accidental breach of local laws and regulations than communication between the financial statements auditor and sustainability assurance provider. However, It would be useful for the requirement or supporting guidance to explicitly clarify that such disclosure would not be required if contrary to laws and regulations. We also note that the wording of the requirement requires the PAIB only to “determine whether disclosure...” is needed rather than clarifying that communication should then be made and should consider relevance to both the auditor and the sustainability assurance practitioner (noting that they may be separate firms so disclosure to two different firms may sometimes be appropriate).

We raise a concern to be aware of in this area. There are jurisdictional differences in the level of due process and consideration for the type of risks mentioned, especially where issues raised are in respect of suspicions rather than evidence based. The complexities inherent within this should not be overlooked.

MIA-MALTA - The Malta Institute of Accountants

The Institute agrees with IESBA who are also proposing corresponding revisions to the extant Section 260 through the additional paragraphs included in Part 2 of the Code, applicable to Professional Accountants in Business, specifically through the addition of the requirements spelled out in R260.15 and 260.15 A1 which would require the professional accountant to determine whether to disclose NOCLAR also to the practitioner conducting a sustainability assurance engagement on the entity **and/or** the entity's external auditor. (We are noting “and/or” in bold as, in our opinion, in those cases where the sustainability assurance practitioner and the external auditor are different, disclosure should be permitted to both.)

Notwithstanding the above, the Code needs to take into consideration that accountants are not regulated in the same manner in each and every country. Hence, this necessitates considerations as regards to how level playing field is going to be ensured given this scenario.

NBA - Royal Netherlands Institute of Chartered Accountants

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

SAICA - South African Institute of Chartered Accountants

SAICA supports expanding the scope of the extant requirement for PAIBS to the extent that it does not breach confidentiality laws, and or independence provisions under existing laws and regulations. However, we have concern on the practical implementation of the paragraph.

Other Assurance Providers and Accreditation Bodies (non-PAs)

IAF - International Accreditation Forum

[see mainly the following points: Section 5360]

In the accreditation system, NOCLAR is applicable only as long as laws and regulation require to do so.

Accounting Firms and Sole Practitioners

RSM - RSM International Limited

We support expanding the scope of the extant requirement for PAIBs. It is consistent with the requirement in extant R260.15 and 260.15 A1. Due to the variety of sustainability information and NOCLAR, we believe the IESBA should consider including 'relevance to the sustainability engagement' as a factor that the senior professional accountant may consider in their determination of whether disclosure of the matter to the sustainability assurance practitioner is needed either as part of the requirement or in a separate application paragraph. Not all NOCLAR would be relevant to the sustainability assurance engagement. However, if the Board's position is that it is the sustainability assurance practitioner's responsibility to determine relevance, we support the requirement as is.

Academia and Research Institutes

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

Yes, but there is a need to extend the provisions to accommodate the potential communication of actual or suspected NOCLAR to all assurance practitioners.

In response to Question 7, we note research highlighting the interrelated / interconnected nature of actual or suspected NOCLAR across the entire organisation (e.g., Greve et al. 2010; Paruchuri et al. 2024; Bouzzine and Lueg 2023; Seele and Gatti 2017; Manetti et al. 2021). It is important for the organisation's external auditor or sustainability assurance practitioner performing a sustainability assurance engagement to be aware of actual or suspected NOCLAR so as to facilitate their compliance with the fundamental principles of integrity and professional behaviour. We believe, therefore, that it is appropriate for the senior professional accountant in business to consider if disclosure of suspected or actual

NOCLAR is required to the employing organisation's external auditor or sustainability assurance practitioner.

Proposed paragraph R260.15, however, seems to envisage a single sustainability assurance practitioner, and as we note in our response to Question 7, while this is the most common situation, instances of more than one sustainability assurance practitioner do occur and may become more common in the future. We encourage the IESBA to acknowledge the potential need for the senior professional accountant to consider disclosure to multiple sustainability assurance practitioner(s) rather than a single practitioner (within the confines and considerations outlined in this Section).

We further note that proposed paragraph R3560.33 envisages a single sustainability assurance practitioner in that it only requires consideration of the need for the sustainability assurance practitioner to communicate actual or suspected NOCLAR with the client's external auditor. Enquiries with academic colleagues investigating the sustainability assurance market reveals that instances of multiple sustainability assurance practitioners are rare but do arise. Given the increased breadth of this Section (i.e., to sustainability assurance engagements not within the scope of the International Independence Standards), we believe that the likelihood of this occurring would be higher. We encourage the IESBA to extend proposed paragraph R3560.33 to require the practitioner to consider the need for communication to any other of the client's sustainability assurance practitioners (if any).

Question 8 - Disagree

Accounting Firms and Sole Practitioners

BDO - BDO International Limited

BDO disagrees, with the following additional comments:

The same concerns around communication between third parties and different interpretations raised in Q7, are also relevant to Q8.

Question 8 - 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

IRBA - Independent Regulatory Board for Auditors

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

Independent National Standard Setter

NZAuASB - New-Zealand Auditing & Assurance Standard Board

Professional Accounting Organizations (PAOs)

CBPS-CFC-IBRACON

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

GAA - Global Accounting Alliance

HKICPA - Hong Kong Institute of Certified Public Accountants

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

WPK - Wirtschaftsprüferkammer (Germany)

Other Assurance Providers and Accreditation Bodies (non-PAs)

AccountAbility

JAB - Japan Accreditation Board

Accounting Firms and Sole Practitioners

Assirevi - Association of Italian Audit Firms

BKTI - Baker Tilly International

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

IBA - The International Bar Association

IIA - The Institute of Internal Auditors