

CIVs and Pension Funds

General and Other Comments

Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for input on the independence considerations with respect to audits of Collective Investment Vehicles and Pension Funds. As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, the IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.

The IFIAR's objectives are as follows:

Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.

Promoting collaboration and consistency in regulatory activity.

Initiating and leading dialogue with other policymakers and organisations that have an interest in audit quality.

Forming common and consistent views or positions on matters of importance to its members, while taking into account the legal mandates and missions of individual members.

The comments we provide in this letter reflect the views expressed by several, but not necessarily all, of the members of the IFIAR. However, the comments are not intended to include or reflect all of the views that might be provided by individual members on behalf of their respective organisation. The IFIAR Member jurisdictions currently take varying approaches to assessing auditor independence frameworks, and views in this area will likely continue to evolve as auditor and regulatory practice respond to the complexities of these structures. The comments in this letter should be considered in that context.

Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by the IFIAR.

The IESBA Code of Ethics (the Code) is used by several, but not all members of the IFIAR. A number of audit firms have also voluntarily committed to complying with the Code. As a result, the IFIAR has an interest in enhancing the quality, clarity and enforceability of the Code, even though existing ethical rules or provisions in force at national level supersede those of the Code on certain aspects.

Overall comments

Given the often complex and unique structures of Collective Investment Vehicles (CIVs) and pension funds, it is essential that the Code's provisions — particularly those relating to related entities and Connected Parties — can be applied consistently and with appropriate professional judgement.

We believe the conceptual framework for auditor independence in the context of Collective Investment Vehicles (CIVs) and pension funds deserves further scrutiny, to determine whether the current definitions and criteria remain appropriate and sufficient, and/or whether further illustrative guidance may support more consistent application in practice.

Our responses reflect a commitment to high-quality, independent audit and assurance engagements that serve the public interest.

Investors and Analysts

Association of the Luxembourg Fund Industry (ALFI)

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,400 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 80 countries around the world.

We would like to thank the International Ethics Standards Board for Accountants (IESBA) for the opportunity to respond to the public consultation on the independence considerations with respect to audits of Collective Investment Vehicles (CIVs) and Pension Funds.

Important considerations

ALFI would like to respond to two distinct points in the consultation, namely:

Questions 1&2 in relation to the impact of changes to the definition of “related entity”; and

Question 6 Luxembourg (and EU) jurisdictional requirements specific to CIVs / pension funds from an auditor perspective.

In addition, we would like to highlight that in Luxembourg, the Luxembourg Institute of Registered Auditors (IRE) is the body in charge of the audit profession, which will submit a separate detailed response to all questions raised in the consultation.

Better Finance (BF)

Executive Summary

As a representative of private investors, we welcome IESBA's consultation and express strong support for efforts to enhance auditor independence frameworks, particularly in the context of Collective Investment Vehicles (CIVs) and pension funds. Investors rely on the assurance provided by independent auditors, and any erosion of that independence directly compromises confidence in fund governance, performance reporting, and ultimately the financial system. Below are our responses to the consultation questions, grounded in the need for investor protection, transparency, and accountability.

Let us start with some general remarks from our side before we turn to the responses to your questions:

General Remarks on Auditor Independence in Collective Investment Schemes:

What's Needed to Safeguard Investors

1. Why Auditor Independence Matters to Investors

Auditors are uniquely positioned to provide external validation of a fund's financial integrity. For investors, their role is not merely technical — it is trust-enhancing. The auditor's opinion on whether a fund's financial statements fairly present its performance, position, and cash flows is a core pillar of investor confidence. If an auditor is not sufficiently independent — either in fact or in appearance—then this assurance becomes compromised. In CIS, where investors may have limited visibility into operations, asset valuation, liquidity, and internal controls, the

auditor often represents the only independent professional with full access to fund records. Their independence is in our view indispensable for:

Challenging management's judgments, particularly in valuation of illiquid assets or related party transactions;

Ensuring compliance with applicable accounting and regulatory frameworks;

Signaling red flags to oversight bodies or regulators where needed.

Therefore, safeguarding auditor independence is not optional- it is central to upholding the investor protection mandate.

2. Threats to Auditor Independence

The IESBA Code and EU/IOSCO frameworks identify several recurring threats to auditor independence, all of which are highly relevant in the CIS context:

Self-interest threats: Financial or business interests in the CIS or its manager (e.g. significant audit fees, non-audit service income).

Self-review threats: The auditor auditing work they or their firm performed (e.g., preparing the accounts, valuation models, internal control frameworks).

Familiarity threats: Long-standing relationships with CIS management that erode objectivity.

Intimidation threats: Pressure from influential clients, especially in large asset management groups where the auditor may fear losing business.

Advocacy threats: Auditors acting in a role akin to promoting or defending the fund's interests (e.g., in disputes, marketing, or litigation).

Investors expect robust measures to mitigate or eliminate these threats—not merely through disclosure, but through structural safeguards and regulatory enforcement.

3. Conditions Necessary for Ensuring Sufficient Auditor Independence

To ensure that auditors of CIS are truly independent, the following conditions can be critical:

A Prohibition of Certain Non-Audit Services

Auditors must be prohibited from providing services that could create a self-review or advocacy threat. This includes preparing financial statements, asset valuations, tax structuring, internal audit, or acting as litigation support.

Ethical standards should go beyond “significant threat” thresholds and outright ban certain high-risk services for audit clients.

B. Fee Dependency Limits

Independence is compromised if a firm derives a large proportion of its revenue from a single CIS client or affiliated group.

Regulators should enforce fee dependency thresholds (e.g., no more than 15% of audit firm's total revenue from one group).

Mandatory disclosure of fee structures to investors enhances transparency and allows for scrutiny.

C. Audit Partner Rotation

Long tenure weakens objectivity. The lead audit partner should be rotated at least every 5–7 years, with cooling-off periods to prevent familiarity threats.

Some jurisdictions (e.g., the EU) require firm rotation after 10 years; such rules may be warranted for CIS of significant size or complexity.

D. Strong Internal Audit Quality Controls

Audit firms should be required to have independent internal review processes, ensuring compliance with ethical standards before signing audit opinions.

Second-partner reviews, conflict checks, and pre-approval processes for engagements help maintain integrity.

E. Independent Audit Committees or Oversight Boards

CIS should have governance bodies (e.g., independent directors or audit committees) that appoint, oversee, and review the auditors—not just management.

This separation ensures auditors are accountable to investors, not management, aligning their incentives correctly.

F. Clear Disclosure of Auditor Relationships

Investors should receive full disclosures of:

All audit and non-audit fees paid;

Any affiliations between audit firm and CIS sponsor;

Tenure of auditor;

Any changes or issues raised in auditor reports.

This empowers investors to assess the robustness of oversight.

G. Public Enforcement and Oversight

National audit oversight bodies (e.g., the UK's FRC, PCAOB in the U.S., or the EU's CEAOB) must actively monitor auditor independence and sanction violations.

Public reporting on enforcement actions improves accountability and trust in the system.

4. The IESBA's Role

IESBA's ethics code plays a critical role in defining what constitutes acceptable auditor conduct globally. It must remain:

Strict in principle: promoting a high bar for independence;

Specific in application: offering clear guidance for CIS contexts (e.g., independence where fund managers are part of complex financial groups);

Coordinated with regulators: enabling practical enforcement and convergence across jurisdictions.

Strengthening the auditor independence framework will directly enhance investor trust in fund disclosures, reduce systemic risk, and reinforce the perception that CIS operate with integrity.

BetterFinance Responses to the Consultation Paper

Executive Summary

As a representative of private investors, we welcome IESBA's consultation and express strong support for efforts to enhance auditor independence frameworks, particularly in the context of Collective Investment Vehicles (CIVs) and pension funds. Investors rely on the assurance provided by independent auditors, and any erosion of that independence directly compromises confidence in fund governance, performance reporting, and ultimately the

financial system. Below are our responses to the consultation questions, grounded in the need for investor protection, transparency, and accountability.

We as an organization of investors' associations in the EU, appreciate IESBA's leadership on this issue. Strong, principle-based global standards for auditor independence, combined with guidance tailored to the specific risks in CIVs and pension funds, will materially enhance investor protection and market confidence. We are available to further contribute to this consultation and any future deliberations.

European Fund and Asset Management Association (EFAMA)

Initial remarks and background information

The International Ethics Standards Board for Accountants (IESBA) launched this consultation to solicit feedback from stakeholders regarding auditor independence considerations for audits of Collective Investment Vehicles (CIVs) and Pension Funds (also referred to as "Investment Schemes" or "Schemes" in the consultation paper).

EFAMA is pleased to engage with the IESBA in this consultation, which aims to assess whether revisions to the International Code of Ethics for Professional Accountants (the Code) are warranted to ensure the Code is robust and fit for purpose in addressing auditor independence in the context of CIVs and Pension Funds.

Auditors' independence is key to ensuring the integrity of financial reporting and safeguarding investors' and other stakeholders' interests and trust in Public Interest Entities (PIEs)' financial condition. There are two key definitions in the Code of particular relevance to assess CIVs auditors' independence:

R400.22 – PIEs

R400.27 – Related Entities

In the CP document we can read the following ideas that should be highlighted to understand the concerns IESBA is trying to address before delivering EFAMA's comments to this consultation.

In 2021, IESBA removed CIVs from the mandatory PIE categories because including them would impose a disproportionate burden on local regulators and standard setters.

However, with the concurrence of the Public Interest Oversight Board (PIOB), the IESBA committed to undertake a holistic review of CIVs, PEBs and investment company complexes (ICCs) from an auditor independence perspective, given questions being raised regarding the application of the "related entity" concept in the Code to such investment vehicles or structures. This is the focus of the present consultation.

Investment Schemes frequently engage other third parties to perform roles like those managed by in-house teams in a conventional corporate structure. Although the Project Team has not identified any Investment Scheme financial failure in which an auditor's lack of independence was a contributing factor, it has noted stakeholders' interest arising from the substantial amount of public funds invested in them and, therefore, the need to ensure that the necessary independence provisions apply.

The primary objective of the consultation is to allow IESBA to gain a comprehensive understanding of the relationships between investment schemes and their trustees, managers, and advisors.

Regarding the PIEs, and before replying to the questionnaire, it is important to set the scene and explain that the definition from the IESBA Code was not adopted in the EU because the EU markets follow the definition of PIE in the Audit Directive (Directive 2014/56/EU amending Directive 2006/43/EC) transposed by EU Member States into their national legislations, with national rules taking precedence over the Code.

According to Article 2 (13) of the Audit Directive, the 'public-interest entities' definition covers:

Entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;

Credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council (1), other than those referred to in Article 2 of that Directive; Insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC; or Entities designated by Member States as public-interest entities, for instance, undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees;

In line with Paragraph 400.23 A2 of the Code, but with the flexibility allowed by the Audit Directive, at the level of the EU, the local categories of PIEs can vary from Member State to Member State depending on the circumstances. More detail is provided below in our comments to question 6.

The EU followed this approach to allow flexibility in the definition of PIEs across Member States for several reasons, namely to:

ensure the definition can be tailored to fit the specific circumstances and needs of each country; avoid unnecessary regulatory burdens and ensure that the rules are effective and relevant in each jurisdiction; maintain the competitiveness of EU markets by preventing a one-size-fits-all approach that might not be suitable for all Member States; ensure consistency with existing robust regulatory regulations (e.g. UCITS regulations), by allowing Member States to integrate new requirements with existing ones, avoiding regulatory fragmentation and ensuring coherence.

When implementing the EU Audit Directive, Member States ensured their domestic legislation respected the proportionality principle of the EU framework and aimed to prevent excessive regulatory burden on investment funds already subject to strong investor protection and transparency rules under the sectoral regulatory regime (e.g. Portugal).

EFAMA supports maintaining the flexibility afforded by the EU Audit Directive, which allows each Member State to apply the PIE designation according to national market realities and risk profiles (and unlisted funds should not be automatically deemed PIEs), and that reinforces the value of a risk-based, jurisdiction-specific application of auditor independence requirements.

As a general remark, for EFAMA, there is no rationale for imposing a greater regulatory and compliance burden on investment funds (e.g. CIVs), as these are already subject to existing regulatory requirements (i.e. UCITS Regulations), which have substantial investor protections and disclosure requirements to investors currently in place.

Any amendments to the PIE regime, including these funds within the PIE definition, would unlikely add value to these entities' investors. As a bloc, EU Member States and the EU must remain competitive in the European and global capital markets landscape, especially when the European Commission is working on its Savings and Investment Union (SIU) Action Plan. Inconsistency and misalignment with other jurisdictions should be avoided where possible.

For EFAMA, the Audit Directive and existing flexibility should be maintained, and no amendments should be made to the Code.

When deciding if the Code is to be amended as proposed in the Consultation Paper, the IESBA should also be aware of the unintended consequences for the European Investment Management industry that are to be avoided (e.g. the potential for anti-competitive outcomes, reducing choice in selection of auditors and thereby potentially increased costs to investors through higher total expense ratios).

More in detail, EFAMA is raising awareness on the following consequences/concerns:

Anti-Competitive Concerns: The amendments proposed in the Consultation Paper could limit the choice of audit firms for the Collective Investment Vehicles (CIVs) and Pension Funds, potentially leading to monopolies, lower quality and higher audit costs.

Operational complexity, increased costs, decreased quality of audit services and negative impact on investors: There is a potential that under regulatory and compliance requirements in certain jurisdictions requires different auditors for CIVs and Pension Funds and Connected Persons (third-party service providers such as asset managers, fund accountants, depositaries, custodians) and this could disrupt current practices and add to complexity, reducing choice of auditors and risking the quality of audit services. Increased costs could negatively affect key performance metrics like ongoing charges, NAVs, and TERs, potentially deterring investors. Rotation and changes to auditors at Connected Persons would lead to a forced change of auditors at CIVs and Pension Funds.

Current Effectiveness in Europe: From a European perspective, the current ethical standards and regulations effectively ensure auditor independence without requiring these proposed amendments in the Consultation Paper. The IESBA's concerns may be more relevant to other regions, where the relationship between auditors and investment managers is different (but even to address concerns arising from other regions, the Code should not be amended). European and local regulators and professional bodies are already ensuring the effectiveness of the Code's principles regarding auditor independence.

EFAMA recommends that the IESBA reconsider proceeding with the changes to the Code proposed in the consultation paper to avoid these unintended consequences and the risk of harming investors and the market by increasing costs and reducing the quality of audit services.

Impax Asset Management

Impax Asset Management is a company founded in 1998 that specialises in making sustainable investments in companies contributing to the transition to a more sustainable economy. Nowadays, we are one of the world's largest specialised asset managers in the sustainable investing field. We are also a long-term investor that has been actively advocating for sustainability reporting and audit quality in different markets all over the world.

We welcome the opportunity to provide feedback on the IESBA's consultation regarding auditor independence for CIVs and pension funds. As a global investor operating across major economies, we recognise the importance of maintaining robust and consistent independence standards to safeguard the integrity of financial reporting in investment schemes. While the existing IESBA Code of Ethics provides a strong foundation for assessing auditor independence, the unique structure of CIVs and pension funds—where external service providers play critical roles—necessitates further clarification on the treatment of Connected Parties. Here are our responses to the specific questions in this Consultation Paper:

Investment Company Institute (ICI)

The Investment Company Institute ("ICI") appreciates the opportunity to respond to the International Ethics Standards Board for Accountants (IESBA or the "Board") Consultation Paper to solicit feedback regarding auditor independence considerations for audits of Collective Investment Vehicles (CIVs) and pension funds (hereinafter referred to as "Investment Schemes").

ICI supports IESBA's goal of reinforcing the importance of independent audits of Investment Schemes, particularly for registered funds, which serve a broad base of retail investors and are already subject to rigorous oversight by securities regulators around the world. Independent audits are essential for maintaining the trust of investors and

stakeholders across the investment management industry, particularly where schemes are accessible to the general public.

However, ICI does not believe the Consultation Paper identifies any meaningful threats to auditor independence—or compelling public interest concerns—that justify moving forward with this project. In particular, we are not aware of any issues involving registered funds globally that would warrant changes to the existing independence framework. These funds are already subject to rigorous regulatory oversight and robust audit standards. We therefore urge the Board to focus its efforts on areas where there is clear evidence of need or emerging risk.

Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

The Botswana Accountancy Oversight Authority (BAOA) values this opportunity to comment on the Consultation Paper on Collective Investment Vehicles and Pension Funds – Auditor Independence.

The BAOA is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by entities, including Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations, and education and training of professional accountants in Botswana.

Please refer to our Appendix to this letter to see our comments on the questions raised in the Exposure Draft.

Financial Reporting Council (UK FRC)

The Financial Reporting Council (FRC) welcomes the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for input on the independence considerations with respect to audits of Collective Investment Vehicles (CIVs) and Pension Funds. The FRC has a strong interest in ensuring that the IESBA Code continues to underpin the global integrity of the accountancy and audit professions. Although the FRC does not mandate the International Independence Standards (IIS) for UK auditors, its Ethical Standard is designed to be at least as rigorous, ensuring alignment with the IESBA Code's fundamental principles. Additionally, professional accounting bodies in the UK adopt the Code as the basis of their codes of professional ethics.

Accordingly, the FRC strongly supports the IESBA's strategic vision to ensure that its ethical standards remain a cornerstone of ethical conduct for the accounting profession and beyond.

Due to the often complex and unique structures of CIVs and pension funds, it is essential that the Code's provisions — particularly those addressing related entities and Connected Parties — can be applied consistently and with appropriate professional judgement across different contexts.

We believe there is value in re-examining the conceptual framework for auditor independence as it applies to CIVs and pension funds. This review should consider whether the existing definitions and criteria remain appropriate and sufficient, and/or whether further illustrative non-authoritative guidance may support more consistent application in practice.

Our responses reflect a commitment to promoting robust, independent audit and assurance practices that serve the public interest effectively. Where we have not commented on certain specific matters, this should not be interpreted as either approval or disapproval by the FRC.

Our specific responses to the questions set out in the consultation are included as an annex to this letter.

Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)

On behalf of HAASOB, I am writing to comment on the IESBA's Consultation Paper Collective Investment Vehicles and Pension Funds – Auditor Independence March 2025.

This letter aims to contribute to the IESBA's due process, in consideration of the Auditor Independence applicability when auditing Collective Investment Vehicles and Pension Funds.

Independent Regulatory Board for Auditors (IRBA)

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national audit and ethics standard-setter in South Africa. Its legislative objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic. Its statutory Committee for Auditor Ethics (CFAE) is responsible for prescribing the standards of professional competence, ethics and conduct for registered auditors.

The IRBA adopted Parts 1, 3, 4A and 4B of the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (Code) and incorporated these into the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2024) (IRBA Code), together with certain South African adaptations and amendments. The IRBA Code is applicable to all local registered auditors and, with its Rules Regarding Improper Conduct, provides the basis for disciplinary action against these professionals.

We appreciate this opportunity to comment on the IESBA's Consultation Paper on Collective Investment Vehicles and Pension Funds – Auditor Independence.

Our response has been prepared by a CFAE Task Group that comprised representatives from auditing firms, the Johannesburg Stock Exchange, the Financial Sector Conduct Authority (FSCA), the Association of Chartered Certified Accountants (South Africa) and the South African Institute of Chartered Accountants.

The comments are presented under the following sections:

- A. General Comments; and
- B. Request for Specific Comments.

GENERAL COMMENTS

The IRBA welcomes the IESBA's initiative that highlights the auditor independence concerns in relation to audits of Collective Investment Vehicles (CIVs) and pension funds. We recognise the inherent complexities and potential risks associated with these sectors, particularly in relation to the influence of connected parties and their impact on financial reporting and decision-making.

We wish to highlight two areas noted below that warrant further consideration.

The term “connected parties” is not commonly used in the South African context, and its broad scope may lead to inconsistent interpretation and application across jurisdictions and audit firms. To mitigate these risks, it may be more effective to provide non-authoritative guidance and illustrative examples.

Guidance is needed on evaluating and addressing threats posed by non-audit services provided to connected parties, to ensure that auditors maintain their independence.

National Association of State Boards of Accountancy (NASBA)

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the IESBA Consultation Paper on Collective Investment Vehicles and Pension Funds – Auditor Independence

(Consultation Paper). NASBA's mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Consultation Paper.

Jurisdictional Standard Setters

Accounting Professional & Ethical Standards Board (APESB)

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the IESBA's Consultation Paper *Collective Investment Vehicles and Pension Funds – Auditor Independence*.

APESB is governed by an independent board of directors whose primary objective is to develop and issue, in the public interest, high-quality professional and ethical pronouncements. These pronouncements apply to the membership of the three major Australian professional accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants). In Australia, APESB issues APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (APES 110) and a range of professional and ethical standards that address non-assurance services.

Overall comments

APESB is supportive of the IESBA undertaking consultation on auditor independence considerations for audits of Collective Investment Vehicles (CIVs) and Pension Funds, and considering whether revisions to the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) are warranted to address auditor independence in these circumstances.

In Australia, measures are in place to establish independence considerations for Managed Investment Schemes (MISs) subject to the Corporations Act 2001 requirements (which are a type of CIV) and superannuation funds (e.g., pension funds). APES 110 determines that public interest entities include superannuation funds and disclosing entities (which include registered MISs). The Corporations Act 2001 has specific independence requirements for auditors relating to conflicts of interest and relationships. Additionally, the prudential regulator, the Australian Prudential Regulatory Authority (APRA), has oversight of and imposes specific regulations for superannuation funds.

Therefore, the key considerations for auditor independence in Australia are well established and clear for superannuation funds. However, issues may arise if MISs or their structures obscure the parties responsible for management of the scheme's investments and operations. As such, APESB have drafted our response to the consultation paper focusing on MISs.

While Australia has established auditor independence considerations for MISs and superannuation funds, the increasing and significant investments managed through these types of entities create a public interest imperative for globally consistent auditor independence requirements. It is unclear whether separate jurisdictional legislation establishes a consistent approach to auditor independence for MISs (or CIVs). As such, APESB would support the establishment of a definition of connected party and application material to clarify how connected parties are included in independence considerations for the auditors of CIVs and Pension Funds.

In developing APESB's response to the IESBA's Consultation Paper, we have engaged with Australian stakeholders, including standard setters, professional accounting bodies, and accounting firms. We have noted key themes raised by these stakeholders for the IESBA's information, even if those positions may deviate from the APESB's views.

Appendix A provides APESB's responses to the IESBA's questions in the Consultation Paper.

Concluding comments

We trust you find these comments helpful in your Project Team's deliberations.

New Zealand External Reporting Board (XRB)

Thank you for the opportunity to comment on the IESBA Collective Investment Vehicles and Pension Funds – Auditor Independence Consultation Paper. We submit the feedback from the New Zealand External Reporting Board (XRB).

The XRB is a Crown Entity responsible for developing and issuing climate, accounting, auditing and assurance standards (including professional and ethical standards) in New Zealand. The XRB enables high-quality, credible and integrated reporting by providing robust frameworks and standards that are internationally credible, while being relevant to Aotearoa, New Zealand. This ensures reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

The XRB supports the IESBA initiative to seek feedback about whether revisions are required to the extant Code in respect of independence of investment schemes and pension funds. We encourage the IESBA to continue their principles-based approach and to consider non-authoritative guidance to clarify extant principles. In our responses we have highlighted some unique New Zealand jurisdictional considerations relevant to this consultation paper.

We note that investment schemes and pension funds in New Zealand are highly regulated. The XRB has included managed investment schemes within the definition of a public interest entity. To date we have not been informed of any issues with regard to auditor independence for these schemes.

Accounting Firms

BDO International (BDO)

BDO International Limited (BDO) is pleased to have the opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA or Board) Consultation Paper with respect to auditor independence for audits of Collective Investment Vehicles and Pension Funds.

BDO summary

The overall view of BDO is that the IESBA Code is principle-based and that the application of the conceptual framework gives audit firms the necessary scope to capture all relevant relationships within their independence assessments for Collective Investment Vehicles and Pension Funds.

Attempting to change or expand the related entity definition to try to cover every entity that the audit firm may have a relationship with which could bear on its independence would likely have unintended consequences. It may lead to an overly expansive definition or one disproportionately cumbersome compared to other definitions within the Code and this may end up being counterproductive.

Instead, our view is that the issuance of non-authoritative guidance on identifying relationships with the connected parties that threaten independence could be of real value to firms in helping them apply the conceptual framework in a consistent manner, appropriate to the local markets within which these funds operate.

We understand that the IESBA is seeking to be proactive in addressing any potential gaps before they lead to an issue, but as the project team has acknowledged, no independence issues have to date been identified as the cause of an audit failure in the CIV/pension fund space. It is therefore difficult to identify any future issues that would only be averted by a change to the related entity

We appreciate the opportunity to comment on the consultation paper. We hope that our comments and suggestions will be helpful to you in your deliberations and development of future recommendations.

Please contact me should you wish to discuss any of these comments.

Deloitte

Deloitte Global appreciates the opportunity to provide comments on the IESBA's Consultation Paper Collective Investment Vehicles and Pension Funds – Auditor Independence issued by the Board in March 2025 (the Consultation Paper).

Deloitte Global acknowledges the importance of consultation and appreciates IESBA's efforts to solicit feedback from stakeholders before considering global standard setting projects. Gathering input from a variety of stakeholders supports the development of high-quality, operable international ethics and independence standards that enhance public trust and confidence in financial information. It is important to ensure any proposed changes are supported by evidence that the changes will meaningfully contribute to this trust and confidence.

After thorough consideration of the issues raised in the Consultation Paper, Deloitte Global does not believe that amendments to the Code regarding the current "Related Entity" definition, or to address the concept of "Connected Parties" for audits of collective investment vehicles and pension funds (collectively "Investment Schemes") are warranted or necessary for the reasons outlined below:

The lack of a clear strategic driver for the project

There is no evidence of independence issues with Investment Scheme audits arising from the current definition of Related Entity or relationships with the Connected Parties. As a result, there is no "trust crisis" or other strategic driver for standard-setting in this area. Without a compelling strategic driver, the urgency or relevance of reviewing and potentially overhauling a long-standing definition and framework is questionable.

The conceptual framework is sufficient to address matters involving Connected Parties

The IESBA Code requires professional accountants to apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles. This approach deters accountants from concluding that a situation is permitted solely because it is not specifically prohibited by the Code. Deloitte Global believes that the proper application of the conceptual framework enables an auditor to appropriately identify, evaluate, and address threats to independence resulting from relationships with Connected Parties, even if such entities are not included in the Related Entity definition. This principles-based approach should be maintained as it can be applied to a variety of circumstances, and provides necessary flexibility given the diversity in structure, governance and operating models of Investment Schemes around the world. There is no evidence to suggest the conceptual framework is inadequate, particularly given the absence of cases where an auditor's lack of independence has contributed to Investment Scheme financial failures. Accordingly, we consider it reasonable to rely on the existing principles-based framework unless credible evidence demonstrates that more prescriptive requirements would more effectively safeguard independence and enhance audit quality.

Establishing a global standard would be challenging and likely globally inoperable

Investment Scheme structures and their relationships with third parties vary significantly across jurisdictions, as do applicable laws and regulations. This diversity makes it unlikely that a globally operable definition of a Related Entity or Connected Party of an Investment Scheme can be established. Regulation in this area should be left at the jurisdictional level where local regulators or standard setting bodies can tailor requirements to their specific circumstances. In fact, many jurisdictions already have robust regulations for Investment Schemes. However, Deloitte Global cautions against simply lifting concepts that are specific to certain jurisdictions, such as the US SEC's "investment company complex," into the Related Entity definition in the Code. The SEC's definition is

tailored and specific to laws and regulations applicable to US investment companies. Its lack of relevance in other jurisdictions might create confusion and inconsistency in application which would not be in the public interest.

Implementation burden might outweigh any potential public interest benefit

Implementing new standards requires significant resources and standard setting should only be pursued if there are clear, demonstrable public interest benefits, such as supporting high-quality audits or reducing risks of non-compliance with ethics and independence obligations. Amending the Code at this time could place unnecessary burden on firms that are already working to implement complex sustainability standards. Even minor changes to the Code can have significant impacts on firms' policies, procedures and quality management systems yet the Board has not provided sufficient evidence of the benefits of introducing new standards in this area.

Greater focus could be placed on adoption and implementation of the Code

In previous responses to IESBA's strategy and work plans, stakeholders have asked for a period of stability for the Code and recommended that the Board focus on projects that address pressing issues and provide tangible benefits to the profession and the public interest. At this time, resources would be better allocated to areas such as conducting post-implementation reviews and developing non-authoritative guidance to support adoption and effective implementation of the Code.

We have also included specific responses to the questions in the Consultation Paper.

Ernst & Young Global (EY)

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young ("EY") organization, welcomes the opportunity to offer its views on the Consultation Paper, Collective Investment Vehicles and Pension Funds – Auditor Independence (the "Consultation Paper"), issued by the International Ethics Standards Board for Accountants (the "IESBA" or the "Board").

We welcome the opportunity to contribute to the further development of the IESBA Code of Ethics for Professional Accountants (the "Code") and we continue to support robust ethics standards that will reinforce the integrity and objectivity of auditors worldwide. We fully support the IESBA's efforts to ensure that the Code stays relevant, applicable, practicable, and responsive to an ever-changing environment to ultimately address matters of public interest.

With its Consultation Paper, the IESBA is considering whether the extant provisions of the Code are clear and capable of being applied to audits of collective investment vehicles ("CIV") where Connected Parties (as defined in paragraph nine of the Consultation Paper) are involved with the CIV. As further explained in our responses to the questions below, we believe the extant Code is fully sufficient to guide the Professional Accountant ("PA") in identifying, evaluating, and addressing threats to independence that arise from professional activities, interests and relationships a PA might have with Connected Parties. Accordingly, we believe the IESBA should not make revisions to the Code, including new requirements, application material, or amendments to the extant definitions of Audit Client and Related Entity.

The Conceptual Framework of the Code provides a robust, scalable, and well-understood framework that can be applied to the various structures and regulatory oversight mechanisms of CIVs in all jurisdictions. We do not believe it would be helpful if the IESBA created a new definition for Connected Party or modified the extant definitions of Audit Client and Related Parties intending to impose independence requirements on the types of entities that would be included in the Connected Party concept when there is such diversity in how CIVs are structured, operated, managed, and governed globally. Further, we do not fully understand which types of pension funds or vehicles the IESBA intends to include when considering the clarity of the Code's provisions since pension funds that do not already fall within the definition of a CIV typically are structured, operated, managed and

governed quite differently than CIVs. Additionally, pension funds that do not already fall within the definition of CIV are not commonly open to investment from the general public. However, we believe the Conceptual Framework is likewise sufficiently suitable for addressing threats to independence related to Connected Parties of pension funds.

We believe that when considering whether revisions to the Code are justified, it is important that a clear issue that is globally applicable be defined and evidenced. Otherwise, the IESBA risks diminishing the importance and adoption of the Code should it become inflexible and unable to accommodate variations in jurisdictional environments. In the case of the Investment Schemes described in the Consultation Paper, we do not believe the IESBA has defined and demonstrated a clear issue that is prevalent globally and would warrant any revisions to the Code. We highlight the fact that the IESBA's Project Team acknowledges in paragraph five of the Consultation Paper that it "has not identified any Investment Scheme financial failure in which an auditor's lack of independence was a contributing factor." Adding requirements to the Code when a clear and defined issue has not been identified, and in the absence of a cost/impact/benefit analysis, risks increasing the administrative cost of performing audits of Investment Schemes, which would only be passed on to the beneficiaries of the Investment Schemes, with no demonstrated commensurate benefit. Our response to question one below describes why we believe the Conceptual Framework, as currently applied by PAs when auditing Investment Schemes that have Connected Parties, provides the flexibility needed to effectively and efficiently identify and address threats to the PA's independence regardless of jurisdictional differences in how CIVs and pension funds are organized, structured and governed.

Six specific questions were identified on which the Board requested stakeholders to comment and we have organized our response accordingly.

Forvis Mazars

We welcome the opportunity to comment on the IESBA consultation paper on Collective Investment Vehicles and Pension Funds – Auditor Independence.

We set out below our general comments on the proposals followed by responses to the individual questions set out in the consultation document.

Forvis Mazars Group SC is an independent member of Forvis Mazars Global, a leading professional services network. Operating as an internationally integrated partnership in over 100 countries and territories, Forvis Mazars Group specialises in audit, tax and advisory services. The partnership draws on the expertise and cultural understanding of over 35,000 professionals across the globe to assist clients of all sizes at every stage in their development.

General comments

We are concerned with the significant expansion of the IESBA Code of Ethics ('the Code') in recent years, which has placed an increased burden on both local standard setters and auditors required to comply with the Code. Furthermore, we are concerned that the Code appears to be moving away from being "principles based" to "rules based" in some of its provisions.

We strongly welcome the decisions taken at the recent June meeting of the IESBA Board around standard setting and non-authoritative material, and particularly welcome a pause in major standard setting, with no new standards expected before 2027. This provides some welcome time in which local standard setters and audit firms can focus on fully implementing recent updates to the Code and assurance standards.

Proportionate response

While Para 12 of the consultation refers to a "potential gap in the code", the paper also notes that:

“the project team has not identified any investment scheme financial failure in which an auditor’s lack of independence was a contributing factor” after extensive research, IESBA has identified only two jurisdictions (US and Australia) that have established regulations in this area “research highlights that Investment Schemes are established under various legal frameworks and are subject to different jurisdiction-specific legal and regulatory requirements”

IESBA acknowledges that “Part 1 of the Code provides a path for auditors to consider facts and circumstances that may present threats to independence when auditing an Investment Scheme.”

Given these various factors identified in the consultation paper, it is not clear to us that there is any significant gap in the Code, or a need for enhanced provisions. Therefore, we do not believe that enhancing the Code would be a proportionate response to the findings of the IESBA’s research.

We believe that the existing provisions in the Code (Fundamental Principles, Conceptual Framework and requirement to exercise professional judgement) are sufficient in practice to ensure auditor independence, as acknowledged by IESBA in its own comments around Part 1 of the Code. There is therefore no justification to further enhance the Code in this regard. We do, however, consider that it may be appropriate for the IESBA to provide non-authoritative application material to support the application of the Code.

Practical application challenges

We believe that significant changes to the provisions of the Code might give rise to practical application challenges and potential unintended consequences, including:

the ability of funds to change advisers quickly on different platforms would make it impractical for auditors to keep track of all relationships in real time potential challenges similar to those related to IESBA proposals around “value chain” independence in the IESSA sustainability standards might arise. For example, if a large audit firm implemented a transaction processing system which is used across multiple CIVs, this would impact the ability of the firm to be independent across many entities, which may be particularly problematic in jurisdictions where only a small number of firms are active in this market the scale of the impact on small jurisdictions which have a large number of funds (e.g. Republic of Ireland and Luxembourg).

Grant Thornton International (GTIL)

Grant Thornton International Ltd. (GTIL) appreciates the opportunity to comment on the consultation paper, Collective Investment Vehicles and Pension Funds – Auditor Independence.

GTIL is an umbrella organisation that does not provide professional services to clients. Professional services are delivered by GTIL member firms around the world. Representative GTIL member firms have contributed to and collaborated on this comment letter with the public interest as their overriding focus.

GTIL wants to thank the Board for their continued efforts to serve the public interest and acknowledges the challenges the Board face to set high-quality standards that will enhance the profession.

Overarching comments

The Conceptual Framework and section R400.27

Collective Investment Vehicles (CIVs) and Pension Funds (PFs) have very diverse regulatory requirements across the different jurisdictions, varying legal structures, and market practices. Due to these complexities, we believe the Conceptual Framework and the Code’s current principles-based approach is appropriate to identify and respond to independence related threats when auditing CIVs and PFs.

The conceptual framework is designed to “accommodate a wide range of facts and circumstances, including the various professional activities, interests, and relationships that create threats to compliance with the fundamental principles. The application of the Conceptual Framework and section R400.27 of the Code are sufficient mechanisms for Professional Accountants when assessing independence to CIVs and PFs and provide a consistent approach in applying the principles of the Code. This guidance is comprehensive and globally understood by Professional Accountants.

Further, CIV and PF markets are very heavily regulated. In addition to the requirements in the Code, current regulations that govern investments available to the public also provide the required protection for investors.

We understand that there could be significant public interest in these types of entities, however we do not believe additional guidance is necessary to protect audit integrity of CIVs and PFs from a lack of independence.

This topic has been on the board's strategic agenda for many years. However, we are unaware of any significant independence issues that have come to light (also acknowledged by the board in the consultation paper) over these years. The Code appears to work well with respect to the application of the conceptual framework and independence related matters.

Connected Parties

CIVs and PFs operate very differently than traditional corporate entities. They use outsourced service providers to provide various functions. The service providers are usually unrelated parties performing a specific function, largely mechanical in nature, and are not ultimately responsible for the CIVs or PFs operating or financial results. These responsibilities remain with the governing body, who are ultimately responsible for the decision making and governance of the CIV or PF.

Each party will provide services in accordance with a contract and are rarely responsible for any decision making or operations of the CIV or PF without their agreement to assume such responsibility, or a requirement by law or regulation that imposes such a responsibility. In situations where the service provider is deemed to have responsibility over operating or financial results, the service provider would be considered to have control and would be caught as a related entity under R400.27 of the Code.

The consultation paper introduces criteria for determining who is a Connected Party of the CIV or PF. One of the criteria is “substantially affect the financial performance of the scheme”. It is not clear in the consultation paper what “substantially affect the financial performance of the scheme” entails”. The lack of clarity causes concern on consistent application and can unintentionally scope-in entities that do not fall within the definition of “related entity.”

Accordingly, we do not believe the term “Connected Party” is suitable or practicable when determining which entities independence is required. While the criteria laid out in the consultation paper are important factors for consideration, for the reasons discussed above, the majority of the third-party service providers would fall outside these considerations.

GTIL would like to thank the IESBA for this opportunity to comment.

KPMG

We value the opportunity to provide comments on the Consultation Paper issued by the International Ethics Standards Board for Accountants (IESBA or the Board) concerning collective investment vehicles (CIVs) and pension funds. This letter represents KPMG's views, incorporating feedback and insights from our global network.

We appreciate the IESBA seeking consultation to continue its course to “proceed cautiously before determining whether there is a need to revise the Code” as stated in the Board's Strategy and Work Plan, 2024-2027. The Consultation Paper explores the potential for gaps in the Code regarding the definition and treatment of related

entities within the context of CIVs and pension funds. However, it is not clear from the paper that the IESBA has presented a problem that would necessitate amending the Code. Notably, as stated in the Consultation Paper, no cases of financial failure in this space in which “an auditor’s lack of independence was a contributing factor” have been identified. This absence of examples, or a clear, well-supported means to notably increase auditor independence while balancing cost and disruption, indicates there is no urgent or compelling reason for the IESBA to undertake such a project.

The cost benefit and potential for unintended consequences must be considered against the perceived benefit of consistency in approach, which may not be achievable given the significant differences in investment schemes across jurisdictions and corresponding regulatory requirements. A fact-based impact analysis is crucial to support the need for the project and to understand the economic impact on investors and pensioners. This includes considering the cost of implementation and the likely restriction of auditor choice that funds and other impacted companies will face, which could potentially impact audit quality.

The considerations in the Consultation Paper query important points, but we believe the Code has been aptly written with the conceptual framework to capture any number of scenarios that are not explicitly addressed in a global code. And while the Code may not explicitly step into the space of CIVs and pension funds, jurisdictional regulators and standard setters do address these schemes when they see a need for prescriptive requirements to drive independence. We also found the Consultation Paper’s combination of CIVs and pension funds to be problematic, as they are fundamentally different in purpose, structure, and regulatory oversight. CIVs and pension funds serve distinct objectives, possess unique characteristics, and are often governed by separate regulatory frameworks with differing auditor obligations. The Consultation Paper does not sufficiently acknowledge or address these distinctions.

We highly value the principles-based, globally applicable nature of the Code and want to stress the importance of keeping this approach. A principles-based global code allows professionals to use their judgment effectively, especially in complex and varied situations. Conversely, an overly prescriptive approach hinders agility and the ability for thoughtful, principled decision making.

In the absence of a clearly demonstrated need, we believe it is prudent to maintain continuity in the Code to allow stakeholders a period of time to implement and adjust to recent significant changes. A constant stream of updates for very granular topics takes focus away from the main principles of the Code. A stable period would also give the Board time to objectively review how well recent changes to the Code are working and identify and respond to unintended consequences, ensuring that the Code develops in a balanced way, remaining centered on its overarching principles.

Regarding the matters raised in the Consultation Paper, we do not support the initiation of any further project in this area for the reasons stated above. CIVs and pension funds operate in highly regulated and diverse environments. It is important not to overstep or overcomplicate existing jurisdictional requirements.

MO Chartered Accountants Zimbabwe

The functions and purpose of the Collective investments schemes and Pension funds (internal and external) is to provide a crucial public interest purpose and although removed as strict Public Interest entity (PIE) the related entity umbrella accords it quasi- PIE status. An alternative suggestion is that PIEs can be –redefined to include pension funds and CIVs without the need to be subject to all the traditional PIE obligation for Auditing (modified exclusive PIE for certain industries) Overall, our view is that strict independence and ethical rules must govern these bodies. Although scheme failures have as yet not been attributed to lack of Auditor independence, the possibility does exist that it is for the very reason of compliance with independence requirements that no failure has

been attributed to Auditors, hence the continued expectation that independence guidelines be enforced on all such engagements.

As envisaged by the code at R400.27, “Even if an audit client is not a publicly traded entity or does not have control over a related entity, that related entity might still need to be included in the auditor’s independence assessment. When the auditor knows or has reason to believe that a relationship or circumstance involving that related entity is relevant to the independence evaluation, the auditor must consider it when identifying, evaluating and addressing threats to independence”. We believe this must be the guiding principle rather than the determination and focus of such entities being a PIE or not.

Of particular importance is auditor independence from those with significant responsibilities related to the Scheme’s policies and operations, such as making investment decisions and managing financial records including those who are involved in the accounting and financial reporting.

The auditor and management of those investments schemes will have to evaluate whether certain interests, relationships, or circumstances between the auditor of an Investment Scheme and those Connected Parties pose any threats to the auditor’s independence. This can be done in a similar manner that is done for other audits, we thus posit that the independence requirements be as strict as possible and should not be derogated from.

Auditors should never be complacent as to their duties and responsibilities in respect of the fundamental principles and application of the conceptual framework and this includes independence requirements. Judgement will have to be used on each engagement to ensure that auditors are independent of the right groups of persons or influencers. Such judgement, its basis and rationale should be documented and be on file or record.

Our jurisdiction does classify pension funds and collective investment schemes as PIEs and we are guided by this stricter adoption over the one proposed by IESBA and thus the independence requirements that attach to PIEs is relevant.

Pitcher Partners

We appreciate the opportunity to provide comment to the International Ethics Standards Board for Accountants (‘IESBA’) on the Consultation Paper on Collective investment vehicles and pension funds – auditor independence (the “Consultation Paper”).

Pitcher Partners is an association of independent firms operating from all major cities in Australia. Firms in the Pitcher Partners network are full service firms, and we are committed to high ethical standards across all areas of our practice. Our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, government entities, and small to medium sized enterprises.

We acknowledge the IESBA’s efforts to facilitate greater consultation in the standard setting process. However in this instance the absence of any identified instances where an auditor’s lack of independence was a contributory factor it would appear that there are other areas which the IESBA could more effectively deploy its resources.

Our detailed responses to the questions contained in the Consultation Paper are attached to this letter. Should this project continue we would welcome the opportunity to engage in any further discussion of this topic with other interested parties.

PwC network (PwC)

Introduction

We appreciate and thank you for the opportunity to comment on the IESBA's Consultation Paper on Collective Investment Vehicles and Pension fund - Auditor Independence.

Overall comments

In responding to this consultation, we would like to make an overriding comment that it is not entirely clear from the consultation paper what types of investment schemes the Board has in mind that might need addressing in this context. The paper refers to those schemes that “allow members of the public to invest through pooled funds.” These terms can be broadly defined and lack clarity in terms of understanding and application, particularly in the area of pension funds where there is a diverse range of pension schemes and arrangements around the world. If the Board decides to take this initiative forward, it will be important to provide additional specificity on the types of schemes intended to be covered, at the same time as recognising that there will be important jurisdictional differences.

We also believe that it is important to recognise that the investment and pension fund industry is a highly regulated area (e.g. SEC and ERISA regulation in the USA, UCITS funds regulation in Europe) and that the checks and balances inherent in local regulation and governance arrangements provide additional comfort that the public interest in the audits of these schemes is safeguarded.

RSM International (RSM)

RSM International Limited (RSM, we), a worldwide network of independent audit, tax and consulting services firms focused on serving the middle market, appreciates the opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA) Consultation Paper: Collective Investment Vehicles and Pension Fund (the Consultation Paper).

Overall Comments on the Proposal

As detailed in our responses to the specific questions in the attached, we believe the conceptual framework is too broad and high-level, making it difficult for auditors to consistently apply it to identify and evaluate threats to independence, especially in the context of Connected Parties related to investment schemes. The conceptual framework lacks specific guidance and examples that would help auditors understand and apply it effectively. We are concerned that without clearer definitions and examples, the conceptual framework may not be sufficient to address the unique structures and relationships in investment schemes.

In our experience, auditors appreciate when there is guidance regarding specific situations that may require significant judgment to apply the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (Code of Ethics) consistently across entities and jurisdictions in those situations.

We suggest that the IESBA Code of Ethics be updated to include more detailed guidance and examples to help auditors identify Connected Parties and assess independence threats more accurately. This could involve defining terms like 'Connected Parties' and integrating them into the IESBA Code of Ethics' definitions of audit client and related party.

We provide further detail on these areas, as well as other comments, in our responses to the specific questions set out in the attached document. In certain areas, we propose specific revisions to the proposed standards. Language recommended for deletion is struck through. Language recommended for addition is underlined.

IFAC Member Bodies and Other Professional Accountancy Organizations

Accountancy Europe (AE)

Accountancy Europe is pleased to respond to the IESBA Consultation Paper on enhancing independence requirements in the audit of collective investment vehicles (CIVs) and pension funds.

CIVs and pension funds often involve operational complexities and stakeholder relationships may not always be easily identifiable. However, these complexities are best addressed through the existing principles-based framework, rather than introducing sector-specific rules or rigid classifications.

The principles-based nature of the Code is a key strength and should remain central as an objective. Applying consistent principles across all sectors, rather than developing unique requirements for each sector, helps preserve the Code's coherence. Creating tailored rules for specific industries risks fragmentation and may lead to contradictions across sections of the Code, undermining the clarity and global applicability of the Code.

If the Code continues to expand with sector-specific additions, there is a risk that it will become overly complex and fragmented. Over time, this could result in fewer professionals being able to understand or apply the Code in its entirety. Professionals may focus only on isolated sections of the Code, preventing a holistic and consistent application of ethical standards. This would ultimately weaken the effectiveness of the Code and could lead to internal inconsistencies across its various provisions.

The current conceptual framework enables professional accountants to identify threats and apply safeguards using their professional judgment. Its flexibility is particularly important in the CIVs and pension fund context, where legal and governance models vary widely across jurisdictions. Differences in outcome should not be mistaken for inconsistency in application, but rather reflect appropriate adaptation to local circumstances. Any enhancements to the Code must therefore take into account jurisdiction-specific frameworks and avoid unintended conflict with national laws.

Where practical implementation challenges exist, these are best addressed through appropriate forms of guidance, such as illustrative examples or training, rather than new definitions or prescriptive criteria. In this regard, non-authoritative guidance, where considered necessary, may be more appropriately developed at the local level, the approach IESBA supported until now.

For all the reasons above, Accountancy Europe does not believe that specific revisions to the Code for CIVs and pension funds are necessary and would not support such proposals by IESBA.

We refer to the Appendix to this letter, where we provide our detailed comments on the specific questions raised in the Consultation Paper. Our response builds on these main positions and aims to support a globally consistent, yet practical and adaptable, application of the Code.

About Accountancy Europe

Accountancy Europe unites 49 professional organisations from 35 countries that represent close to 1 million professional accountants, auditors and advisors. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

American Institute of Certified Public Accountants (AICPA) PEEC

The Professional Ethics Executive Committee (PEEC or committee), on behalf of the American Institute of Certified Public Accountants (AICPA), recognizes the efforts the IESBA has put forth on its Collective Investment Vehicles

and Pension Funds – Auditor Independence consultation paper (the consultation) with the intent to address concerns raised due to the exclusion of collective investment vehicles and pension funds from the public interest entity (PIE) project.

Overarching considerations

We do not believe IESBA should pursue a project to extend independence to non-related entities of Investment Schemes.

Should IESBA decide to pursue a project, it is crucial for IESBA to demonstrate that there is significant public concern that auditors are not independent in their audits of Investment Schemes. This is especially pertinent as the consultation paper notes that “...the Project Team has not identified any Investment Scheme financial failure in which an auditor’s lack of independence was a contributing factor.” Furthermore, the paper presents five jurisdictions with significant investment activity that have taken action to address the unique structures in their jurisdictions. IESBA should explain the concerns and how the extension of independence to third parties will address these concerns and justify the associated costs to audit clients and investors.

The code’s principle-based approach to determining related entities seems particularly suitable for the Investment Schemes discussed in the consultation paper. This approach respects the diversity and complexity of their organizational structures and the unique legal, governance, and regulatory frameworks of each jurisdiction. Given the diverse and sometimes complex organizational structures globally, a broad measurement criterion is necessary to determine which entities should be considered related entities of an audit client. Investment Schemes vary significantly in structure and the services provided by third parties vary across jurisdictions, making the definition of a “Connected Party” unworkable. Consequently, if the standard could not be widely adopted and consistently implemented globally, the project’s success would be jeopardized.

U.S. pension plans

We believe pension plans in the United States would not be in scope of this project since they are not open to the public. Rather, participants must be eligible to participate in the plan generally through employment with a particular company.

Even though these plans are out of scope, it is important to note that certain service providers, that meet the definition of a “Connected Party” under the proposed definition, would not be appropriate to include as a related entity in the United States. This is because they do not exert control over the plans. The types of plans in the United States vary based on relevant laws, but generally, a plan administrator (typically an employee of the plan sponsor) is responsible for the plan’s financial statements, hiring the plan auditor, and managing the day-to-day operations of the plan, including oversight of any third-party service providers. Additionally, a board of trustees often oversees the plan administrator as the governing body.

While plans may use third-party service providers like payroll processors, investment advisors, asset custodians, and recordkeepers; the ultimate responsibility for the design and implementation of internal controls over these services lies with the plan administrator or board of trustees. Even in large governmental plans which are created by local statutes, a governing body is ultimately responsible for ensuring that the plan’s assets are protected.

ASEAN Federation of Accountants (AFA)

On behalf of the ASEAN Federation of Accountants (AFA), we are pleased to submit our response to the IESBA Consultation Paper titled “Collective Investment Vehicles and Pension Funds – Auditor Independence”, issued in March 2025.

AFA welcomes the IESBA’s initiative to explore whether enhancements to the International Code of Ethics for Professional Accountants (including International Independence Standards) are necessary to address the specific

and evolving auditor independence considerations in relation to investment schemes. We commend the IESBA for proactively engaging stakeholders through this consultation.

This submission reflects views gathered from across AFA's member organisations and is informed by practical experience and regulatory developments in ASEAN jurisdictions. The diversity of legal structures, governance models, and regulatory expectations in our region underscores the importance of ensuring that the Code remains relevant, adaptable, and implementable in both mature and emerging markets.

We trust that our responses will assist the IESBA in its deliberations, and we remain available to provide any further information or participate in follow-up discussions.

Thank you for the opportunity to contribute to this important initiative.

Assirevi

Assirevi is the association of the Italian audit firms. Its member firms represent the vast majority of the audit firms licensed to audit companies listed on the Italian stock exchange and other public interest entities in Italy, under the supervision of CONSOB (Commissione Nazionale per le Società e la Borsa).

Assirevi promotes technical research in the field of auditing and accounting and publishes technical guidelines for the benefit of its members. It collaborates with CONSOB, the Italian accounting profession and other bodies in developing auditing and accounting standards.

The issues covered in the Consultation Paper "Collective Investment Vehicles and Pension Funds – Auditor Independence" issued by IESBA on March 2025 are particularly relevant to the Association, that is consequently pleased to submit its comments on the consultation.

Association of Chartered Certified Accountants (ACCA)

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide. We outline our general comments, before sharing more detail to the specific questions asked below. We acknowledge and commend the outreach that the IESBA has and will continue to perform throughout the consultation process, across a wide range of stakeholders to inform IESBA in its thinking on the independence considerations with respect to audits of Collective Investment Vehicles and Pension Funds.

At a high level, we believe the conceptual framework in the Code is clear, appropriate and consistently applied holistically in practice to connected parties in a CIV and pension fund structure. As a global accountancy body, we recognise that the conceptual framework permits varying interpretations and outcomes when assessing independence in these audit engagements, given the differing levels of local legislation across countries. Whilst we do not believe that changes to the conceptual framework are warranted, we do support reinforcing clarity, appropriateness and consistency in the Code's independence application to CIVs and pension funds through the development of non-authoritative guidance, such as FAQs or illustrative scenarios.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 252,500 members and 526,000 future members in 180 countries. Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies. Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with

policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Chamber of Auditors Czech Republic (CACR)

Dears,

we are pleased to respond to the International Ethics Standards Board for Accountants (IESBA) on proposed Consultation Paper – Collective Investment Vehicles and Pension Funds – Auditor Independence.

Below you can find our answers on the Board's questions.

Chartered Accountants Australia and New Zealand (CA ANZ)

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

Chartered Accountants Australia and New Zealand (CA ANZ) commends the International Ethics Standards Board for Accountants (IESBA) for issuing this Consultation Paper Collective Investment Vehicles and Pension funds – Auditor Independence (the CP) to obtain information about auditor independence for the audits of collective investment vehicles (CIVs) and pension funds. We make this submission on behalf of our members and in the public interest.

Auditor independence is a key consideration when it comes to securing public trust and confidence in audit. We support an evidence-based approach to strengthening and clarifying the audit independence standards. Robust, evidence-based standards setting and sound, compelling bases for conclusion are paramount to achieving confidence and buy-in from investors and those applying the standards.

There are differences in how CIVs/pension funds are structured and regulated globally, which gives rise to added complexity if attempting a standard setting response. Any amendments to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) could risk increasing this complexity, rather than providing clarity. In our view the Code remains robust and fit for purpose in addressing auditor independence for CIVs/pension funds, and no revisions are warranted. Any concerns would be better addressed by jurisdiction specific legislation/regulation, and possibly IESBA non-authoritative materials (NAM).

Our responses to the specific questions raised in the CP follow in Appendix A, and Appendix B provides more information about CAANZ.

Chartered Accountants Ireland (CAI)

Appendix II - Background to the funds industry in Ireland

Ireland is a leading global hub for the funds and asset management industry, with a strong reputation for trust and regulatory compliance with the EU. Ireland ranks as the third largest fund domicile in the world. The industry is supported by a robust ecosystem that includes fund administrators, custodians, legal and tax advisors, and audit firms. Ireland's legal framework for funds is shaped by both EU directives (for example the Undertakings for Collective Investment in Transferable Securities Directive ("UCITS") and the Alternative Investment Fund Managers Directive ("AIFMD")) and domestic legislation. The governance of Ireland's funds industry is anchored in a robust, transparent, and internationally respected regulatory framework. At the heart of this system is the Central Bank of Ireland, which plays a dual role as both regulator and supervisor of the sector.

The funds and asset management industry here has a structure which includes those charged with governance, including boards of directors, charged with the requirement to assess independence of their statutory auditors. In many cases audit committees have a statutory, or fiduciary, duty to assess auditor independence, and board directors have legal duties to act in the best interests of the entity, avoid conflicts of interest, and exercise their oversight role to identify and mitigate risks faced by the entity.

Based on consultation with our members who are subject matter experts in this field audit firms operating within the Irish funds industry demonstrate a strong understanding of the principles-based approach embedded in the Code and apply appropriate professional judgement when considering the requirement to identify, evaluate, and address threats to independence. In our experience, firms apply this framework consistently and in a manner that appropriately reflects a reasonable and informed third party view.

Number of Collective investment schemes:	4,877
Total number of Irish serviced funds:	11,891
Total net assets under management (AUM):	US\$ 6.5 trillion

The role of the board must also be considered. The boards of CIVs, funds, and pension scheme trustees play a critical role in evaluating the independence of their auditors and providers of non-audit services. As part of both the tendering and appointment processes, as well as the ongoing annual review, the board is obligated to assess auditor independence and to engage with auditors regarding their compliance with applicable independence standards.

Pensions market in Ireland

Ireland's pensions industry is strongly regulated by the Irish Pensions Authority and follows European Union requirements, e.g. the Institutions for Occupational Retirement Provision Directive II (IORP II), which mandates:

Risk-based supervision

Enhanced governance and internal controls

Clear communication with members

Total Pension Fund Assets: €146 billion (Q4 2024)

Chartered Accountants Ireland ('the Institute') welcomes the opportunity to respond to the IESBA Consultation on Collective Investment Vehicles and Pension Funds – Auditor Independence.

The Institute is a professional accountancy body representing over 39,000 Chartered Accountants in over 100 countries and 7,000 students. Our role is to educate, represent and support our members and students, and to promote high quality professional and ethical standards in the accountancy profession, and support actions that protect the public interest. The Institute also has various regulatory obligations under legislation in Ireland and the United Kingdom, has a regulatory oversight function, including audit supervision, and monitors compliance with our Code of Ethics.

Our members are committed to acting in the public interest and adhering to our Code of Ethics, which is aligned with the IESBA Code of Ethics. They provide leadership across the public and private sectors, and in some cases society, bringing trusted expertise, competent technical, legal and regulatory knowledge, and relevant experience to all areas of the economy. Many of our members are active in corporate governance across industry, public practice, and the public sector.

Our response to the consultation questions, set out in detail in Appendix I, has been informed by input from members working in the investment funds and pensions industry. These include senior finance, risk and compliance members in business working within the industry, as well as experienced members in public practice who provide statutory audit services to the industry. All contributors possess a strong understanding of the Irish investment funds and pensions landscape and are well-versed in the legal, regulatory, and professional standards that govern the sector. Many of them are also familiar with the US Securities and Exchange Commission (SEC) regulatory environment and its independence rules.

We do not see any issues which supports any need to change the current requirements around independence when auditing CIVs/pension funds. We do not see any matters which support changes in the public interest and believe changes being addressed in the consultation on balance would adversely affect the Public Interest.

Our response outlines the following key points:

The existing IESBA Code, as a principles-based Code, already provides a framework that professional accountants consistently apply in practice. It has proven effective in safeguarding auditor independence while allowing for professional judgment and adaptability across diverse market contexts. We believe that this framework continues to serve the public interest well and caution against introducing prescriptive measures, rather than principles (which form the foundations of the current Code) that may undermine its flexibility and proportionality.

The proposals address a niche section of the financial services industry where there is no evidence of a financial failure as a result of auditor independence issues and could lead to unintended consequences or additional complexities for practitioners applying the Code, and the market's ability to source independent audit services, as further explained in the answer to Question 1.

The proposed revisions may significantly restrict the pool of eligible auditors, especially in smaller jurisdictions, as further explained in the answer to Question 1 below.

The proposed revisions will increase compliance costs as further explained in the answer to Question 1 below.

We suggest a fact-based impact analysis be performed to support the need for the project and to understand the economic impact on investors and pensioners. In our view this analysis should consider the cost of implementation and the likely restriction of auditor choice that funds and other impacted companies will face, which could potentially impact audit quality. However, we do have concerns about the inclusion of requirements for a niche industry in a principles-based Code with general application.

We do not agree with the need for, and do not support the proposals to expand definitions or make changes to the auditor's independence assessment set out in the Code. We consider the IESBA Code of Ethics to be a robust and comprehensive framework. The potential issues the proposals intend to address are largely theoretical and affect a very narrow application of the Code.

Within the European Union, the profession is already subject to a complex and well-established regulatory environment that has consistently supported the integrity and effectiveness of the industry. There is no evidence of systemic failure or unmet need that would justify changes to the IESBA Code of Ethics. In this context, we believe the existing framework continues to serve its purpose effectively. To assist your understanding of the funds industry in Ireland, we have set out a summary of its background in Appendix II.

Chartered Professional Accountants Canada (CPA Canada)

We are writing on behalf of the Council of Chief Executives (CCE) of the Canadian Chartered Professional Accountant profession in response to your request to comment on the Consultation Paper entitled Collective Investment Vehicles and Pension Funds – Auditor Independence (Consultation Paper). The CCE is comprised of the CPA regulatory body CEOs from British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador and Bermuda and the CEO of CPA Canada.

Canada's accounting profession is regulated by a provincial CPA body in each jurisdiction and is comprised of more than 220,000 CPAs both at home and abroad. The provincial CPA regulatory bodies are statutorily responsible for their respective codes of conduct including the independence standards. CPA Canada is a member of IFAC and the Global Accounting Alliance, represents the profession nationally and internationally, and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations, and government. The CCE collaborates on various public trust and other profession relevant matters.

One of the areas of CCE attention is to actively monitor international developments with respect to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (Code) and develop responses to proposals and consultations. To this end, the CCE has two subcommittees dedicated to ethical rules: the Independence Standing Committee (ISC) which is focused on independence requirements and the Unified Rules Standing Committee which is focused on ethical requirements not including independence.

With the subject matter of the Consultation Paper (CP), the ISC took the lead in performing outreach to Canadian stakeholders and in preparing this response. The ISC considered feedback obtained from key stakeholders across Canada including practitioners and those charged with regulatory oversight of Collective Investment Vehicles (CIVs) and pension funds.

Please find below the overall views from the ISC's efforts followed by the responses to your specific questions.

Overall Views and Comments

Overall, the ISC is not clear on the scope of restrictions that the IESBA's CP is suggesting should apply for Connected Parties. For example, an objective of the IESBA's project team is to determine whether the definition of 'related entity' remains fit for purpose, and the CP presents a view that the principles underlying 'control' in accounting frameworks do not work appropriately with respect to Connected Parties to Investment Schemes. The ISC thinks that this might suggest an approach that would expand the definition of a related entity in the case of an

Investment Scheme, extending an auditor's independence assessment to include some or all of its Connected Parties.

The ISC is concerned that a rules-based approach, that would require an auditor to be independent of an Investment Scheme's Connected Parties, could have unintended consequences or require refinement by local jurisdictions, and the ISC is not aware of any concerns that would necessitate such an approach in Canada.

In addition, the ISC notes that the CP focuses on CIVs (mutual funds) and pension funds due to the "higher potential risk of financial harm these Schemes might pose to the public in the event of a financial failure". The ISC observes that the IESBA's recent project to define a Public Interest Entity (PIE) and resulting local refinements did not include these entities where there is no significant public interest in their financial condition, and it is not clear why this project suggests bringing them back under that same objective.

In Canada, mutual funds that are accessible to the general public are "reporting issuers", subject to enhanced auditor independence requirements while other investment funds, such as those offered only to accredited investors, do not meet the definition of reporting issuers due to the limited public interest in their financial condition.

The ISC notes that pension plans in Canada are not typically accessible to the general public, rather they are generally employer-sponsored and provide benefits to a narrow group of employees, and the ISC questions whether pension plans in Canada would meet the scope of IESBA's project, as outlined in the Consultation Paper.

Given the various complex regulatory environments that exist for Investment Schemes globally, the ISC thinks that it would not be possible to address the definition of 'related entity' to capture all parties relevant to an auditor's independence from an Investment Scheme in a manner that could be adopted consistently in all jurisdictions without unintended consequences or local refinement. The ISC believes that the conceptual framework is well-suited to this purpose, because it requires firms to identify and address any threat to their independence from an audit engagement, regardless of the source.

The ISC thinks that the IESBA Code should remain principles-based, so that jurisdictions adopting the Code can do so without significant differences, which will lead to enhanced confidence in the Code.

Compagnie Nationale des Commissaires aux Comptes (CNCC)

ANNEXN°1

Applying Section 510 of the Code

in the Context of the Pension and Saving Environment in France

Context

French retirement benefits are primarily funded through public systems, excluding employer- managed pension funds. To complement public systems and encourage long-term savings for French employees, dedicated systems such as "assurance vie" (life insurance) and "plan epargne retraite" (retirement saving plans) have been established associated with tax incentives. Both are saving systems, not insurance schemes, although elements of insurance can be combined. Tax benefits can be enjoyed when savings are held for a long period under these schemes (8 years for life insurance, up to retirement for retirement saving plans).

The return to the investor depends on the performance of the underlying funds. These funds can be either external to the insurer (invested in collective investment vehicles only), internal to the insurer, or a combination of both.

Scheme Characteristics

The collective investment funds remain solely owned by the insurance company or the barik sponsoring the scheme. The investor benefits only from the performance of the underlying funds.

The scheme is designed so that the management of the savings (the underlying funds) can be either under the sole control of the fund manager (the most popular setup) or managed by the beneficial owner themselves.

When managed by a fund manager, the manager provides management contracts to make investment decisions depending on the investor's risk profile and risk appetite. In such instances, both the investor and the manager are legally precluded from contacting each other. Therefore, the investor cannot influence the manager's decisions and is only informed of the investment decisions made, ex post, usually on a quarterly or annual basis.

The scheme takes the legal form of a dedicated individual "assurance" contract, where the underlying funds invested are recorded. The fund manager manages many individual contracts collectively for investors sharing the same investment profile. Unfortunately, considering the characteristics of the scheme, it does not meet the definition of a "collective investment vehicle" (the vehicle is individual, not collective) although it shares de facto similar characteristics.

Application of Section 510

Applying Section 510 of the Code (Financial interest) raises concerns in the context of individual pension funds and life insurance savings schemes in France. We understand that other jurisdictions face similar issues.

The code leads audit firms to develop processes to monitor the financial interests of the Firm's partners and staff, including their direct family members. Partners and staff must timely input all their financial interests (as well as those of their direct family) into a dedicated application to potentially match these with the list of restricted clients of the Firm. When required, the system initiates actions for partners and staff to either not invest in or divest from restricted clients.

NATIONALE DES COMMISSA IRES Aux COMPTES

Although investment in such schemes, where the investor cannot influence the manager's decision, shares the same characteristics as an "indirect financial interest through an intermediary such as a collective investment vehicle, an estate or a trust" (§510.3. A1), the Code does not recognize them as such. Therefore, they cannot benefit from the derogation granted to indirect financial interest. Partners and staff (along with their direct family members) are unable to obtain the required information to maintain their financial interests in the Firm's internal monitoring platforms and thus cannot meet their monitoring requirements.

Proposition

We consider that, under these circumstances, the underlying funds invested in such a scheme share the same characteristics as indirect financial interests and should benefit from the same treatment. This situation should be clarified in the Code. This should lead the Board to consider a narrow-scope amendment to resolve this issue and include a new paragraph (equivalent to § 510.7 for financial interest held as a trustee) to specifically address these situations.

A draft of such a paragraph may be as follows:

NATIONALE DES COMMISSAIRES AUX COMPTES

Different regulated and independent stakeholders playing a critical part in the collective investment environment

A concentrated market

The French asset managers rank among the European leaders in term of deposits under management. The French market is also characterized by a high concentration of collective investments vehicles (CIV) managed by few asset managers held mainly by the major French banks or managed by French insurers.

CIV are managed by asset managers which are both approved and supervised by the Autorite des Marches Financiers (AMF), the French independent stock exchange regulator. Asset managers are investment service

providers whose primary activity is management on behalf of third parties (individual through a management mandate, or collective through a UCITS). Funds managed by asset managers are either corporate entities or co-ownership of securities and are governed by two European directives: the UCITS Directive and the AIFM Directive. The Autorite des Marches Financiers regulates the French financial marketplace, its participants, and the investment products distributed via the markets. As an independent public authority, it has regulatory powers and a high level of financial and managerial independence. The AMF intervenes to regulate financial markets and market infrastructures, and collective investment products invested in financial instruments.

Different regulated and independent stakeholders playing a critical part in the collective investment environment

In France, the collective investment environment is characterized by the presence of different stakeholders, both independent and regulated, overseeing the asset managers and the funds they manage. This environment's operation is based on precise regulations defined by the Autorite des Marches Financiers. Moreover, full membership of one of the professional associations is required for asset managers. These associations issue a code of ethics approved by the AMF and addressing the risk of conflict of interest. The asset manager shall comply with this code.

Asset managers operate under the supervision of the AMF. This means that these companies must be approved by the AMF to conduct their activities. The same principle applies to the funds they manage. Each asset manager must appoint a Chief Compliance Officer (Responsable de la Conformite et du Controle Interne, RCCI). The RCCI is independent of the asset manager and must have the means, both technical and in terms of human resources, to carry out its mission, which includes ensuring the asset managers' compliance with applicable laws and regulations, professional rules, and internal policies and procedures. To operate, the RCCI must hold a professional card issued by the AMF after passing an examination organized by the French independent public authority.

The assets managed by the CIV are deposited with a custodian (the "depositaire"), a credit institution approved and supervised by another independent public authority: the prudential regulator (the Autorite de Controle Prudentiel et de Resolution (ACPR)). The custodian must also ensure that the funds comply with the management standards set by the AMF. It must inform the latter in the event of non-compliance with these standards or persistent discrepancies.

The custodian may also act as a custodian of securities (the Conservateur). The custodian's role is to manage the life of the security: settlement and/or delivery of securities, and management of dividends or coupon payments.

For the funds under the European AIFM Directive, the asset manager must use an independent valuator to carry out the valuation of the assets and must notify it to the AMF.

The asset manager may also delegate back- and middle-office tasks to a fund administrator (the Administrateur de fonds). These tasks may include, on the asset side, valuing assets' funds and calculating their net asset value, and on the liability side, centralizing and valuing subscription/redemption orders and maintaining the fund issue account. Although delegated, the asset manager remains responsible for fund administration.

It clearly appears that the operations (mainly investment order, accounting, valuation, monitoring) managed by the asset managers involve different independent and regulated stakeholders. We strongly believe that the concept of "connected parties" in such an environment could lead to further concentration on the audit market of CIVs or even to a total blockage of the audit market of the concept of "connected parties" narrowing the choice of audit firms that can be appointed for the statutory audit.

The Compagnie Nationale des Commissaires aux Comptes (CNCC), the professional institute of statutory auditors in France, is pleased to provide to the IESBA its comments on the ED on the "Independence considerations with respect to audits of Collective Investment Vehicles and Pension Funds":

Overall, we support the International Code of Ethics for Professional Accountants which provides robust and fit for purpose independence principles for auditors.

However, we have strong concerns about the approach taken by IESBA in this consultation, if it would lead to amendments to the Code.

Specific features of the French pension and saving environment

We wish to stress out the fact that pension funds, as they exist in the United States in particular, do not exist in France. Therefore, our response to this consultation focuses primarily on collective investment vehicles. However, we seize the opportunity of this consultation to ask IESBA to introduce a narrow scope amendment of the Code, as the principle was encouraged at the multi- stakeholder Summit in Paris on 14 April 2025, in order to take into account some specific features of the French pension and saving environment, and to propose clarifications of the current Code of Ethics. These specific features and the proposed amendments are presented in annex n°1 to this letter.

Consequences of introducing the concept of "Connected parties"

As mentioned in the annex n° 2, the French environment of collective investment vehicles is highly regulated and characterized by the existence of a number of different regulated and independent actors, each of them playing a critical part in the regulation and the safety of the sector, for the sake of investor protection. The local authorities and regulators assigned a specific role to each of them. We therefore believe that introducing a new concept of "connected parties" that could collide with the local regulation could make the audit exercise impracticable in France. More widely, introducing a new concept of "connected parties" into the Code would require a very clear definition. If the Board was to take such a decision, it should carefully consider the risk of unintended consequences outside of the CIV and Pension Funds sector, when applying the Code to other situations, for example in the context of unconsolidated entities under management contracts or Value Chain entities. Value chain entities could be seen as "connected parties", potentially affecting the recently published IESSA and adding further complexity. The Board should also ensure interoperability and consistent application of IAASB and IESBA requirements when it comes to the scope of the entities and/or information on which an auditor will express an audit opinion and therefore will need to be independent, specifically as it relates to unconsolidated entities of the audit client.

Role of the local authorities

In France, the appointment of the CIV's auditor by the asset manager is subject to a negative clearance of the stock exchange regulator, the Autorite des Marches Financiers (AMF).

Furthermore, guidance has been issued at national level, jointly with the regulator, to further secure the market. For example, a guide of the relationships between the AMF and the auditors has been jointly developed in 2023 by the CNCC and the AMF in order to explain the relationships between this French market regulator and the asset managers' auditors and CIV's auditors as described in the French legislation (the "Code de commerce" and the "Code monetaire et financier"). For example, it is clearly mentioned in this guide that the auditor must respond to any AMF's inquiries. The auditor's role in the collective investment environment is also clearly described in this guide.

We therefore believe that the local authorities have already developed a regulated environment to protect the public investing in CIV, and that it belongs to them to set up further rules if deemed appropriate, considering also that introducing further independence restrictions towards "connected parties" in such an environment could lead to further concentration on the audit market of CIVs or even to a total blockage of that market by narrowing the choice of audit firms that can be appointed for the statutory audit of those CIVs.

Suggest any additional material linked to the principles of the Independence Rules of the IESBACode

The fundamental principles of the IESBA Code of Ethics to be complied with by all professional accountants already guarantee the independence of the auditor. Furthermore, the conceptual framework sets out the approach to be taken to identify, evaluate and address threats to compliance with these fundamental principles and, for audits and other assurance engagements, threats to independence. We believe that adding independence rules to supplement the principles of the Code could significantly hamper the practice of audit, given the multiplicity of stakeholders/actors involved in the collective investment environment and the concentration of the CIVs managed by a relatively small number of asset managers (or insurers) in the French market. This is why we believe that it is up to the local authorities to continue to define the rules to be implemented whenever necessary, based on their knowledge of the market.

It must be noted that we have never had any case of audit failure related to a potential lack of independence, in the CIVs environment in France.

For all these reasons, the CNCC does not believe that requiring specific rules for the specific sector of CIVs is appropriate.

In addition to these fundamental comments, we respond below to the detailed questions of the ED.

We hope that our comments will be useful to IESBA. Please do not hesitate to contact us if you would like to further discuss any of them.

CPA Australia

CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia makes the following observations and recommendations in response to the International Ethics Standards Board for Accountants (IESBA) Consultation Paper: Collective Investment Vehicles and Pension Funds (Consultation Paper). Our responses to the specific questions are included in the attachment to this letter.

The Consultation Paper has raised an interesting theoretical question regarding the application of the International Code of Ethics for Professional Accountants (the Code) in the audit of collective investment vehicles and pension funds (Investment Schemes) having regard to the manner in which the structure of such schemes differs from a conventional corporate structure. As set out in the Consultation Paper, Investment Schemes utilise third parties, referred to as Connected Parties in the Consultation Paper, to provide administrative and managerial services and functions. The Investment Scheme itself, and any related entities, is recognised as the audit client pursuant to the Code and the Code's independence standards accordingly apply.

CPA Australia recognises that independence considerations between the auditor and the aforementioned Connected Parties are not specifically included in Parts 4A or 4B of the Code. However, the breadth and principles-based nature of the conceptual framework in Part 1 of the Code provides for circumstances which are not specified elsewhere in the Code. Given the vast array of structures and relationships of which Investment Schemes may be comprised and the differing regulatory environments between jurisdictions, a standard specific to independence matters between auditors of Investment Schemes and Connected Parties is neither necessary nor appropriate.

We appreciate that IESBA acknowledges in the Consultation Paper that while an Investment Scheme financial failure in which an auditor's lack of independence was a contributing factor has not been identified, the recognition of a potential failure in the absence of clarity, is worthy of discussion. However, while we support the intent behind the consultation, in considering whether there is an issue, we consider any amendments to the Code as unnecessary and more likely to create confusion than provide clarity. We are supportive of non-authoritative material being drafted to support auditors of Investment Schemes when applying the conceptual framework in the

context discussed in the Consultation Paper, particularly in the absence of a jurisdiction-specific response to the concern.

Global Accounting Alliance (GAA)

I am submitting this letter on behalf of the Global Accounting Alliance (GAA). The GAA was formed in November 2005 and serves as a forum for 10 leading professional accountancy bodies, representing 1,400,000 members in over 180 countries around the globe. This letter covers the key matters that the GAA wants to raise with IESBA in relation to the above consultation. More detailed responses from the GAA member bodies have also been submitted and we would kindly refer you to those for points of greater detail.

Investment schemes covered by the consultation paper vary across the globe and are already highly regulated. For this reason, we believe the development of specific guidance, beyond the extant related entity definition, is best done at the jurisdictional level so that it can take into account local market conditions. Expanding the Code into areas that are already regulated or legislated at national levels has implications such as adaptability and effectiveness and could result in decreased convergence, fragmented implementation and potentially unintended consequences. We are also not aware of evidence of deficiencies or systemic failures of the audits of such schemes in the respective jurisdictions of the GAA member bodies. Without evidence of such issues, we don't believe that an IESBA project to consider whether changes are required to the Code is warranted.

It is important for the Code to remain principles-based and we believe the conceptual framework, along with the fundamental principles and broad concepts in the Code's related entity guidance, provide an appropriate global baseline to guide professional accountants in their evaluation of the unique situations they encounter should their jurisdiction not provide specific requirements or guidance.

We are very supportive of having one Code, with principles that are universally applicable across the accountancy profession and would regret the necessity of a different approach having to be applied due to the expanding scale and complexity of the Code.

Finally, as noted in my April 3, 2025 letter to Ms. Gabriela Figueiredo Dias and Mr. Lee White, we believe there is an urgent need for a significant period of stability where no changes are made

to the Code, including in relation to this IESBA initiative on CIVs and Pension Funds. This period of stability will allow for the various actors in jurisdictions across the globe the necessary time to undertake the work to allow the recent set of changes to the Code to be implemented and for IESBA to undertake post implementation reviews in several key areas.

If you have any questions or would like to further discuss any issues, please do not hesitate to contact me.

Hong Kong Institute of Certified Public Accountants (HKICPA)

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory body in Hong Kong that sets auditing and assurance standards, ethical standards, financial reporting standards as well as sustainability disclosure standards in Hong Kong. We welcome the opportunity to provide our comments on the captioned IESBA Consultation Paper (CP). The HKICPA appreciates the IESBA's work in this area and the time and effort dedicated to outreach activities and gathering information across various jurisdictions.

Although the Code's definition of related entity does not capture all relevant parties that need to be included in the auditor's independence assessment when auditing collective investment vehicles (CIVs) or pension funds, we consider that the fundamental principles and conceptual framework in Part 1 of the Code provide a path for

auditors to consider facts and circumstances that may present threats to independence when they audit an Investment Scheme.

If the IESBA is to address the independence considerations concerning Connected Parties of Investment Schemes, we have identified several potential approaches. These include (i) expanding the auditor's independence requirements to cover Connected Parties of entities that do not have a conventional corporate structure; (ii) developing a separate section within the Code specifically for independence requirements for Investment Schemes; or (iii) developing targeted application materials within the Code or non-authoritative materials tailored to Investment Schemes or other industries. However, we note that each approach has its merits and limitations, which are detailed in our responses in the attachment for your consideration.

Our responses to the specific questions are included in the attachment.

Institut des réviseurs d'entreprises in Luxembourg (IRE)

The Institut des réviseurs d'entreprises in Luxembourg ("IRE") is writing to provide our comprehensive response to the consultation paper issued by the IESBA regarding auditor independence for audits involving Collective Investment Vehicles (CIVs) and pension funds. We appreciate the opportunity to contribute our insights on these critical topics.

Response Summary:

We commend the Code for effectively capturing relevant parties essential to the auditor's independence assessment. The comprehensive framework, backed by specific provisions, ensures all pertinent interests, relationships, and circumstances are addressed. This allows auditors to maintain integrity and objectivity across varying contexts. Relying on a principles-based approach enables scalability within Luxembourg's regulatory environment, where mandated distinctions between third-party entities and CIVs reinforce the robustness of the Code.

We emphasize that the Code's provisions are already clear and comprehensive in guiding auditors to identify, evaluate, and address independence threats. The third-party providers receiving non-audit services typically operate under defined mandates with limited discretion.

While the current provisions are robust, additional non-authoritative local guidance could reinforce understanding and execution of auditor responsibilities. This would ensure adaptable and efficient management of potential threats within varied operational environments.

In conclusion, the existing Code provides a strong framework for maintaining auditor independence in audits related to CIVs and pension funds. We support continued adherence to this principles-based approach and welcome local enhancements in guidance as needed.

You can find our detailed answers to the questions included in the consultation paper in the appendix of this letter.

We remain at your disposal for any further information, and thank you for your attention to our response.

Institute of Accredited Auditors for Financial Institutions (IREFI-IRAIF)

First of all, we would like to thank you for the opportunity to provide feedback on the consultation paper.

In general, the Institute of Registered Auditors (IBR/IRE) supports the position of Accountancy Europe.

Additionally, we have also consulted with the Institute of Accredited Auditors for Financial Institutions (IREFI-IRAIF) and, as a result, we would like to add the following points on independence for audits of collective investment vehicles and pension funds ('Schemes'):

In general, no significant problems are encountered to assess one's independence in the context of the audit of these Schemes in Belgium, using the existing independence rules and guidance. The existing rules are considered sufficiently clear and fit.

With respect to the Schemes' reliance on other parties to provide functions or services, the following needs to be noted:

Outsourced activities are always performed under the ultimate responsibility of (the Board of Directors of) the Scheme. We refer to the requirements on outsourcing provided by the supervisor FSMA to the Schemes:

For management companies of UCITS/AIF: handbook on outsourcing (Praktijkgids) FSMA_2023_24

For pension funds: handbook on governance and risk management (Praktijkgids) FSMA_2024_17

In our opinion, the characteristics of Connected Parties do not apply to third parties offering outsourced activities such as bookkeeping, administration, etc.

Thank you for considering our feedback. We look forward to continued collaboration on this important matter.

Institute of Certified Public Accountants of Kenya (ICPAK)

The Institute of Certified Public Accountants of Kenya (ICPAK) wishes to affirm its mandate through participation in the standards development. This is by ensuring that it actively and substantively contributes to relevant proposals, exposure drafts and comment papers in a timely manner. ICPAK now welcomes the opportunity to comment on stakeholders' views on the provisions in the Code and the clarity of their application to audits of Investment Schemes where Connected Parties are involved with such Schemes, thereby safeguarding the public interest and supporting consistent application of the Code's principles.

We hereby present our comments to the specific questions highlighted in the exposure draft memorandum.

Institute of Certified Public Accountants of Uganda (ICPAU)

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the Consultation Paper - Collective Investment Vehicles and Pension Funds - Auditor Independence

Our comments are herein attached.

We hope you will find our comments helpful.

Appendix 1: Comments to the Consultation Paper - Collective Investment Vehicles and Pension Funds - Auditor Independence

Appendix 2: Survey Report about ICPAU's Consultation on the Consultation paper - Collective Investment Vehicles and Pension Funds - Auditor Independence.

APPENDIX II: SURVEY REPORT ON ICPAU'S CONSULTATION ON THE CONSULTATION PAPER - COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS - AUDITOR INDEPENDENCE

Introduction

ICPAU conducted a survey to obtain members' views on the Consultation Paper – Collective Investment Vehicles and Pension Funds – Auditor Independence. The survey was administered electronically to members by email from April to May 2025. 20 responses were obtained and analyzed. This survey report describes the responses, based on the survey results.

The report is presented according to members' responses to the issues below:

Connected Parties under the Code

Application of the Code to Connected Parties

Conclusion

Related Parties under the Code

This section of the report contains general views of the respondents about the provisions in the Code related to connected parties. The survey results indicated that majority of the respondents (93%) believed that Code's definition of related entities captures all relevant parties that need to be included in the auditor's independence assessment when auditing Collective Investment Vehicles/ Pension Funds. See the graph below for detailed responses.

Qtn: The Code defines related entity as: "An entity that has any of the following relationships with the client:

An entity that has direct or indirect control over the client if the client is material to such entity;

An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity;

An entity over which the client has direct or indirect control;

An entity in which the client or an entity related to the client under (c) above has a direct financial interest that gives it significant influence over such an entity and the interest is material to the client and its related entity in (c); and

An entity which is under common control with the client (a "sister entity") if the sister entity and the client are both material to the entity that controls both the client and the sister entity."

In your opinion, does the Code's definition of related entity capture all relevant parties that need to be included in the auditor's independence assessment when auditing Collective Investment Vehicles/ Pension Funds? Survey responses collected April – May 2025, from ICPAU members, n= 20.

APPLICATION OF THE CODE TO CONNECTED PARTIES

Investment schemes usually rely on other parties to provide functions or services for schemes that would otherwise be provided by employees or management in a conventional corporate structure. Currently the Code requires auditors to apply the conceptual framework set out in Section 120 when assessing auditor independence regarding connected parties. The survey results showed an overwhelming support (100%) for the requirement for supplemental clarity to support auditors in the evaluation of auditor independence during audits of investment schemes. See the graph below for detailed responses.

Qtn: Investment schemes typically do not employ their own staff. Instead, they rely on other parties to provide functions or services for the Schemes that management or employees would provide in a conventional corporate structure. In some cases, these parties might provide routine and mechanical services like bookkeeping or more complex tasks such as making investment decisions and managing financial records. The other parties in investment schemes are also referred to as connected parties are:

- (a) Responsible for decision making and operations;
- (b) Able to substantially affect its financial performance; or
- (c) In a position to exert significant influence over the preparation of its accounting records or financial statements.

Currently, the Code requires auditors to apply the conceptual framework set out in Section 120 when assessing auditor independence regarding connected parties. In your opinion, is it necessary for IESBA to provide greater

clarity on the requirements for the evaluation of auditor independence during audits of investment schemes? Survey responses collected April - May 2025, from ICPAU members, n= 20.

Other Considerations Related to Auditor Independence during Audits of Collective Investment Schemes

There is need for additional guidance on the following:

Interests of audit clients in cases where the auditor provides services to more than one investment scheme.

Circumstances where an auditor may provide assurance services to one scheme and non-assurance services to another scheme that may be related either through joint trusteeships or fund management.

Institute of Chartered Accountants England and Wales (ICAEW)

Auditing of collective investment vehicles and pensions in the UK

The auditing of collective investment vehicles and pensions funds is a highly specialised area of practice. In the UK, the trend in the pensions market (particularly in relation to defined benefit pensions schemes) is increasingly towards market consolidation, with much larger and fewer schemes.

This process of consolidation is likely to result in a smaller pool of available auditors that have the required expertise and quality management systems and processes in place, to be able to audit such increasingly complex schemes. The risk of potential unintended consequences, which might be created by amendments to the definitions set out in the Code, should be avoided.

ICAEW is not aware of any evidence which suggests that there might be concerns about the application of the Code and Conceptual Framework to the audit of collective investment vehicles and pensions funds in the UK.

ICAEW does not consider it practicable, or desirable, to create new definitions or standards in the Code for specific entities, parties, business processes or market sectors as they emerge. For ICAEW, the inherent value of the Fundamental Principles and Conceptual Framework in the Code lies in their flexibility, applicability across all sectors (sector agnostic) and ability to be “future proof”.

ICAEW considers that the real issue is whether auditors remain independent in practice, rather than whether the definition of “related entity” or a proposed new definition of “connected party” is broad enough to cover the evolving range of external parties and advisors that might potentially be used by such schemes now, and in the future.

ICAEW considers that the Fundamental Principles (including Independence) and Conceptual Framework which are set out in the Code, together with the requirement for professional accountants to maintain an inquiring mind and to exercise professional judgement, provide sufficient safeguards and guidance to ensure auditor independence of such schemes in practice.

Existing UK requirements and guidance

In the UK, section 1.33 of the FRC Ethical Standard Revised Ethical Standard 2024 contains detailed requirements and guidance for professional accountants on how to deal with potential threats in relation to their Integrity, Objectivity and Independence.

In addition, the new FRC 2026 Stewardship Code UK Stewardship Code 2026 contains principles, guidance and disclosure requirements for those charged with governance and their service providers, including in relation to managing potential conflicts of interest.

The governance arrangements applying to collective investment vehicles and pensions funds may vary across different jurisdictions. It is not clear that a single definition of all the entities that should be considered by professional accountants from an independence perspective would be operable across a sector that is complex and still evolving, or that it would adequately cater to domestic requirements. Indeed, there is potential for such a

definition to be interpreted differently and inconsistently. ICAEW is keen to avoid a situation in which any new material set out in the Code might conflict with already existing domestic provisions.

Should potential concerns arise in the future, ICAEW considers that appropriate guidance would be best provided by domestic regulators and oversight bodies who are better placed to monitor markets and providers of audit and assurance services in real time; and to produce tailored guidance in the event that any emerging domestic concerns are identified.

Concerns about expansion of the Code

In discussions with stakeholders, the consistent concern that is expressed to ICAEW, is that the Code appears to be departing from a broad principles- based approach and is becoming an increasingly unwieldy and detailed set of rules and provisions, accompanied by an expanding volume of non-authoritative and explanatory materials. ICAEW shares this concern.

The feedback received by ICAEW, is that there is no need to amend the Code, or the definitions set out in it, in relation to the audit of collective investment vehicles and pension funds.

ICAEW considers that the existing provisions are sufficient to enable auditors to exercise their professional judgement and to put in place any mitigating actions that may be necessary, to ensure that in practice, auditor independence is rigorously maintained.

Should IESBA identify any particular quality concerns within the collective investment vehicle/pension funds sector as a result of the feedback to this consultation, then it might wish to consider issuing a bulletin or staff guidance. However, ICAEW does not consider it necessary to include any additional guidance within the Code itself.

Concerns about lack of full adoption of the Code in all IFAC jurisdictions

ICAEW would like to take this opportunity to urge IESBA to use all available levers and best endeavours to ensure that the existing provisions of the Code are uniformly implemented in IFAC jurisdictions.

The current situation in which some jurisdictions have fully adopted the Code and others have not, creates difficulties for firms which operate on a global basis.

Recommendation for pause and reflection

ICAEW notes that the Code has been amended substantially over the last few years. As in our responses to recent previous consultations on the Code, we consider that a substantive period of pause and reflection would be most valuable; and would provide a good opportunity for those jurisdictions which have not yet fully adopted the Code, to do so.

ICAEW recommends that IESBA should prioritise its programme of post implementation reviews over consideration of any new initiatives to amend the Code in the near future.

KEY POINTS

ICAEW welcomes this opportunity to provide comments in response to the consultation on Collective Investment Vehicles and Pension Funds-Auditor Independence.

ICAEW is concerned that the focus on definitions in the consultation has the potential to favour form over substance. Auditor independence in practice is ensured not by definitions which may encourage a tick-box compliance approach, but by the exercise of professional judgement.

The value of the Fundamental Principles and Conceptual Framework which are set out in the IESBA Code of Ethics (the Code), lie in their flexibility and applicability across all sectors, which makes them “future proof.”

ICAEW considers that these well-established provisions are sufficiently robust, and therefore there is no need to amend the definitions in the Code or to make any other sector specific amendments to the Code.

The complex and evolving nature of collective investment vehicles and pension funds, and the potential for governance arrangements to vary across jurisdictions, means that guidance on independence considerations is best created at the national jurisdictional level and tailored to local market conditions.

Institute of Chartered Accountants Ghana (ICAG)

We are grateful to the IESBA for the opportunity given us to comment on the Consultation Paper: Collective Investment Vehicles and Pension Funds – Auditor Independence. The IESBA is issuing this Consultation Paper (CP) to solicit feedback from stakeholders regarding auditor independence considerations for audits of collective investment vehicles (CIVs) and pension funds. This feedback will inform the IESBA Project Team's report and recommendations to the IESBA as to whether revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) are warranted to ensure that the Code remains robust and fit for purpose in addressing auditor independence in these contexts. This CP highlights the public interest issues and risks associated with these Schemes and stresses the significance of auditor independence when they audit the Schemes. We acknowledge that the independence of the Scheme's auditor is crucial to ensure that the interests of the Scheme's beneficiaries are not compromised due to the auditor's interests, relationships or circumstances with other parties.

Below are our responses to the questions raised in the Consultation Paper:

We hope the IESBA finds these comments helpful in further developing its consultations on Collective Investment Vehicles and Pension Funds – Auditor Independence. In turn, we are committed to helping the IESBA in whatever way possible to build upon the results of this Consultation Paper.

We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Institute of Chartered Accountants of Jamaica (ICAJ)

Only specific responses to Consultation Paper

Institute of Chartered Accountants of Pakistan (ICAP)

The Institute of Chartered Accountants of Pakistan is pleased to comment on the Consultation Paper on 'Collective Investment Vehicles and Pension Funds – Auditor Independence' issued by the International Ethics Standard Board for Assurance (the Board / IESB) in March 2025.

We appreciate the Board's efforts in undertaking a project related to the independence requirements of auditors for collective investment vehicles and pension funds. The Appendix to this letter contains our comments to the questions of the Consultation Paper.

Institute of Chartered Accountants of Scotland (ICAS)

The Institute of Chartered Accountants of Scotland (ICAS) is a global, professional membership organisation and business network for Chartered Accountants. It's also an educator, regulator, examiner and a professional awarding body.

ICAS' diverse membership is made up of over 23,000 world class business professionals who work in the UK and in more than 80 countries around the globe. Members of ICAS are also known by the letters CA, an exclusive professional designation in the UK.

ICAS members operate at the forefront of ethical and sustainable business. Educated, regulated, and led by the highest standards of ethical leadership since 1854, they are at the top of their game. They are trusted professionals, that transform business and support one another for the greater good.

Acting in the public interest is the guiding principle of all that ICAS does and we continually work to maintain trust in the finance profession. That ethos is enshrined in the ICAS Code of Ethics – which applies to all members, students and member firms, and is underpinned by our Royal Charter commitment.

ICAS is a member of the Chartered Accountants Worldwide Network, a global family that brings together the members of 15 leading institutes to create a community of over 1.8 million Chartered Accountants and students in more than 190 countries.

Any enquiries should be addressed to Ann Buttery, ICAS Head of Ethics.

We have considered the International Ethics Standards Board for Accountants (IESBA) Consultation Paper: 'Collective Investment Vehicles and Pension Funds – Auditor Independence' and our comments are included below.

Key Points

Collective investment vehicles is a topic that has featured on IESBA's pipeline of projects for some considerable time. We are not aware of major issues in practice in relation to audits of such entities. We, therefore, do not believe revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) are warranted in relation to such entities and the same applies to Pension Funds. Rather, we believe that the conceptual framework in the Code remains robust and fit for purpose in addressing auditor independence in these contexts, including application of the reasonable and informed third party test. Given the complexities that are often associated with the operations of such entities we believe application of the conceptual framework by auditors to be the optimum approach in properly assessing any threats to independence that may exist and ensuring that these are appropriately addressed in the context of the particular facts and circumstances and the jurisdiction concerned.

Institute of Singapore Chartered Accountants (ISCA)

For this CP, the Institute of Singapore Chartered Accountants (ISCA) sought views from its members through a one-month public consultation and discussed the CP with members of the ISCA Ethics Committee.

International Federation for Accountants (IFAC)

IFAC welcomes the opportunity to comment on IESBA's Consultation Paper for auditor independence considerations for Collective Investment Vehicles (CIVs) and Pension Funds. As the global voice of the accountancy profession, IFAC connects and unites over 180 Professional Accountancy Organizations in 135 jurisdictions. IFAC's members are champions of integrity and professional quality and committed to the public interest.

We have undertaken significant engagement with our members and their members who are public practice practitioners, and a wide range of stakeholders including preparers and investors. This new approach by IFAC is focused on bringing views from global multi-stakeholder perspectives. We believe this approach provides you with more valuable insights and information to use in your processes. We demonstrated our convening power and multi stakeholder approach recently at the April 2025 IFAC-IESBA Summit in Paris. One compelling theme at the Summit was the too quick pace and nature of new standards being developed. Practitioners, preparers, and investors all focused on this issue. In addition, there was unity about improving the due process of standard

setting. This was a matter I covered in my opening remarks at the Summit and has been included in our joint media release after the Summit. Potential new standards should, in the early phases of standard setting, develop robust effects analysis of the benefits and costs of the changes being proposed. I encourage that such effects analysis should cover separately different classes including large practitioners, small and medium practitioners and preparers. Taking this approach will give greater transparency and justification.

The issue of auditor independence in relation to CIVs and Pension Funds is important, but we are concerned that this project lacks a sufficient evidence base for justification, so would strongly oppose any changes to the Code as a response. The principles within the Code are appropriate to address the issues raised, and there is no reason to believe that these are not being appropriately applied by practitioners. If this consultation provides evidence that practitioners struggle to apply these requirements, we may then be supportive of the creation of non-authoritative material (NAM) to assist practical application, but there is insufficient public interest demonstrated for any action beyond this.

Intitut Der Wirtschaftsprüfer (IDW)

The IDW is pleased to have the opportunity to respond to IESBA's Consultation Paper "Collective Investment Vehicles and Pension Funds – Auditor Independence".

Comprehensive regulations already exist in Germany and the EU designed to ensure auditor independence. These were established by democratically legitimized institutions through due process, taking into account all relevant costs and benefits, as well as specific national circumstances. We believe it is important for IESBA to acknowledge this in the context of this consultation and the ongoing development of the IESBA Code. In view of this, it may also be appropriate to differentiate the approach between jurisdictions that already have robust requirements in place and those that do not.

The public interest rationale for classifying pension funds or CIVs as PIEs has already been addressed in a recent consultation. As the IDW noted in earlier feedback, the financial statements of pension funds primarily serve accountability purposes for those making decisions on behalf of beneficiaries, rather than guiding direct investment decisions by the public. The same argument applies to CIVs that do not issue redeemable financial instruments to the public. IESBA acknowledged the feedback received by removing CIVs and pension funds from the proposed mandatory PIE category, citing structural and governance diversity and the potential burden on local regulators.

The current IESBA Code's definition of related entities does not capture all conceivable parties relevant to auditor independence in collective investment vehicles (CIVs) and pension funds, but we believe expanding it is neither warranted nor proportionate as an alternative mechanism to changing the PIE definition. The existing framework strikes an essential balance between comprehensiveness and practicality, particularly in light of limitations in access to information and the need for proportionate effort. For public interest entities (PIEs), all related entities are included; for other entities, such as most CIVs and pension funds, the scope is narrower but more manageable for preparers, auditors, and regulators. The proposed concept of "connected parties" lacks clarity and risks introducing inconsistency and excessive scope. The criteria are subjective, difficult to enforce, and often impractical, especially when the parties involved are outside the control of the CIV or pension fund. For example, requiring auditor independence from custodians would be unworkable in Germany, where major asset managers use the services of nearly all significant custodians in the market. Overall, we believe that expanding the definition would offer little added value while placing considerable administrative burdens on all parties involved. This appears out of step with the current international trend toward reducing bureaucratic complexity.

Regarding the conceptual framework in Section 120 of the Code, the IDW considers it clear and adequate for identifying and addressing threats to independence in relation to connected parties. We are not aware of evidence for deficiencies or systemic failures. Without evidence of such issues, further changes are not justified.

In conclusion, the current Code provides a proportionate and functional foundation for managing independence risks. Expanding definitions or adding new obligations could create independence “gridlock,” increase costs, and reduce clarity – without improving audit quality or serving the public interest.

Japanese Institute of Chartered Accountants (JICPA)

The Japanese Institute of Certified Public Accountants (JICPA) expresses its appreciation for the activities of the International Ethics Standards Board for Accountants (IESBA) and is grateful for the opportunity to share its comments on the IESBA Consultation Paper (“the CP”), Collective Investment Vehicles and Pension Funds.

The circumstances of investment scheme systems and their organizational structures vary by jurisdiction, and we believe that it would be extremely difficult to establish uniform provisions in the IESBA Code of Ethics (“the Code”). Therefore, we also believe that it would be beneficial to provide supplemental guidance, such as application materials of the Code and/or staff Q&As, regarding the treatment of “connected parties” in relation to auditor independence, and support the application of the conceptual framework in Section 120 of the Code. This would enable jurisdictional standard setters to provide consistent consideration factors for professional accountants based on the conceptual framework.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Korean Institute of Certified Public Accountants (KICPA)

We, at the Korean Institute of Certified Public Accountants (KICPA), strongly support the International Ethics Standards Board for Accountants (IESBA) for its commitment to developing high-quality professional ethics standards to raise the bar for ethical conduct expected from professional accountants and to serve the public interest. We are also very pleased to have opportunity to provide our comments on IESBA Consultation Paper(CP), “Collective Investment Vehicles and Pension Funds – Auditor Independence”.

Malaysian Institute of Accountants (MIA)

The Ethics Standards Board (“ESB”) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the IESBA’s Consultation Paper (“CP”) on Collective Investment Vehicles and Pension Funds - Auditor Independence.

We enclose in Appendix 1, our response to the questions contained in the CP.

Malta Institute of Accountants

The Malta Institute of Accountants would like to thank the International Ethics Standards Board for Accountants for issuing this Consultation Paper on Auditor Independence for Collective Investment Vehicles and Pension Funds, and for providing stakeholders with the opportunity to contribute to this important discussion. We commend the IESBA for its thoughtful and consultative approach in addressing the independence considerations that arise in the context of these increasingly complex investment structures.

We are broadly supportive of the existing conceptual framework set out in the International Code of Ethics, which we consider to be sufficiently robust to address the independence challenges associated with audits of collective investment vehicles (CIVs) and pension funds. In our view, the issues highlighted in the Consultation Paper can be more appropriately addressed through non-authoritative guidance, rather than through amendments to the Code itself.

We also encourage the IESBA to take into account the diverse legal and regulatory environments in which CIVs and pension funds operate. Where additional clarification is needed, we believe it is more appropriate for national regulators to provide jurisdiction-specific guidance that reflects local structures and practices, rather than expanding the scope of the Code.

We welcome the opportunity to provide the following responses to the questions set out in the Consultation Paper.

Pan African Federation for Accountants (PAFA)

PREFACE

The Pan-African Federation of Accountants (“PAFA”, “we” and “our”) welcomes the opportunity to comment on the IESBA Consultation Paper: Collective Investment Vehicles and Pension Funds – Auditor Independence.

PAFA represents Africa’s professional accountants, with the objective of accelerating the development of the accountancy profession and strengthening its voice both across the continent and globally. In its unique regional role of engaging with Professional Accountancy Organisations (PAOs) and consolidating perspectives, PAFA is pleased to present its response to this important Consultation Paper.

Our responses to the specific questions raised in the paper are set out in the appendix to this letter. We trust that our comments will constructively inform IESBA’s future deliberations.

Conclusion: While some African jurisdictions have embedded CIV and pension fund considerations into their general audit independence frameworks, most lack enforceable, detailed guidance specific to these structures. The widespread reliance on outsourced service providers and the complex governance arrangements common in these schemes further underscore the need for harmonized, context-relevant, and sector-specific guidance across the continent. This would help reduce interpretative inconsistencies, enhance audit quality, and strengthen public trust in the oversight of long-term savings and investment vehicles.

Pennsylvania Institute of CPAs (PICPA)

The Professional Ethics Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to provide comments to the International Ethics Standards Board for Accountants regarding the consultation paper related to independence and collective investment vehicles and pension funds. The PICPA is an association of more than 18,000 members working to improve the accounting profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is a cross-section of our membership, with practitioners from large, regional, and small public accounting firms, members serving in business and industry, and accounting educators.

General Comments

The committee does not believe that there is a need for additional guidance on related entities. The consultation paper notes that there is a concern that “the Code’s definitions of ‘audit client’ and ‘related entity’ might not capture certain parties that are (a) responsible for decision-making and operation of the Scheme, (b) able to substantially affect the financial performance of the Scheme, or (c) in a position to exert significant influence over the preparation of the Scheme’s accounting records or financial statements (hereinafter referred to as ‘connected parties’).” This seems to suggest that there could be an investment scheme (CIV, pension, other), hereafter referred to as a plan, that does not have an overarching governance structure or anyone taking ultimate responsibility for the decision making, financial performance, or financial statements at the plan. It is unclear how this type of plan would have an audit performed. Who would agree to the terms of engagement, sign the

representation letter, or take responsibility for the plan's internal control system? An auditor's engagement acceptance responsibilities would preclude the auditor from taking on this engagement. It is concerning that the ethical standards would be amended to suggest the possibility of clients outsourcing ultimate responsibility for key operations, financial performance, and financial statement presentation and disclosures. The legal risks of taking on an audit of an entity that does not have a governing body are concerning. Under the hypothetical scenario presented, there would be significant confusion regarding the role of the auditor and any appearance of taking responsibility for any of the key areas would cause the auditor to violate independence rules since they would be assuming the role of management.

To avoid ambiguity regarding roles and responsibilities, auditors make sure that plan management understands their key oversight role. This is addressed in the understanding of the terms of the engagement, the management representation letter, and the final audit report.

Further, the audit standards require the auditor to obtain an understanding of the plan and its environment, the applicable financial reporting framework, and the plan's system of internal control. Part of the auditor's considerations include the plan's internal controls over outsourced services. Specifically, the auditor either obtains and reviews the service organizations' System and Organization Controls (SOC) report or performs work at the service organization and evaluates the related user entity controls at the plan. This ensures that the plan has adequate controls over applicable service organizations and the results of the work performed by those service organizations. Ultimately, plan management is responsible for the decision-making and the results of all services provided to the plan. Therefore, the underlying premise of the consultation paper that additional guidance is needed to address situations in which no one is responsible for decision-making and results of services provided by third parties is not applicable to plans in the United States.

We believe that introducing language that alludes to management being able to outsource its responsibilities is contrary to the public interest. Requiring auditors to consider the independence of these connected parties other than through the provisions of the conceptual framework could be misleading.

Furthermore, plans in the United States are highly regulated, in particular by the U.S. Department of Labor to ensure that plan assets are appropriately safeguarded. Pension plans in the United States are not open for members of the public but are operated in accordance with specific legal requirements. The provisions of the Employee Retirement Income Security Act (ERISA), for example, include rigorous fiduciary responsibilities, including potential personal liability for those who do not follow strict principles of conduct. These fiduciaries include plan trustees, plan administrators, and members of a plan's investment committee. Plan fiduciaries are ultimately responsible for operating the plan in accordance with the plan documents to the extent that the plan terms are consistent with ERISA.¹ With the extensive legal and regulatory framework governing pension plans in the United States, it is unclear why additional guidance on these connected parties would be needed.

Royal Netherland Institute of Chartered Accountants (NBA)

The NBA welcomes the opportunity to respond to the Consultation Paper relating to Collective Investment Vehicles and Pension Funds – Auditor Independence. However, we cannot agree with the proposals made by IESBA in this consultation paper. We do support the reaction of Accountancy Europe dated June 27, 2025.

In addition, we agree with Accountancy Europe that we also consider the conceptual framework in the IESBA Code to be broadly both clear and appropriate for application in the context of collective investment vehicles (CIVs) and pension fund structures. Like Accountancy Europe, we don't believe that specific revisions to the Code for CIVs and pension funds are necessary

Saudi Organization for Chartered and Professional Accountants (SOCPA)

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the effort of IESBA and welcomes this opportunity to comment on the IESBA's Consultation Paper (CP), 3/ 2025, "Collective Investment Vehicles and Pension Funds – Auditor Independence".

SOCPA welcomes this opportunity to offer its comment on the CP about "Collective Investment Vehicles and Pension Funds – Auditor Independence". Our interest in this topic comes from SOCPA's continuous efforts to provide sufficient technical and ethical guidance to professional accountants (PAs) individuals and institutions. We believe that the IESBA's Consultation Paper regarding auditor independence considerations for audits of investment schemes is particularly important because of the unique nature of these investment schemes and its relationships and operations. Thus, we support the proposed agenda in this CP to clarify the 'related entities' term in the Code considering the extent to which it may cover in particular industries, such as investment schemes. Accordingly, SOCPA's comment on the CP is further explained in its responses to the CP's survey questions in the appendix to this letter.

South African Institute of Chartered Accountants (SAICA)

ANNEXURE B – RESPONSE TO REQUEST FOR GENERAL COMMENTS

SAICA engaged members from different constituencies as part of our working group to collate information in responding to the ED. The working group included members from Small and Medium Sized Entities, Regulatory Boards and Academia, amongst others. The comments included in Annexure A, therefore, includes the inputs from these constituencies.

It is also important to note that South Africa is a developing nation and as noted in the introduction to this submission, SAICA, which is Professional Accountancy Organisation (PAO) in South Africa, has adopted the IESBA Code. The comments reflected in Annexure A also reflects those of a developing nation.

RE: SAICA SUBMISSION ON THE CONSULTATION PAPER, COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS – AUDITOR INDEPENDENCE

The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to IESBA on the Consultation Paper, Collective Investment Vehicles and Pension Funds – Auditor Independence.

SAICA is South Africa's pre-eminent accountancy body which is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 60 000 members who are chartered accountants [CAs(SA)] and associates [AGAs(SA)] who hold positions as chief executive officers, managing directors, board members, business owners, Chief Financial Officers, auditors, tax practitioners and leaders in their spheres of business operation.

SAICA adopted the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) in November 2018 as the SAICA Code of Professional Conduct (the SAICA Code) and has since updated its Code with subsequent amendments made by the IESBA. The SAICA Code also has requirements from a jurisdictional perspective.

SAICA has consulted its membership in response to the Consultation Paper. Members who provided input into the process included academics, professional accountants in public practice and professional accountants in business who have vast knowledge and experience in Collective Investment Vehicles and Pension Funds – Auditor Independence.

Following our consultations with our members, material concerns, reservations and proposals have been raised in relation to the Consultation Paper for the attention of IESBA.

Our comments are included in the annexures as follows:

Annexure A – Response to request for specific comments.

Annexure B – Response to request for general comments.

The Malaysian Institute of Certified Public Accountants (MICPA)

The Malaysian Institute of Certified Public Accountants (“MICPA”) appreciates the opportunity to comment on the IESBA Consultation Paper ‘Collective Investment Vehicles and Pension Funds – Auditor Independence’. We also applaud the effort of the International Ethics Standards Board for Accountants (“IESBA”) to enhance the Code.

In this regard, we are pleased to attach MICPA’s comments as set out in Appendix for your consideration.

Wirtschaftsprüferkammer (WPK)

We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters of interest further with you.

The Wirtschaftsprüferkammer (WPK) is pleased to take the opportunity to comment on the above-mentioned Consultation Paper (CP). We would like to highlight some general comments first and provide you with our responses to the individual questions in the CP thereafter.

General Comments

The WPK appreciates the IESBA’s efforts to keep ethical standards at a high level and up to date in order to strengthen auditor independence.

However, the first step of each potential new project should consist in a thorough analysis to identify whether there is a gap in the existent provisions that would require a change in the IESBA Code of Ethics (“the Code”). Only after such gap analysis, a reasoned decision can be taken whether it is necessary and appropriate to amend the Code and to start a new project.

Whereas the WPK acknowledges that collective investment vehicles (CIVs) and pension funds may often be connected with complex structures and relationships between the parties involved, we are of the opinion that the resulting impacts on auditor independence are sufficiently covered by the conceptual framework of the Code. Therefore, we believe that the existing principles-based provisions are sufficient and more appropriate to provide a robust basis to evaluate and ensure the auditor’s independence also in the context of CIVs and pension funds. A shift towards rules-based provisions or special provisions for specific entities or individual sectors needs to be avoided since this would make the Code excessively complex and require constant updating and adaptation. As a result, this would rather complicate and impair the consistent and coherent application of the Code.

According to the WPK’s knowledge, no severe violations of auditor independence have been identified in Germany so far that are attributable to a lack of specific provisions for CIVs/pension funds or a definition of “connected parties”.

Furthermore, we believe that a period of stability is urgently needed in order to allow practitioners and audit firms to implement the recent amendments of the IESBA Code and the IAASB standards, mainly in respect of IESSA and ISSA 5000.

As a result, the WPK is not in favor of the project to amend the IESBA Code in respect of CIVs/pension funds for the time being. However - if the IESBA comes to the conclusion that additional clarification or advice is required, we recommend issuing non-authoritative guidance rather than amending the Code itself.

Below please find our detailed responses to the questions in the Consultation Paper.