

24 October 2022

Ms. Gabriela Figueiredo Dias
Chair
International Ethics Standards Board for Accountants (IESBA)
529 Fifth Avenue, 6th Floor
New York, New York 10017 USA
By email: GabrielaDias@ethicsboard.org

Dear Ms. Figueiredo Dias,

RE: IESBA's proposed approach to address Sustainability in the IESBA Code

The Accounting Professional & Ethical Standards Board Limited (APESB) and the External Reporting Board (XRB) are the National Standard Setters for independence standards in Australia and New Zealand (refer to Appendix A).

We congratulate the IESBA on the strategic prioritisation of its sustainability project and the pace of work and progress to date. We understand that the IESBA is in the process of completing a project plan to develop independence requirements for sustainability assurance practitioners and intends to approve this project plan in December 2022.

We also favourably note the recent endorsement by IOSCO of the ongoing work by the IAASB and IESBA on the assurance and related ethical considerations of sustainability-related corporate reporting and the importance of the development of profession-agnostic standards.

Concerns regarding the use of Part 4A

We understand that the IESBA determined in September 2022 to expand Part 4A of the IESBA Code to address the independence requirements of sustainability assurance engagements.

As the National Standards Setters of our respective jurisdictions, we have significant concerns regarding this approach due to the following reasons:

- Part 4A is the most complex area of the Code, which even experienced professional accountants find challenging. It is unlikely that its structure and content (even if tailored for sustainability information) will be conducive to adoption by a non-accountant professional.
- Part 4A focuses on historical financial information, while sustainability information includes prospective and non-financial information, some of which require higher levels of estimation and judgement (such as scope 3 emissions and other matrices), which create different ethical and independence challenges.
- It assumes that the current independence framework for financial statement auditors is fit for sustainability assurance in circumstances where the IAASB has recognised that it is necessary to develop separate standalone assurance standards in order to meet the objective of developing professionally agnostic standards. We also note that the ISSB is developing a separate suite of sustainability reporting standards.

- The genesis for creating the existing Part 4B of the Code (essentially a duplication of selected provisions of Part 4A) was to make it easier for accounting professionals who performed Assurance Engagements, other than Financial Statements Audits, to identify the independence requirements that apply to that type of engagements.

Due to the reasons noted above, we are concerned about integrating the relevant independence requirements for sustainability assurance engagements with the independence requirements for historical financial statements. We believe this approach will severely impact and impede the broader acceptance of IESBA's International Independence standards by sustainability assurance practitioners who are not professional accountants.

Benefits of broader stakeholder engagement

Australia and New Zealand have a variety of highly competent professionals currently providing assurance about sustainability-related information. These persons are not all professional accountants.

In New Zealand, a mandatory climate reporting regime will be effective from January 2023, where some information will be required by law to be subject to assurance. This assurance will be required to be undertaken in accordance with standards issued by the XRB. Therefore, there is an initial focus on developing relationships and engaging with a much broader range of practitioners to ensure that our standards are fit for purpose and available for all assurance practitioners, including non-accounting professionals.

Concluding comments

We encourage the IESBA to engage urgently with a broader range of sustainability practitioners (within and external to the accounting profession), to understand the ethical requirements they apply when undertaking a sustainability assurance engagement. We firmly believe collaboration with these practitioners will promote consistent, high-quality ethical requirements for sustainability assurance engagements.

We strongly encourage the IESBA to consider our key concerns in the development of professionally agnostic independence requirements for sustainability assurance.

We trust you find these comments useful in the Board's future deliberations on this project and are happy to engage with you to discuss these matters further.

Yours sincerely



Nancy Milne OAM
Chairman
APESB



April Mackenzie
CEO
External Reporting Board

CC- Mark Babington, Chair Sustainability Working Group, IESBA
James Gunn, Managing Director of Professional Standards

Appendix A

About APESB

Accounting Professional & Ethical Standards Board Limited (APESB) is an independent entity with a primary purpose to develop, issue, and maintain high-quality professional and ethical pronouncements for the Australian accounting profession in the public interest. APESB's pronouncements apply to the members of the three major Australian professional accounting bodies; CPA Australia, Chartered Accountants Australia and New Zealand (CA ANZ) and the Institute of Public Accountants (IPA).

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 for the accounting profession. APES 110 is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code of Ethics) issued by the International Ethics Standards Board for Accountants (the IESBA).

About the External Reporting Board (XRB)

The External Reporting Board (XRB) is a crown entity responsible for developing and issuing accounting, climate reporting and auditing and assurance standards, including ethical standards for assurance practitioners, in New Zealand. Our legal mandate has recently changed to include climate reporting. Our assurance standards will therefore increasingly be used by non-accountants.

In New Zealand, XRB issues PES 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand). PES 1 is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code of Ethics) issued by the International Ethics Standards Board for Accountants (the IESBA) but has been adjusted for a focus on assurance practitioners, given the legal mandate of the XRB