

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 4

Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

### 4.2 Agree with comments

#### 1. Monitoring Group

##### International Forum of Independent Audit Regulators (IFIAR)

###### Quality and ethics standards

It is in the public interest that the same level of requirements for high quality management and ethics (including independence) apply to all practitioners providing assurance on sustainability reporting, regardless of the profession they belong to.

The ED-ISSA 5000 requirement to have a system of quality management that is “at least as demanding as” ISQM 1 contributes to this objective. We are currently not aware of other quality management requirements that are “at least as demanding as” or “equivalent” to ISQM 1 that are currently in use by non-accounting practitioners.

It is not clear how practitioners currently using other quality management requirements or standards will make the determination of equivalency to ISQM 1 or how they will be held accountable. We recommend an approach where the high-level criteria for quality management assessments are included in ED-ISSA 5000.

We note that similar challenges arise with respect to relevant ethical requirements that are “at least as demanding as” the IESBA Code, all the more considering the ongoing revisions that are being planned to the Code.

#### 2. Preparer and Users of sustainability information

##### Corporate Reporting User’s Forum (CRUF)

###### CRUF’s View

Yes, with comments below.

The requirement itself is clear enough in general.

That said, we are concerned that it is not clear who judges if a non-PA assurance practitioner has an ethical code and the quality management system “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1.

We suppose that it would be national or regional regulators that are responsible for that judgement. We believe it should be clearly stated in the ISSA 5000 that who is in charge of that judgement and key considerations for their judgement.

As users of sustainability information, we agree in principle with the requirements that assurance practitioners need to apply the IESBA Code of Ethics and ISQM 1 or requirements that are “at least as

demanding". We should not compromise the quality of assurance, which provides investors with confidence in the quality of sustainability information.

That said, we recognise that as this area of assurance is in its nascence, all parties need to work together to rapidly develop an increased capacity among potential assurance providers to meet the impending demand.

We therefore recommend the IAASB to cooperate closely with IOSCO to foster an expansion in the capacity of the market in this area. Ethical standards must continue to be applied in order to maintain investor confidence, though enforcement may need to be applied with intelligence and flexibility for an initial few years.

### **MFIs' Internal Audit ESG Working Group**

It would be helpful to have a list of "other professional requirements, or requirements imposed by law or regulation" which are assumed to be "at least as demanding" as the IESBA Code regarding relevant ethical requirements for assurance engagements; and/or checklist to assess compliance.

Practitioners, assurance engagement teams or quality reviewers could benefit from understanding potential limitations in applying the principle of "at least as demanding".

Supports the baseline requirement of "at least as demanding". However, clarity is needed in its application is needed. In financial accounting and auditing there are existing internationally recognized competency requirements. This is not yet the case for sustainability reporting and, there could be challenges for assurance provider to meet the requirements of the code.

Suggestions:

Establish minimum requirements for each category.

Provide illustrative examples or case studies that demonstrate how firms can apply the concept of "at least as demanding" in real situations.

Consider developing practical guidance where practitioners may struggle to meet "at least as demanding" requirement and provide guidance on how to address these challenges effectively

### **Norges Bank Investment Management**

Quality management and ethical requirements are in the public interest and play an important role in boosting users' confidence in the outcomes of assurance engagements. We agree with the proposed requirements in the ED 5000 that assurance practitioners are subject to the IESBA International Code of Ethics for Professional Accountants (IESBA Code) and that their firms are subject to International Standard on Quality Management 1, or to requirements that are "at least as demanding". Sustainability assurance engagements are currently being carried out by both professional accountants and non-accountant assurance practitioners, who are subject to different requirements. While we do not necessarily believe that sustainability assurance engagements need to be carried out by the auditor of the financial statements (or another professional accountant), it is important that the engagements are carried out to high quality standards and free from conflict of interest. We believe this provision can support this aim.

### 3. Those Charged with Governance

#### International Corporate Governance Network (ICGN)

ICGN supports the requirement that members of the assurance engagement team should be subject to the IESBA Code and International Standard on Quality Management 1, or other professional requirements, or requirements in law or regulation that are at least as demanding. Investors must trust that the assurance process is rigorous, and that high standards of ethics and independence have been applied. We encourage all assurance providers, irrespective of their professional backgrounds, to implement IESBA's recommendations on sustainability reporting and assurance, expected to be published in 2024. Effective oversight by regulators will be important to ensure proper implementation and sustained adherence to these standards. Simultaneously, we are conscious that this requirement might be burdensome at first for some firms currently providing sustainability assurance and not yet applying the IESBA Code and the International Standard on Quality Management. We encourage the IAASB, IESBA and national authorities to provide training and guidance to these assurance providers, to support them in applying the standards.

### 4. Regulators and Audit Oversight Authorities

#### Accounting and Auditing Board of Ethiopia

The concept of “at least as demanding” is confusing and may be open to different interpretations. There could also be jurisdictional differences as far as IESBA Code and ISQM 1 are concerned with different requirements. We suggest additional guidance be provided by the Board in this respect.

#### Botswana Accountancy Oversight Authority

Paragraph A3 of ED- 5000 is sufficiently clear about the concept of “at least as demanding” stating that “at least as demanding” shall be determined by the law, regulation, or professional requirements in each jurisdiction.

#### Irish Auditing and Accounting Supervisory Authority (IAASA)

While the concept of ‘at least as demanding’ as the IESBA Code and ISQM1 will be familiar to auditors, it may not be apparent to other practitioners that compliance with appropriate ethics and quality management standards are required. Guidance is needed in this area. In addition, it is unclear who is responsible for making this assessment. It may be preferable to require national standard setters to refer to the relevant local requirements when adopting ISSA 5000 to provide clarity for users and ensure they perform assurance engagements to an appropriately high standard. In this regard, it would be helpful to include high level assessment criteria for both quality management and ethics in ISSA 5000.

Paragraph 5(a) states that ISSA 5000 is based on the premise that “members of the engagement team and the engagement quality reviewer ... are subject to the provisions of the ... IESBA Code related to assurance engagements ....” This should be amended to the provisions of the IESBA Code for audit and review engagements to ensure that reasonable assurance engagements for sustainability are subject to the same ethical and independence standards as those for audit.

In addition, while paragraph 29 requires the engagement leader to be a member of a firm that applies the ISQMs, it should be clarified in the requirements section of the standard that engagement quality reviews,

where required, shall be conducted in accordance with requirements that are at least as demanding as ISQM2.

Paragraph A48 states that paragraphs A45-A47 may assist practitioners in assessing whether professional requirements are at least as demanding as the IESBA Code. It should be clarified that this only applies if that assessment has not already been made by the national standard setter or other authorized body.

With regards to the engagement leader's responsibility for managing and achieving quality, paragraph 133(e) should specify that completion of the engagement quality review includes appropriate response to any issues identified during the review. In addition, the language in paragraph A60 explaining that the engagement leader remains responsible for compliance with the standards should be moved to the requirements section.

### **Securities and Exchange Commission Philippines**

ISSA 5000 requires practitioners to be members of firms subject to ethical and quality management standards that are at least as demanding as those outlined in ISQM and the IESBA Code. However, aligning these standards across various disciplines may be burdensome and costly for regulators.

In connection with our comment on paragraph 14 of Explanatory Memorandum Section 1-A, for regulators, the "at least as demanding" concept might create undue burden and confusion in assessing and determining the practitioners' compliance with these requirements. While other professionals might have equivalent standards, contextually, they may differ from ISQM and the IESBA Code.

Local accounting firms are already equipped with the necessary resources to comply with ISQM requirements, but other assurance practitioners may need to restructure their organizations to meet the requirements of ISSA 5000.

The importance of ensuring the competence of practitioners in sustainability assurance is recognized, and the concept of "at least demanding" is consistent with ISAE 3000. However, the "at least as demanding" criteria may be challenging for non-accountants to adopt, which goes against the objective of profession-agnostic standards.

Using the same statutory auditor as the assurance provider for sustainability reports can bring benefits, as the integration between sustainability matters and financial information is expected to be substantial. This avoids duplicative work and facilitates the linkages and connection between sustainability reports and financial statements in a seamless and consistent manner.

If IAASB allows other professionals to come up with "least as demanding" quality management standards and ethical requirements, it will be burdensome for regulators to determine if they are meeting the same level of requirements with the ISQM and IESBA Code. While local regulators and national standard setters share the responsibility in determining what is considered "at least as demanding" in their jurisdictions, determining such may create undue cost and effort.

## **5. National Auditing Standard Setters**

### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

It is essential that all assurance service providers in this arena adhere to strong ethical principles and rules, including independence, and that sustainability assurance is provided within the framework of a dedicated

quality management system, irrespective of whether the assurance practitioner is a professional accountant or an other independent assurance service provider.

It is our understanding that in Austria as well as in all other member states of the European Union the auditing profession adhere to either the IESBA Code of Ethics and ISQM1 directly, or local rules on ethics and quality management that are largely based on the Code and ISQM1. Therefore, European auditors and firms already comply with relevant requirements proposed in ED ISSA 5000.

We recommend more material should be added to highlight what the ISQM requirements are, for example, EU's Accounting Directive (Art 34) gives a clear description of main features of such systems.

#### **Comite Brasileiro de Sustentabilidade (CBPS)**

The ED-5000 clearly states the two fundamental assumptions related to the “Relevant Ethical Requirement and Quality Management Standards” in line with ISQM 1, mainly regarding accountants, subject to the IESBA code. However, it does not clearly prescribe (i) the requirements for other professionals (non-accountants), (ii) how those other professional will be assessed under an equivalent standard, and (iii) how “that are at least as demanding” should be applied to the other professionals. Furthermore, it is not clear in the ED and EM what the actions and responsibilities toward the parties and possible consequences would be, in case the equivalent minimum appropriate level is not achieved. Finally, we consider important to explicitly disclose in the assurance report, what was the equivalent standard adopted by the practitioner (supposedly equivalent to the ISQM 1).

#### **Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)**

We believe that it is essential for all assurance service providers to apply the same or similar principles and rules of independence and quality.

ISSA 5000 is a stand-alone and profession-agnostic standard, but it does not include the quality management requirements prescribed by ISQM1, or the independence requirements of the IESBA Code of Ethics. In this context, how can we ensure that practitioners other than auditors comply with the same or at least equivalent rules of ethics (including independence) and quality management as auditors?

Given that the IAASB is not a supervisor/regulator and that some countries do not have a regulator, or their regulator will not supervise the assurance service providers, we wonder how users of sustainability reporting will be able to be sure that assurance engagements are conducted with an equivalent level of quality and independence.

We believe that the developments in A8, A45-A47 and A48 are so fundamental that they should be elevated to “essential material” in the standard as it is essential that practitioners other than auditors comply with the same or at least equivalent rules of ethics (including independence) and quality management.

We also believe it is necessary to clarify the reference to “other professional requirements” in paragraph A48 of ED-5000. Our understanding is that this paragraph relates to an established standard (such as a code included in law or regulation) and therefore does not relate to a “self-developed” standard.

#### **Hong Kong Institute of Certified Public Accountants**

Quality management within firms and compliance with ethical requirements are well recognized as being in the public interest and an integral part of performing high-quality assurance engagement. In Hong Kong, it is anticipated that non-professional accountants may face challenges if they apply ED-5000 to conduct assurance engagements on sustainability information when the standard is finalized. Practical challenges

may include: (a) a lack of sound understanding of the IESBA Code and ISQM 1 enabling them to assess whether their existing procedures and policies based on other professional standards are “at least as demanding as” the IESBA Code and ISQM 1; and (b) comparability of their existing procedures and policies to meet the relevant requirements in the IESBA Code and the ISQM 1 (the “relevant requirements”). We believe that they will need to perform a thorough gap analysis to compare the existing procedures and policies with the relevant requirements, and take steps to ensure their compliance with ED-5000 by addressing any identified shortcomings and supplementing them accordingly.

Even though the extant ISAE 3000 (Revised) is premised on the basis of compliance with the Code of Ethics and ISQM 1 or other professional requirements that are at least as demanding, it is observed from the HKICPA's 2023 research covering the sustainability/ ESG reports (or where applicable, the sustainability/ ESG sections in annual reports) of all December 2022-year end listed companies (approximately 1900 entities) (i.e. ESG Assurance in Hong Kong – An evolving landscape) that in practice, the assurance reports by non-professional accountants may not contain statements regarding their compliance with ISQM 1 and the IESBA Code, or equivalent standards. They often use wordings such as “with reference”, or “based on” instead of “in accordance with” ISAE 3000 (Revised) in their assurance reports. To enable consistent application and interpretation by practitioners and users, we recommend that the IAASB strengthen ED-5000.A478 by giving more examples of the terms that are imprecise and limiting and may mislead users, similar to para. A34 in ISRS 4400 (Revised) which provides examples of terms that may be unclear or misleading when concluding on an agreed-upon procedure engagement, or consider requiring non-professional accountants disclose relevant information to stakeholders on compliance with the Code of Ethics and ISQM 1 or its equivalent.

As mentioned in our response to Question 1, it is critical to increase the general public's awareness of the benefits of having sustainability information (i) assured and (ii) reported on by qualified individuals.

We note that though “assurance skills and techniques” is a defined term in ED-5000, there is no application material providing further guidance on the term similar to ISAE 3000.A9 (Revised). As ED-5000 is intended to be profession agnostic, it would be helpful to have application material for non- professional accountants to understand the required assurance skills and techniques.

We appreciate IAASB's continued effort in promoting ED-5000 to all stakeholders in the market. It will be useful for the IAASB to develop some promotional materials, such as slide decks or flyers setting out the pre-conditions and the fundamental premises relating to ethics and system of quality management so that consistent messages can be distributed by professional accountancy organizations.

### **Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)**

#### Overall comments

We believe that the guidance on equivalency between the IESBA Code and other ethical requirements and between ISQM1 and other quality management requirements at firm level need to be precisely the same to support quality engagements being performed by non-accountant practitioners.

We believe that, with respect to who can use the standard, there is no technical difference between ISAE 3000 (Revised) and the draft of ISSA 5000: both are intended to be used by professional accountant practitioners and other practitioners. The use of ISAE 3000 (Revised) by practitioners other than professional accountants is set forth in paragraph 4 of that standard. Both that paragraph and paragraph 6 of the draft emphasize that quality management at firm level and compliance with ethical principles are widely recognized as being in the public interest and an integral part of high-quality assurance

engagements. There is an expectation in the market that the quality of reasonable assurance engagements on sustainability information will not be less than that for audits of financial statements and that the quality of limited assurance engagements will be such that such engagements obtain a meaningful level of assurance in the context of sustainability reporting. It is the public interest in quality that is therefore the driver for the premise of high-quality requirements for practitioners and firms regarding ethics and quality management, respectively. Any “watering down” of this premise will only lead to lower quality: all practitioners, regardless of whether professional accountants or others, should therefore be held to the same standard with respect to ethics, and quality management at firm level, because there is an expectation by stakeholders that the quality of engagements performed by non-accountant practitioners should be the same as the quality of engagements performed by professional accountant practitioners. While market access considerations are important, measures to improve market access should not lead to engagements of less quality, which would not be in the public interest. If this means that some practitioners other than professional accountants may need to improve their ethical and quality management requirements, then that is the appropriate market access measure to deal with this issue.

#### Ethical Requirements

ISAE 3000 (Revised) provides some clear guidance in its application material as to when the ethical requirements other than the IESBA Code are to be regarded at least as demanding as the IESBA Code and when quality management requirements other than the ISQMs are at least as demanding as the ISQMs. In the interests of quality engagements, the guidance in ISSA 5000 should be the same as that provided for in ISAE 3000 (Revised).

We note that the guidance provided in the draft in paragraphs A5 and A48 is less stringent than ISAE 3000 (Revised) in one aspect and just as stringent in another. In relation to the first aspect, ISAE 3000 (Revised), paragraph A34 refers to requirements other than the IESBA Code as being just as demanding when they “address all the matters referred to in paragraphs A30-A33” (underlining added). These paragraphs provide a summary list of matters covered by the IESBA Code. Paragraph A5 and A48 of the draft, on the other hand, refer to “address the matters referred to in the relevant sections of the IESBA Code” – that is, without reference to “all” and without a direct reference to which matters. Only the wording in the last sentence of paragraph A48 states that the matters set out in paragraphs A45 to A57 “may assist practitioners” – which is a significant weakening of the applicability of the matters described in paragraphs A45 to A57 in determining equivalency compared to “addressing all the matters” in those paragraphs. We recognize that paragraph A45 to A57 will change based upon the changes to the IESBA Code related to sustainability, but the reference to the paragraph numbers and sections could be adjusted accordingly. Therefore, in the interests of quality we recommend that paragraphs A4 and A48 of the draft use precisely the same wording (that is, reinserting the “all” in front of “the matters”, and adjusting the reference to the relevant paragraph numbers) as that used in ISAE 3000 (Revised) paragraph A34”. The last sentence of paragraph A48 in the draft could then be deleted.

We are pleased to see that in the second aspect, paragraphs A5 and A48 of the draft use the same wording as in ISAE 3000 (Revised) – that is, “impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements” and recommend that this wording be retained without change.

#### Requirements Regarding Quality Management at Firm Level

We note that the guidance on the equivalency of quality management at firm level provided in the draft in paragraphs A8 and A56 uses the same wording as in ISAE 3000 (Revised) paragraph A62. In the interests

of quality, we therefore recommend that paragraphs A8 and A56 in the draft continue to use precisely the same wording (adjusted for the paragraph references) as that in paragraph A62 of ISAE 3000 (Revised).

#### Role of Third Parties in Determining Equivalency

We are also concerned with the assertion made in paragraph A3, which states that law, regulation or professional requirements in a jurisdiction “may provide guidance about what constitutes at least as demanding” as the IESBA Code and ISQM 1. We recognize that, as a practical matter, this is true and will undoubtedly be done in this way in practice, but it is setting a precedent within IAASB standards that officially recognizes third parties (whether governments, regulators or standards setters) as arbiters of what is equivalent to IAASB standards and the IESBA Code. Even as a private standard setter, the IAASB should retain the “sovereignty” over what constitutes compliance or equivalence with its standards and therefore, even if paragraph A5 will represent practice, we suggest that paragraph A5 be removed. The IAASB may wish to consult with IESBA with respect to its views regarding the assertion regarding the IESBA Code.

#### Japanese Institute of Certified Public Accountants (JICPA)

We strongly support the proposal in ED-5000 that requires applying the requirements that are “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and “at least as demanding” as ISQM 1 regarding a firm’s responsibility for its system of quality management regardless of the practitioner’s attributes – accounting firm, its affiliate, or non-accountant.

We are of the view that any assurance engagements performed in accordance with ISSA 5000 should provide high-quality assurance consistently by various practitioners irrespective of their profession. The level of relevant requirements for independence and quality management within a jurisdiction should be equal regardless of whether the practitioner is an accountant or non-accountant. In other words, we believe the standard should provide a foundation that underpins consistent and high-quality assurance services by all practitioners.

#### Malaysian Institute of Accountants - Auditing and Assurance Standards Board (MIA)

Regulators and national standard setters play an important role in determining what may be considered “at least as demanding”. Specifically, paragraph A8 states that other requirements are at least as demanding “when they address the requirements of ISQM 1”. In practice, it is unlikely that any existing national requirements or quality management standards by other professional bodies will address all of the requirements stated in ISQM 1, creating ambiguity about the extent of alignment necessary to assert that such requirements are “at least as demanding”. There is a need for a process for a non-accountant practitioner to assess whether their ethical requirements and quality management system are at least as demanding as those of professional accountants. Local regulators may also need to consider pre-qualifying certain practitioners from providing assurance services on sustainability information.

As a general point, we encourage the IAASB to continue to engage with the regulators to support the application of ED-5000 and that includes the surveillance and enforcement aspects of adherence to the relevant ethical requirements for assurance engagements and the firm’s responsibility for its system of quality management. Presently, in various jurisdictions where assurance is being provided by professional accountants, they are subject to surveillance on the quality of their work. That may not be said of other assurance providers which may create an uneven playing field which would bring into question the quality of work where there is a lack of surveillance and ultimately affect the public interest.

## Royal Dutch Institute of Chartered Accountants

In the opinion of the NBA, appropriate Ethical Requirements as well as appropriate Quality Management Standards are paramount to ensuring high quality sustainability assurance. The NBA therefore wholeheartedly agrees with the notion that ISSA-5000 will require practitioners to also comply with ethical requirements and quality management standards.

The NBA would share the following observations in this regard:

- IESBA has not yet finished its proposals (for consultation) of ethical requirements for sustainability assurance engagements. This is an important caveat, the NBA cannot commit to proposals that are under development. This is also important because we can at this stage not determine whether the Code of Ethics is sufficiently clear for application by non-practitioners. This is important because the Code of Ethics should contribute to setting the right incentives for practitioners to achieve quality.
- The notion 'at least as demanding', while familiar as a concept, remains challenging in its application. It is unclear to us whether it means that each and every detailed provision should be at least equal, or whether an overall review is acceptable. We urge IAASB to clarify at which level of detail an assessment of whether other suites of standards and requirements are 'at least as demanding' should be made.

In this context, the NBA also observes that the standard does not provide sufficient guidance on how a determination of whether other requirements are 'at least as demanding' can be made, let

alone how such determination is to be evidenced/documentated. We urge to provide more specific requirements on this assessment, together with sufficiently specific application material.

ED-5000 is not clear about whether the individual practitioner, the firm or the National Standard Setter is to make the assessment of whether requirements can be considered at least as demanding as the Code of Ethics or ISQM. We would support such assessments to be made at the NSS-level, and that practitioners are entitled to rely on determinations made by the NSS.

- Finally, it should be made clear what the practitioner's responsibilities are in the context when opining on sustainability assurance. In this context, we also stress that the requirement in paragraph 34 is insufficient. The engagement leader cannot suffice with only taking responsibility for the members of the engagement team having been made aware of relevant ethical requirements; the engagement leader should also be required to determine that such requirements have been met.

## 7. Accounting Firms

### Altaf Noor Ali Chartered Accountants

4.1 Simplify Q: ED is sufficiently clear about: 1. the concept of as demanding as IESBA Code on the ethical requirement, 2. ISQM 1 on firm's responsibility for its system of quality management. Agree?

4.2 Response>> No. Its not possible to hold the practitioners outside a public practice of a professional accountant accountable for the practice of ethics and quality.

4.3 Multiple practitioners>> 'Sustainability assurance engagements are being conducted currently by practitioners from different professions'. Section 1-C Explanatory Memo.

For non-accountants performing the engagements it will be difficult to stick to both.

Furthermore, how compliance will be checked. Its not an obligation of the member organizations of the IFAC.

4.4 Restrict compliance of ethics and quality to the professional accountants in public practice only. Make them responsible even if an outside firm is doing.

#### **BDO International Limited**

Paragraph A3 in ED-5000 indicates that law, regulation or professional requirements in a jurisdiction may provide guidance about what constitutes 'at least as demanding' as the IESBA Code and ISQM 1. We believe, in most jurisdictions, law, regulation or professional requirements on ethics and quality management may be similar to those in the IESBA Code and ISQM 1. However, in order to ensure the ongoing IESBA and IAASB working relationship and work program captures application guidance for practitioners, we suggest providing guidance on what aspects or extent of the IESBA Code and ISQM 1 need to be included in a local jurisdiction's law, regulation or professional requirements in order to meet this threshold. This is specifically important for non-accountant assurance practitioners as they would have nothing in place like the IESBA Code and ISQM 1 at this moment.

#### **Deloitte LLP**

Compliance with relevant ethical requirements, including independence, and maintenance of an effective system of quality management are critical for performance of consistent, high-quality sustainability assurance engagements that protect the public interest.

We recognize the IESBA has not yet issued their corresponding exposure drafts which makes commenting on certain concepts difficult. We believe that the IESBA Code is being revised such that it can be applied to all sustainability assurance practitioners, including non-accountant assurance providers. If so, we recommend that ED-5000 require the use of the IESBA Code, unless the assurance practitioner is required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated by such bodies as "at least as demanding" as the IESBA Code. If the IAASB does not take this approach, we recommend the IAASB provide implementation guidance that would clarify how to evaluate whether local codes/requirements meet the "at least as demanding" threshold.

There does not appear to be a framework against which to evaluate the meaning of "at least as demanding [as the IESBA Code]" which could result in sustainability assurance engagements that are performed in similar form but not in substance. It may be difficult to adequately describe in application material the expectations and performance and reporting responsibilities for assurance practitioners who are not applying the IESBA Code. Also, there is no explanation as to who is responsible for determining that the assurance practitioner is meeting ethical requirements "at least as demanding" as the IESBA Code, and we do not believe this should be self-assessed by the assurance practitioner. It may be similarly difficult to develop application material or implementation guidance to sufficiently guide the evaluation of an assurance practitioner's system of quality management in the absence of ISQM 1 and ISQM 2.

In addition to users of sustainability assurance reports, this topic is relevant for assurance practitioners who may be using the work of an other assurance practitioner (whether part of the engagement team or not) who is not subject to the IESBA Code or has not implemented a system of quality management in accordance with ISQM 1 or 2. In such circumstances, it will be difficult for the assurance provider to evaluate the work or conclusions of that other assurance practitioner without such a framework, particularly with respect to independence of the participating other assurance provider. It is also unclear what the assurance

practitioner should do if they intend to use the work of another practitioner and they evaluate that the other practitioner is not independent.

### Ernst & Young Global Limited

We strongly agree that practitioners that undertake ED-5000 should be required to:

Comply with relevant ethical requirements that are at least as demanding as the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code)

Comply with professional requirements regarding the firm's responsibility for its system of quality management that are at least as demanding as ISQM 1.

The requirements of these international standards are fundamental to serve the public interest and are key to the performance of quality assurance engagements.

#### Relevant ethical requirements

We believe that independence and ethics are extremely important in establishing the credibility of the assurance conclusion or opinion. We are aware that IESBA is currently undertaking the development of sustainability-related revisions to the IESBA Code. This project includes the development of ethics and independence standards for implementation and use by all sustainability assurance practitioners (i.e., professional accountants and others performing sustainability assurance engagements).

We encourage the IAASB to continue liaising and coordinating with IESBA to foster the development, adoption and implementation of relevant ethical requirements that are interoperable with the assurance standards.

#### Quality management

ISQM 1 was developed for "firms", which are defined as "sole practitioner, partnership of or other entity of professional accountants, or public sector equivalent" (ISQM 1, paragraph 16 (i)). Therefore, ISQM 1 was not drafted with the intention of being applied by assurance practitioners who are not in the accounting or auditing profession. As such, we suggest that the IAASB make a consequential amendment to ISQM 1, either in the Introduction or as application material, to acknowledge that organizations comprising non-accountant assurance practitioners may choose to apply ISQM 1, and that in these circumstances the reference to "firm" throughout ISQM 1 should be read to apply to their organizations. We believe that this amendment would provide clarification to these organizations that they are permitted to choose to apply ISQM 1 (or a local ISQM equivalent) directly. In addition, we strongly suggest that the IAASB develop further implementation guidance for non-accountant assurance practitioners that choose to apply ISQM 1 or an equivalent.

#### "At least as demanding"

We acknowledge that the concept of "at least as demanding," as stated in Paragraph 25 of the EM, "is not new" and underpins the application of all IAASB pronouncements. We also recognize that the IAASB has a standard-setting responsibility and not an oversight or monitoring responsibility. However, we suggest that the IAASB collaborate with the regulators and oversight bodies that will play a key role in assessing the compliance of assurance practitioners with relevant ethical requirements and quality management standards that are at least as demanding.

In addition, to enhance the ability to apply ED-5000 consistently by all practitioners, we suggest the following:

Adding additional application guidance to ED-5000 consistent with ISQM 1 paragraph 18 as we believe this guidance is fundamentally important to understanding and achieving overall compliance with ISQM 1.

Clarifying the reference to “professional standards” in paragraph A48 of ED-5000. Our understanding is that this paragraph relates to an established standard (such as a code included in law or regulation) and therefore does not relate to a “self-developed” standard.

#### **ETY sas**

While the requirements in their own are sufficiently clear, the reality of many jurisdictions is that there is no single body that regulates all professions who might apply the proposed standard. To that end, outside the accountancy profession in jurisdiction where the IESBA code and ISQMs are adopted or adapted, the effective implementation and monitoring of the concept of “at least as demanding” is questionable.

Additionally the concept “at least as demanding as” can be challenging to be made, monitored and enforced consistently in developing countries' jurisdictions as mentioned above in question 1. We suggest additional application materials to make it clearer, including illustrative examples or guidance to assist PAOs, practitioners and regulators in the implementation

#### **European Contact Group (ECG)**

Compliance with relevant ethical/independence requirements and maintenance of an effective system of quality management are critical for the performance of consistent, high-quality sustainability assurance engagements. The IESBA Code and ISQM 1 include these respective requirements, which are also the basis for professional accountants/auditors performing high-quality financial statements audits and other assurance engagements.

We believe that establishing a level-playing field for all sustainability assurance providers requires sufficient guidance or a framework upon the basis of which a decision can be taken as to whether other professional requirements, or requirements imposed by law or regulation, are “at least as demanding” as the IESBA Code and ISQM 1. Also, these other requirements should be “at least as demanding” in the different key areas, not only considered as a whole. We suggest including in ISSA 5000 still more guidance or referring to an appropriate framework in terms of ethical/independence requirements and the maintenance of an effective system of quality management in case the IESBA Code and ISQM 1 are not applied.

Further, Par. 170 (d) (iv), requires the identification of the jurisdiction of origin of the relevant ethical requirements in the sustainability assurance report in case the IESBA Code is not applied. In this regard, we recommend that the sustainability assurance report identifies not only the jurisdiction of the origin but also the relevant ethical requirements applied. This would make the ethical/independence basis for the sustainability assurance more transparent, which is important information for the users of the report. We understand that this would also be the case for requirements for the system of quality management in case ISQM 1 is not applied (ref. Par. 170 (d) (v)).

#### **Grant Thornton International**

We agree with the requirements for practitioners to comply with relevant ethical requirements, including those related to independence, that are at least as demanding as the provisions of the IESBA Code and for practitioners to be affiliated with firms that apply internal quality management systems that are at least as demanding as ISQM 1 and ISQM 2, when applicable. These fundamental premises create an appropriately high barrier to entry for non-accountant practitioners which is necessary to preserve users' trust in sustainability assurance reports.

To determine what is considered “at least as demanding” a practitioner will need to have detailed knowledge of the requirements of the IESBA Code and ISQM 1 and ISQM 2 to compare to the professional requirements, or requirements in law or regulation, they have implemented to determine if the relevant ethical requirements and system of quality management are “at least as demanding”. We believe this may be challenging for non-accountant practitioners due to the length and complexity of ISQM 1 and 2. In addition, the inclusion of numerous audit and independence terms and concepts derived from the ISAs and IESBA Code within ISQM 1 and ISQM 2 require a working knowledge of the terms and concepts to appropriately evaluate how demanding the provision is. It is likely that the onus to determine whether other professional requirements or requirements in law or regulation are “at least as demanding” will be on the local standard setter or regulator to determine and monitor compliance.

### **KPMG International**

We understand that ED-5000 is based on the fundamental premise that members of the engagement team (and the EQCR, if one is appointed) are subject to the provisions of the IESBA Code related to assurance engagements or other professional requirements, or requirements established in law or regulation, that are at least as demanding as the IESBA Code. They are also members of a firm that is subject to ISQM 1, or other professional requirements, or requirements established in law or regulation, that are at least as demanding as ISQM 1.

We note that this fundamental premise is already embedded in ISAE 3000 (Revised), and the rationale for this premise is to enable practitioners other than professional accountants, including those with expertise in the underlying subject matter itself, to be able to use the standard. We support this aim to avoid fragmentation of practice, which would not be in the public interest.

We believe that ED-5000 is sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management. However, we have certain concerns with the application of this concept, and whilst we do not have specific recommendations to address these concerns in terms of proposed changes to ED-5000, we make recommendations to develop educational materials and to take other actions that we believe would support consistent application in this area. We believe these recommendations may also help reduce potential barriers to practitioners using ISSA 5000 if they are currently not subject to ethical requirements that are at least as demanding as the IESBA Code, or requirements relating to their firm’s system of quality management that are at least as demanding as ISQM 1.

Potential barriers to practitioners not currently applying ISQM 1 and subject to the IESBA Code

We are concerned that ED-5000 may not achieve its aim of “opening the door” to other practitioners. We highlight that paragraphs A8 and A56 state that “Other professional requirements, or requirements in law or regulation that deal with the firm’s responsibilities to design, implement and operate a system or processes related to quality management, are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm that achieve the objective of ISQM 1”. This suggests that alternatives to ISQM 1 are only acceptable if they themselves, in their entirety, address all of the requirements of ISQM 1 and impose obligations that achieve the objectives of ISQM 1 at a minimum. As a result, we question whether the flexibility that ED-5000 appears to afford, in order to be profession-agnostic, is more hypothetical rather than practical in nature. We consider it unlikely that practitioners that are not professional accountants will be subject to requirements that would meet the threshold of “at least as demanding” as described above. If that is the case, this would mean that to apply ISSA 5000, the

practitioner would need to identify any gaps between the requirements that they currently apply and the IESBA Code and ISQM 1, and then “bridge” these gaps with an overlay of firm policies or procedures to enable them to assert compliance with the IESBA Code and ISQM 1. We are concerned that practitioners may conclude that this is too challenging or onerous to do, with the result being that they seek to apply alternative assurance frameworks, which we do not believe would be in the public interest.

Potential solutions to assist practitioners to “bridge” to the IESBA Code and ISQM 1

In light of the above, we suggest that the IAASB consider whether a potential solution may be to explore with regulators/NSS whether they can provide the tools within each jurisdiction to help practitioners who are not public accountants to “bridge” from the requirements that they currently apply to the IESBA Code and ISQM 1. This would enable such practitioners to implement the necessary additional policies or procedures needed to comply, and to state compliance, with the IESBA Code and ISQM 1. We believe that this solution should not exclude practitioners who are not professional accountants from using ISSA 5000, since they are required to comply with requirements that are “at least as demanding”. We also note that the IESBA Code is currently undergoing revision to ensure it is appropriate for use by practitioners who are not professional accountants and who perform assurance engagements, so should be suitable for use as a required global baseline.

Importance of making the determination of “at least as demanding” with appropriate rigour

We highlight the importance of making the determination of “at least as demanding” with appropriate rigour. The assurance standards are underpinned by the fact that those performing them are subject to the provisions of the IESBA Code and ISQM 1, and concepts, requirements and guidance set out in the assurance standards, including ISSA 5000, are so interlinked with those of the IESBA Code and ISQM 1 that it is necessary for them to be applicable in full in order to support proper application of ISSA 5000. We note that it may be very challenging to make the determination of “at least as demanding”, which may require the exercise of significant judgement by a highly knowledgeable and experienced party. Accordingly, we welcome the additional application material at paragraph A3 of ED-5000 to highlight that in a number of jurisdictions, it is regulators and NSS that will determine, or provide detailed guidance, as to what constitutes “at least as demanding” in their jurisdictions, recognising the importance of a consistent understanding and application of the term.

However, we are concerned that regulators/NSS in certain jurisdictions may not make such determinations, in which case practitioners themselves may make these determinations when they may lack the expertise to do this. We do not consider that this would be in the public interest. We are also concerned that such determinations may not be made consistently across different jurisdictions, which may undermine the IAASB’s aim to drive consistency and quality. Therefore, we

recommend that the IAASB develop educational material in this area, with a focus on the concepts and guidance described in the application material to the proposed standard, e.g., at paragraphs A8, A45-48, and A53-58, and liaise closely with international and regional regulators and other relevant bodies to ensure that, where applicable, they make these determinations in respect of their relevant jurisdictions on a globally consistent and appropriate basis. This would also drive alignment of decisions around matters such as which international standards, if any, are considered to be “at least as demanding”.

Application of assurance skills and techniques – support for practitioners that are not professional accountants

We highlight that ED-5000 makes reference to the need for the application of “assurance skills and techniques”, which we believe to be critically important to drive high quality assurance engagements. We note that ED-5000 includes a number of concepts and terminology that are derived from the ISAs (as does the EER Guidance) and knowledge of these may often be necessary to use the standard appropriately, especially given that it is overarching and principles-based. We recommend that the IAASB consider what support may need to be made available to practitioners that are not professional accountants and to work with other bodies, including IFAC, NSS and education providers to develop these resources, including roadmaps, training and materials addressing these concepts in more depth.

Enhance the definition of assurance skills and techniques

Additionally, to help ensure that there is appropriate focus on the importance of assurance skills and techniques, we recommend that the definition at 17(e) be enhanced to also refer to the training and experience of practitioners in these techniques, and to the exercise of professional skepticism and professional judgement as an integral part of applying such skills and techniques.

### **Mo Chartered Accountants (Zimbabwe)**

The intent and purport behind the phrase of “at least as demanding” is fairly clear, possibly not phrased appropriately. It appears to relate to meeting as a minimum requirement the threshold of, for example the IESBA code and if there is another regime in place like regulatory requirements which require a higher bar or standards then to follow such regulatory requirement and where the regulatory bar is not as high then follow the higher bar, which is the IESBA code.

### **PricewaterhouseCoopers International Limited**

As a matter of public interest, it is essential that the IAASB successfully achieves its stated goal of making ISSA 5000 practitioner agnostic. Therefore, we make a number of recommendations below.

The concept of “at least as demanding” as the IESBA Code, regarding relevant ethical requirements, and ISQM 1, as regards quality management principles, for assurance engagements is consistent with ISAE 3000 (Revised). However, based on our outreach we question how well this concept is understood and applied in practice.

While the application material to the requirements explains in a reasonable level of detail the matters addressed by the IESBA Code and, at a much higher level, for ISQM 1, the standard cannot set out how a practitioner assesses equivalence. Similarly, consistent with ISAE 3000 (Revised), the IAASB cannot enforce compliance with this fundamental premise, which is a critical matter that needs to be addressed by jurisdictional regulators.

It is, therefore, important that the IAASB engages with global organisations (such as IOSCO and IFIAR) and jurisdictional regulators to further explain the role of jurisdictional standard-setters and regulators in establishing, when applicable, the equivalency of national ethical or quality management requirements, or other recognised quality management standards e.g., ISO, with those of, respectively, the IESBA Code and ISQM 1. Furthermore, such engagement should convey the critical importance of appropriate regulation and enforcement mechanisms to avoid inappropriate or inconsistent statements of compliance with ISSA 5000, which could have an adverse effect on perceptions of the standard.

With respect to expectations that all practitioners apply a system of quality management at least as demanding as ISQM 1, paragraph A8 of ED-5000 states that other requirements are at least as demanding “when they address the requirements of ISQM 1”. Given the specificity of the requirements in ISQM 1, we believe it may be unlikely that non-professional accounting assurance practitioners may apply a system that

achieves direct equivalence with all the requirements set out in that standard. As noted above, we believe it will ultimately be necessary for the regulators who permit non-professional accounting assurance practitioners to use the standard to set appropriate expectations of what quality management principles are deemed sufficient to be considered aligned with the overall objectives of ISQM 1. In providing guidance for jurisdictional authorities to clarify expectations in this area, we suggest the IAASB could, for example, provide direction on “minimum”, i.e., critical, requirements that would need to be satisfied for a judgement of equivalence to be deemed reasonable.

When a practitioner has applied requirements other than the IESBA Code and/or ISQM 1 that are deemed to be equivalent, we believe it is important that the standard requires a clear description within the assurance report of what those other requirements are (including their source) to be fully transparent to users of the assurance report.

Given that oversight and transparency also are important parts of assurance quality, the IAASB should consider requiring the practitioner to make a statement in the assurance report about any compliance or regulatory program they are subject to in their application of the relevant ethical standards or system of quality management standards (e.g., by accounting oversight bodies or national standard setters). While we recognize this is not a requirement elsewhere in the IAASB standards, we believe that given the larger number of practitioners performing this work who are not professional accountants, and consequently whose oversight regime may not be well known, it is an important piece of information for users of the report and complements required disclosures about which relevant ethical requirements and quality management requirements have been applied.

#### RSM International

Whilst we believe that ED-5000 is sufficiently clear in describing the concept of ‘at least as demanding’, and as such we have responded yes, we have concerns that without further refinement, the application of the concept will be challenging and is open to interpretation.

Determining whether ethical requirements and systems of quality management are, in fact, ‘at least as demanding’ can be subjective and may be inconsistently applied absent further guidance or clarification. ‘Law, regulation or professional requirements in a jurisdiction’ (paragraph A3 of ED-5000) may provide guidance on ‘at least as demanding’ in accordance with paragraphs A4-A9 of ED-5000. When ‘law, regulation or professional requirements in a jurisdiction’ does not provide guidance as to what is ‘at least as demanding’, a concern is raised about firms not appropriately applying these requirements in jurisdictions or practice areas that do not currently follow the IESBA Code and ISQM 1. We also recognise that the requirement/concept of ‘at least as demanding’ currently exists in ISAE 3000 (Revised). However, in certain jurisdictions, the ‘at least as demanding’ ethical requirements and systems of quality management may only be applicable to accountant practitioners; thus, our concern is primarily regarding ethical requirements and systems of quality management of non-accountant practitioners within these jurisdictions.

The proposed definition of ‘relevant ethical requirements’ in paragraph 17(nn) of ED-5000 contains different requirements for accountant and non-accountant practitioners. We do not believe it is appropriate to have two different definitions depending on the type of practitioner. We are aware that IESBA currently has a project to create a new section of the IESBA Code specifically for sustainability assurance engagements, which is intended to include all practitioners. Accordingly, we recommend the definition of ‘relevant ethical requirements’ per paragraph 17(nn) be revised as follows (bold, struck text indicates the removed language; bold, underlined text indicates the added language):

(nn) Relevant ethical requirements – Principles of professional ethics and ethical requirements that are applicable to practitioners when undertaking assurance engagements on sustainability information. For professional accountants, relevant ethical requirements ordinarily comprise the provisions of the IESBA Code related to [sustainability] [applicable] assurance engagements, together with relevant national jurisdictional requirements that are more restrictive. For other practitioners who are not professional accountants, relevant ethical requirements comprise the ethical requirements in relevant law, regulation or professional requirements related to assurance engagements that are at least as demanding as the IESBA Code.

We recommend that all practitioners performing an engagement under ED-5000 be required to follow the IESBA Code together with relevant jurisdictional ethical requirements that are more restrictive (i.e., relevant ethical requirements per revised definition above). In addition, we recommend IAASB consider either of the following regarding requirements for a system of quality management:

All practitioners performing an engagement under ED-5000 are required to follow ISQM 1 unless there are quality management requirements prescribed by law, regulation or standard setters that the assurance practitioner is required to comply with that are at least as demanding as ISQM 1

All practitioners performing an engagement under ED-5000 are required to follow the ISQM 1 and relevant jurisdictional quality management requirements that are more restrictive.

In order to assist jurisdictions in determining whether ethical requirements or systems of quality management are 'at least as demanding', we recommend that the IAASB work together with IESBA and relevant stakeholders on compiling a list of ethical requirements included in the IESBA Code and requirements for a system of quality management included in ISQM 1 that must be met in order for standards to be considered 'at least as demanding' as the IESBA Code and ISQM 1, respectively. This list could then be used by regulators, standard setters and other stakeholders in each applicable jurisdiction to establish clear guidelines and mandates to avoid any misinterpretation or misrepresentation.

## **8. Assurance Practitioner or Firm - Other Profession**

### **Academy for Practical Training on Sustainability Assurance (APTISA)**

I strongly support the ethical and quality requirements set out in the ED, as in ISAE3000, and which enable suitably qualified assurance practitioners outside the accounting profession to undertake sustainability report assurance. However, I feel in order to maintain a global level playing field, the IAASB needs to ensure that this option (using relevant ethical and quality requirements that are at least as demanding') is not removed from national versions/translations of ED 5000, as I understand has happened in the case of ISAE3000. It is also important to ensure that all future engagements under the new standard may only mention the number and name of standard if the engagement has been performed 'in accordance' with the standard. Every effort should be made to prevent misuse of the standard using phrases such as 'based on' or 'with reference to'. Perhaps a system such as GRI uses, which is that in order to be 'in accordance' with the GRI standards, reporting organisations must also notify GRI when the report is published.

### **ERM Certification and Verification Services Limited**

ERM CVS strongly supports the requirements for adherence to independence and ethics requirements set out in ED-5000, as they are in ISAE 3000, and believe that ethics and quality should not be compromised in the interest of having additional practitioners in the market. It is possible for non-audit firms to meet these requirements, and this should remain a requirement of application of the Standard.

Without this adherence, there may be practitioners who provide their service 'in alignment with' with ISSA 5000 (i.e., not meeting independence and ethics requirements) as opposed to 'in accordance with' ISSA 5000 which demonstrates adherence to the independence and ethics equivalent to audit engagements. Users are not likely to appreciate the implications of this distinction which could result in Assurance Reports issued as 'in alignment' providing false confidence to users (i.e., fraud or greenwashing).

We suggest that the Standard make clear that use 'in accordance' references are the only acceptable reference for use of ISSA 5000.

## 10. Member Bodies and Other Professional Organizations

### Accountancy Europe

It is essential that assurance service providers abide by strong ethical principles and rules, including independence, and sustainability assurance is provided within the framework of a dedicated quality management system. This is a public interest imperative for ensuring consistent high quality assurance engagements irrespective of whether they are carried out by a professional accountant or other independent assurance service provider.

The European accounting and auditing profession abide by either the IESBA Code of Ethics and ISQM1 directly, or local rules on ethics and quality management that are largely based on the Code and ISQM1. Therefore, European auditors and firms already comply with relevant requirements proposed in ED ISSA 5000.

However, for the ISSA 5000 to be stand-alone and profession-agnostic, the essential elements of the IESBA Code and a quality management system as prescribed in ISQM1, along with minimum requirements (i.e. quality objectives), should be included in ISSA 5000.

In addition, we believe that engagement leaders should have sufficient competence in assurance skills and techniques to accept responsibility for the conclusions reached. Paragraph 32 (a) should be revised accordingly.

Ultimately, it is the role and responsibility of local authorities (audit oversight bodies, standard setters, etc) to ensure that their local framework is at least as demanding as the Code and the IAASB's quality management suite.

### ASEAN Federation of Accountants

In general, we think ED-5000 is sufficiently clear about the concept of "at least as demanding".

We agree that regulators and national standard setters play an important role for determining what may be considered "at least as demanding". However, for consistent application of the standard, there needs to be a mechanism to assess whether the ethical standards and quality management standards that non-accounting sustainability practitioners have applied are "at least as demanding".

We believe it is important for the Board to continue to engage with regulators, national standard-setters, and non-accounting sustainability practitioners to support the application of ED-5000 and that includes the enforcement aspects of adherence to the relevant ethical requirements for assurance engagements and the firm's responsibility for its system of quality management to avoid inappropriate or inconsistent statements of compliance, which could have an adverse effect on the quality of the assurance engagements and the public interest.

### **ASSIREVI – Association of the Italian audit firms**

Based on paragraph 5.a)/b) and the subsequent paragraphs of the application guidance in paragraphs A44-A48 and A53-A58, we understand that ISSA 5000 is based on the fundamental assumption that “the members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding” and that “a practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1, ISQM 2 or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality management, that are at least as demanding as ISQM 1.”.

We understand that the use of the term “at least as demanding” in ISSA 5000 (which auditors are already familiar with as it is used in the ISA) meets the requirement for ISSA 5000 to be professional-agnostic so that it can be applied by practitioners other than professional accountants, including those with expertise in the underlying subject matter itself.

To ensure that the assurance procedures on sustainability reporting are performed at high and consistent quality levels, we agree that ISSA 5000 should be applied in a context in which all the professionals involved, both the accountant practitioners and the non-accountant assurance practitioners, work in accordance with ethical and independence requirements, using uniform quality management systems.

However, we believe that an analysis of whether these requirements/standards/laws are “at least as demanding” circumstances based on the IESBA Code and/or ISQM 1 requires the rigorous use of complex and significant judgement. Should such assessments be performed by practitioners who do not have the appropriate skills, this could result in ISSA 5000 being applied in contexts in which the ethical and independence requirements and the quality management systems are significantly dissimilar, which might compromise the quality level of the assurance engagement.

We recommend that ISSA 5000 include more specific requirements and guidance on how to evaluate what is an “at least as demanding” circumstance in order to avoid this risk.

### **Chamber of Financial Auditors of Romania (CAFR)**

We acknowledge that ED-5000 appears to aim for alignment with the "at least as demanding" principle outlined in the IESBA Code. However, we consider there is a need for additional application material or guidance within ED-5000 to explicitly outline how this principle applies in the context of sustainability assurance engagements. Clear examples or case studies demonstrating the application of this principle in different scenarios could enhance understanding for practitioners.

ED-5000 incorporates aspects of ISQM 1 regarding a firm's responsibility for its system of quality management. However, more specific guidance within ED-5000 on how to align or integrate the requirements of ISQM 1 into the context of sustainability assurance engagements is considered necessary. This could include practical guidance on implementing quality management procedures specific to sustainability reporting. Real-world examples could help practitioners understand how to navigate complex ethical considerations and implement effective quality management practices in this context.

It is crucial that a level playing field is established and this means all sustainability assurance practitioners having to comply with the same or similar high ethical and quality management standards.

### **Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)**

Whilst we acknowledge that the application material identifies the key ethical principles in the IESBA Code and the objectives of ISQM 1, we believe that “at least as demanding” remains subjective. As stated in our response to Q2, we believe that, in order to protect the public interest and ensure that consistent, high quality sustainability assurance is provided under ISSA 5000, the assessment of existing ethical, independence and quality management standards used by NPAPs needs to be addressed by national regulators. Ideally, existing international codes of ethics and standards would be assessed at the international level so there is consistency in which existing standards and requirements can be “at least as demanding”. Similarly local codes and standards should be assessed by relevant local regulators and/or standard setters as they will also have to determine appropriate monitoring and enforcement processes. We do not believe that practitioners should be able to self-assess whether the standards they are using are “at least as demanding” as this will lead to inconsistency in practice and inconsistency in assurance quality. We commend the IAASB for acknowledging that national standard setters and regulators share the responsibility for determining what may be considered “at least as demanding” in A3 of the ED-5000. We urge the IAASB to consider supplementing ISSA 5000 with guidance for national standard setters and regulators on how to address this in their jurisdictions, particularly when it comes to other frameworks for example, ISO practitioners or frameworks applicable for engineers and other experts likely to be involved in sustainability assurance engagements. We also commend the IESBA for its progress in developing profession-agnostic ethics and independence standards for sustainability assurance to be included in a new proposed Part 5 of the Code and we look forward to the imminent publication of the Exposure Draft.

### **Consejo General de Economistas de España**

We think that the concept of “at least as demanding” is sufficiently clear. It is widely understood in the context of financial audit and assurance. It is vital that a level playing field is established and this means all sustainability assurance practitioners having to comply with the same or similar high ethical and quality management standards. If additional explanatory guidance is necessary this might be included in separate guidance.

### **Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC)**

The emphasis on strong ethical principles, including independence, and the provision of sustainability assurance within a dedicated quality management system is essential and serves the public interest by ensuring high-quality assurance engagements. European auditors and firms are generally compliant with the IESBA Code of Ethics and ISQM 1, or their local equivalents, which align with the requirements proposed in ED ISSA 5000.

It is also important to recognize the role of local authorities in ensuring that their frameworks fulfill the "at least as demanding" requirement. Local audit oversight bodies and standard setters should verify that their regulations are congruent with the high standards set by the IESBA Code and the IAASB's quality management suite.

By including these elements directly in ISSA 5000, the standard would provide clear and accessible guidance for all practitioners, enhancing the consistency and quality of sustainability assurance engagements across the board.

## CPA Ireland

Whilst it is accepted that the concept of “at least as demanding” is understood, at a local jurisdictional level it would be helpful for regulatory bodies to consult on the expectation of this concept, in the context of local law and regulations. We welcome the acknowledgment of this point in the EM.

## European Federation of Accountants and Auditors for SMEs (EFEAA)

We think that the concept of “at least as demanding” is sufficiently clear. The concept is widely understood in the context of financial audit and assurance. It is vital that a level playing field is established. This means all sustainability assurance practitioners having to comply with the same or similar high ethical and quality management standards. If additional explanatory guidance is necessary, this might be included in separate non-authoritative guidance.

We believe that as sustainability assurance becomes a mandatory requirement in the EU, local regulators must introduce robust oversight and enforcement mechanisms—to protect the interests of users of published sustainability information - applicable to all sustainability practitioners.

## European Federation of Financial Analysts Societies (EFFAS)

The ED is clear regarding the requirements of the IESBA. -This should be a key aspect for the practitioner as reliability and trust in the assurance process is indispensable.

## EXPERTsuisse

Quality Management and qualification of individuals conducting the engagement

The standard is designed to be applicable to both professional accountants and non-professional accountant assurance practitioners. Complying with relevant ethical requirements including those related to independence, having appropriate competencies and capabilities etc. apply equally to both professional accountants and non-professional accountant assurance practitioners, which is highly supported.

The standard refers to the IESBA Code of Ethics and ISQM 1 (or other professional requirements, or requirements in law or regulation, that are at least as demanding). At least the elements of the quality management system as prescribed in ISQM 1 should be included in the standard to be stand-alone and profession-agnostic on one hand and on the other hand, for the practitioners to assess whether local requirements meet the criteria “at least as demanding”. In our view, the general concepts and the terminology used in the standard require solid auditing experience and may be difficult to understand for non-auditors. While we are of the opinion that assurance engagements favour audit practitioners with specific subject matter experience, we suggest nevertheless providing guidance on what aspects or extent of the IESBA Code and ISQM 1 need to be included in a local jurisdiction’s law, regulation or professional requirements in order to meet the standards expectations. It is central in our view, that any such requirement should be defined with assurance (e.g. audit) quality in mind, giving specific guidance on how a high degree of quality may be ensured for any assurance engagement conducted under this new standard. In the paragraph below we would like to further detail our considerations:

### Firm-level Quality Management

In appendix A53 ss. the IAASB has indicated relevant domains of quality management relevant to the practitioner. We feel that it is highly relevant that the standard setter provides further guidance on competency requirements, such as:

education and experience

ongoing continuing professional development  
life-long learning requirements.

In the current exposure draft, these competencies and the relevant degree of training is not yet sufficiently precise. It will be of utmost importance that these criteria are elaborated upon and implemented in the local jurisdiction to ensure that all of the practitioners follow the same requirements. This also relates to point A78 discussing the professional judgement competencies of the professionals providing sustainability assurance services. To ensure overall high quality of services an oversight authority may be needed in the local jurisdiction.

#### Oversight

In case that in Switzerland an oversight body would be required in the area of sustainability assurance engagements, we suggest that the Federal Audit Oversight Authority (FAOA) should take over this responsibility as the FAOA has many years of experience with the accreditation and oversight of audit practitioners and has the know-how, capacity and structures to ensure high quality supervision of practitioners performing sustainability related assurance engagements as required by Swiss law or conducted within the jurisdictional boundaries of Switzerland, which also applies to foreign reporting standards.

#### Institut Akuntan Publik Indonesia

In Indonesia, the public accountant law currently clearly regulates that Assurance service using the standard issued by IAPI can be performed by Public Accountant complying with the Accountants Code of Ethics and Quality Management Standards as adopted from ISQM. The principle around the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management is clear. While the application material to the requirements explains in a reasonable level of detail the matters addressed by the IESBA Code and, at a much higher level, for ISQM 1, the standard how a practitioner assesses equivalence. This will be an area of significant professional judgement by practitioners in firms that comply with the IESBA Code or ISQM 1 important area for

#### Institute of Chartered Accountants of Ghana

The principle is clear and aligns with ISAE 3000 (Revised). Although the application material to the requirements provides a reasonable level of detail areas addressed by IESBA Code and, at a broader level, for ISQM 1, the standard cannot determine how practitioners assess equivalence. However, IAASB needs to clarify how regulators and national standard setters will share the responsibility for determining what may be considered “at least as demanding” in their respective jurisdictions to avoid patchy implementation of this essential standard. This is particularly important for standard setters and regulators in emerging and developing economies. Clarifications can be in the form of additional guidance to national standard setters on the criteria to be used to determine what is “at least as demanding” as the IESBA Code

#### Institute of Chartered Accountants of Pakistan (ICAP)

We agree with the concept of “at least as demanding”, however, how this concept would be applied in practical context, needs to be explained. For example, cases when IESBA Code of Ethics is not applicable in full or localized code of ethics is being used or where ISQM standards have not been adopted by a jurisdiction, need to be explained within the context of “at least as demanding”.

### **Institute of Chartered Accountants of Scotland (ICAS)**

We strongly agree that practitioners that undertake ED-5000 should be required to comply with relevant ethical requirements that are as least as demanding as the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) and comply with professional requirements regarding the firm's responsibility for its system of quality management that are as least as demanding as ISQM 1. The requirements of these international standards are fundamental to serve the public interest and are key to the performance of quality assurance engagements. However, we acknowledge the challenges that likely face assurance practitioners that are not professional accountants to comply with these requirements. As such, we strongly suggest that the IAASB develop further implementation guidance:

For non-accountant assurance practitioners that choose to apply ISQM 1 or an equivalent; and

Explaining how a practitioner can perform an analysis to determine whether other professional requirements are at least as demanding, such as a detailed comparison of other professional requirements and the IESBA Code, either working with IESBA or encouraging IESBA to develop and issue further guidance timely.

Ultimately, it will be for jurisdictional regulators to determine what is deemed to be "at least as demanding". In order to ensure consistency of application there is a need for discussion between the IAASB and bodies such as IFIAR to seek to promote a common understanding and application of this threshold.

Additionally, we note that paragraph 32 states the following in relation to the characteristics of the engagement lead:

- "(a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application;
- (b) An understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the assurance engagement; and
- (c) Sustainability competence sufficient to accept responsibility for the conclusions reached on the engagement."

In line with the approach taken in (c) we also believe that there is a need to reflect in (a) the importance of engagement leaders possessing sufficient competence and capabilities in assurance skills and techniques to accept responsibility for the conclusions reached on the engagement.

### **Institute of Chartered Accountants of Sri Lanka**

We suggest including more explanatory guidance on how to apply ISQM in assurance engagements on sustainability information in cases where non practicing accounting professionals provide such assurance.

### **Institute of Chartered Accountants of the Maldives**

It is sufficiently clear about the IESBA code regarding relevant ethical requirement for assurance engagements and ISQM 1 requirement.

### **Institute of Singapore Chartered Accountants (ISCA)**

We understand that it is IAASB's intention for local regulators and standard setters to determine the equivalent ethical and quality management frameworks in their respective jurisdictions. There are two scenarios which could give rise to interpretation challenges and inconsistent application.

There may be situations where practitioners issue reports under the international standards (i.e. ED-5000). Such engagements may not be subject to local regulations. In this case, it may be unclear which ethical requirements would then be deemed to be "at least as demanding as" the IESBA Code.

In group assurance engagements involving practitioners from different jurisdictions, it would be challenging to achieve consistency in the interpretation of "at least as demanding as", particularly since each jurisdiction may have their own interpretation or list of recognised ethical requirements.

To drive consistent global application, IAASB should require compliance with the IESBA Code and ISQM as a pre-requisite to using ED-5000. Local regulators may then impose additional requirements. This would also be in line with IESBA's objective of developing profession agnostic ethics and independence standards.

The term "at least as demanding as" may lead to varying interpretations, particularly amongst practitioners who are not familiar with the IESBA Code or ISQM. Without clarity or a baseline as suggested above, there may be a divergence in practice.

### **Instituto de Auditoria Independente do Brasil - Ibracon**

In order to ensure that the working relationship and ongoing work program of the IESBA and IAASB capture guidance application for practitioners, we suggest providing guidance on what aspects or extent of such standards need to be included in the law, regulation or professional requirements of local jurisdictions, which may be particularly important for non-accounting assurance practitioners.

### **Instituto de Censores Jurados de Cuentas de España (ICJCE)**

The concept "at least as demanding" may require professional judgement by practitioners who do not comply with the IESBA Code or ISQM 1. The standard does not set out how the assessment should be made by practitioner to determine equivalence.

### **Instituto Mexicano de Contadores Publicos (IMCP)**

We have answered this question from the point of view that our Institute has a background of auditing, assurance and accounting membership which understands the concepts of Ethics and Quality Management; however, we recognize that practitioners from other backgrounds would not be familiarized with these two concepts and they may experience complication to comply with such requirements or have a clear understanding of the term "at least as demanding".

### **Instituto Nacional de Contadores Públicos de Colombia (INCP)**

Taking into account that it is an assurance service where the professional is required to be independent and to identify any threat that may arise for providing the service, we consider it important to apply the IESBA Code, as well as the guidelines of the firm's Quality Management System. However, we suggest further clarifying the concept of "at least as demanding" so that firms can be sure of properly applying it.

### **International Federation of Accountants (IFAC)**

ISSA 5000 must be developed to encourage broad adoption and harmonization in the way sustainability assurance engagements are conducted by all authorized practitioners, followed by improvements in practice

and regulation that applies an objectives-based assessment of equivalence (i.e., whether the ethical/independence and quality management protocol followed by a practitioner is “at least as demanding” as the IESBA Code and ISQM 1). As the statement “at least as demanding” could be open to interpretation leading to inconsistency in practice, IFAC urges IAASB to develop applicable principles and objectives to help regulators and practitioners make this equivalence assessment in a fair and consistent manner that provides necessary transparency to investors and other stakeholders and incentivizes positive change from current market practice observed in our research.

A key feature of the profession/practitioner agnostic approach incorporated into both ISAE 3000 (Revised) and ED-5000 is the requirement for engagements to be conducted by a competent, independent practitioner, “in accordance with” the standard and subject to provisions of the IESBA Code of Ethics related to assurance engagements as well as ISQM 1 for quality management (formerly ISQC 1). If these standards for ethics/independence and quality management are not used, then an equivalent standard that is as demanding must be invoked.

However, IFAC's Deep Dive analysis of approximately 913 sustainability assurance reports selected from our 2021 State of Play sample set indicates significant differences in these key application criteria—for accountants vs. other service provider practitioners. Specifically, based on reviews of 638 engagements (of 913) that used ISAE 3000 (Revised):

98% of assurance reports from accounting firms stated that the engagement was conducted in accordance with ISAE 3000 (Revised) vs. 53% for assurance reports from other service providers.

93% of assurance reports from accounting firms referenced the IESBA Code vs. 16% referenced the IESBA Code (12% an alternative code/standard) for assurance reports from other service providers.

91% of assurance reports from accounting firms cited quality controls under ISQC 1 vs. 7% of the assurance reports from other service providers referenced ISQC 1 and another 30% referenced ISQC 1 alternatives.

Further, our analysis suggests that greater transparency in assurance reports is needed. For example, in our review of 149 other service provider engagements from 2021 using ISAE 3000 (Revised), 64% of reports provided an independence statement that did not cite a specific code or standard for ethics and independence (be it the IESBA Code, ISO, etc.) We believe that robust enforcement of ISSA 5000 must require a clear reference to a specific code or standard—then there can be a determination as to whether a non-IESBA standard is “at least as demanding as” IESBA Code requirements. The same is true with respect to references to ISQC 1 or the successor ISQM 1 and 2.

IFAC concludes that as sustainability assurance becomes a mandatory requirement in the European Union and other jurisdictions, local regulators must introduce robust oversight and enforcement mechanisms—to protect the interests of investors and other users of sustainability disclosures and metrics—applicable to all sustainability assurance practitioners. Admittedly, equivalent enforcement and performance of accounting professional vs. other service providers will evolve with practice, with rapid improvement being the goal. Meanwhile, investors must be informed of potential performance gaps such as those uncovered in our Deep Dive analysis.

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

Please see our responses in Q1. The understanding and implementation of IESBA Code and ISQM 1 can be a challenge to non-accountant practitioners. In fact, compliance with IESBA Code and ISQM 1 is a costly exercise. It would be helpful if the IAASB can collaborate with the local authorities or bodies to provide

upskilling training programmes for practitioners, especially non-accountant practitioners, in order to ensure consistent application of IESBA Code and ISQM 1.

We appreciate that ISSA 5000 requires practitioners to comply with IESBA Code and ISQM 1. However, in certain jurisdictions, the enforcement of IESBA Code and ISQM 1 to non-accountant practitioners can be a challenge as they may not be subject to oversight by any regulations or bodies. This may dilute the work quality of the assurance engagement which has an ultimate impact to public interest. An extra effort to work with local regulators or bodies should be considered by the IAASB to address this issue.

In addition, we suggest the IAASB to define 'as least as demanding'. It would be helpful for non-accountant practitioners to know the 'at least demanding'.

#### **Nordic Federation of Public Accountants (NRF)**

It is essential for providing high quality sustainability assurance engagements that all assurance service providers abide by strong ethical principles, including independence, and that they are members of a firm that is subject to a certain level of quality management system. We agree the ED-5000 is sufficiently clear in these regards but would like to emphasize that it is the role and responsibility of local authorities (audit oversight bodies, standard setters, etc.) to ensure that their local framework is at least as demanding as the IESBA Code and the IAASB's quality management suite.

#### **NOREA - Dutch Professional Association of Registered IT Auditors**

NOREA is of the belief that the application of appropriate ethical requirements as well as systems for quality management are a requirement for high quality assurance engagements. NOREA therefore agrees that implementation of ISQM 1 or systems "at least as demanding" as these should be required for practitioners providing assurance based on ED-ISSA5000.

However, we note that the notion "at least as demanding" is vague in its application, as it does not describe what level is really demanded and whether every single item of ISQM 1 must be addressed or whether overarching compliance is acceptable. It is unclear how a practitioner should determine whether (local) implementations of a Code of Ethics or system for quality management is appropriate and sufficient to be considered "as least as demanding" as the IESBA Code and ISQM 1.

Furthermore, we note that in paragraph A82 where Competence and Capabilities of the Engagement Team are described, this paragraph does include "Expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the engagement". Missing from this paragraph is the notion that the engagement team should also possess the expertise and capabilities to evaluate such systems and related IT controls. We believe that practitioners evaluating such systems should be accredited IT auditing specialists.

#### **Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)**

The requirements in their own are sufficiently clear, however the reality of many jurisdictions is that there is no single body that regulates all professions who might apply the proposed standard. To that end, outside the accountancy profession in jurisdiction where the IESBA code and ISQMs are adopted or adapted, the effective implementation and monitoring of the concept of "at least as demanding" is questionable.

Additionally the concept "at least as demanding as" can be challenging to be made, monitored and enforced consistently in developing countries' jurisdictions as mentioned above in question 1. It is our constituents view that additional application materials to make it clearer, including illustrative examples or guidance may assist PAOs, practitioners and regulators in the implementation

### **Pan African Federation of Accountants**

While the requirements in on their own are sufficiently clear, the reality of many jurisdictions is that there is no single body that regulates all professions who might apply the proposed standard. To that end, outside the accountancy profession, the effective implementation and monitoring of the concept of “at least as demanding” is questionable. It is therefore proposed that instead of merely referring to the IESBA Code and ISQM 1, the standard incorporates more detailed standardised or minimum requirements on quality management and ethics adherence rather than leaving this open to interpretation.

IAASB is encouraged to also consider issuing detailed guidance on ISQM1 for assurance practitioners outside the accountancy profession.

### **Saudi Organization for Chartered and Professional Accountants (SOCPA)**

Taking into consideration our comment on the first question, SOCPA recognizes the importance of the fundamental premises in ED-5000 and the need for a consistent understanding of the related requirements and the concept of “at least as demanding” to underpin the performance of quality sustainability assurance engagements in the public interest.

To help ensure that the fundamental premises are consistently understood and applied, the IAASB could consider the following suggestions:

Link the ED-5000's requirements and application materials to IESBA's Code of Ethics and ISQMs, and then provide the concept of (“at least as demanding”) to set the minimum requirement for those practitioners who may not be required to apply (or be aware of) these relevant requirements.

Provide more detailed guidance on how to assess whether professional requirements, or requirements in a law and regulation, are “at least as demanding” as the IESBA Code, ISQM 1, and ED-5000. This could include developing a non-exhaustive list of factors to consider, as well as examples of how to apply these factors in practice.

Encourage practitioners and firms to document their assessments of whether professional requirements, or requirements in a law and regulation, are “at least as demanding” as the IESBA Code, ISQM 1, and ED-5000. This could help to improve transparency and accountability in the sustainability assurance profession.

### **Securities Analysts Association of Japan**

We believe that ED-5000 is sufficiently clear because the relevant ethical requirements and quality management standards are the basis for assurance engagements.

Sustainability assurance, like financial statement auditing, includes issues such as organizational assurance (auditing) and management of conflicts of interest. We believe it is necessary to require high ethical requirements and quality management standards for the assurance practitioner in order for users to have confidence in the sustainability report with the assurance report. Therefore, we agree with the requirement to be “at least as demanding” as the IESBA Code and ISQM 1.

In order for high ethical requirements and quality management standards to work, they should be properly enforced in each jurisdiction and continuing education should be provided for assurance practitioners. Therefore, we encourage the IAASB to clarify in the standards and others by whom and how the “at least as demanding” requirements would be determined, and to fully engage with the IOSCO on enforcement and education with respect to these requirements.

### **South African Institute of Chartered Accountants (SAICA)**

While we agree with the draft standard being available for use by other professions in principle, we are concerned about the practicality of this. The draft standard places the onus on the practitioner to ensure that their professional code of ethics and quality management standards are at least as robust as those of the accountancy profession.

At a jurisdictional level, regulators may need to consider enforcing this in some way. However, in the absence of a regulatory body that has the authority / mandate to regulate across multiple professions (which currently does not exist in South Africa and may be rare in other jurisdictions as well), this assessment will inevitably be left up to the practitioner. If that practitioner is not already familiar with the benchmark ethics and standards set by the accountancy profession, it is unlikely that an appropriate assessment will be made.

This can/may lead to inconsistent quality and ethics management among sustainability assurance practitioners. While this problem already exists with ISAE 3000 being used by non-auditors and competing standards such as AA 1000 AS being applied in addition to ISAE 3000, this is an opportunity to create a new global baseline for sustainability assurance that should not be missed. It is therefore suggested that the standard incorporates more detailed standardised requirements on quality control and ethics rather than leaving this open to interpretation.

IAASB should also consider issuing detailed guidance on ISQM1 for non-accountant assurance practitioners.

### **Wirtschaftsprüferkammer (WPK)**

WPK generally agrees with the concept „at least demanding“.

However, it needs to be made clear that such alternative ethical requirements must be “at least demanding” in each individual category and not only in their entirety with some requirements exceeding and some other requirements falling below the IESBA Code.

## **11. Academics**

### **Monash University**

Application of the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements can be difficult to achieve especially when assurance providers may seek the services of consultants who have the expertise but not necessarily have professional requirements. Though we expect high quality from assurance, some flexibility could be useful in the early years as we develop capacity and capabilities.

## **12. Individuals and Others**

### **Japan Accreditation Board (JAB)**

It is relevant to define ethical requirements and the firm's system of quality management. When ED 5000 is going to be coupled with IESBA code Part 5, the application of ED 5000 should be sufficiently clear about concept of “at least as demanding”.

As the reference, the accredited assurance bodies for ISO14065:2020 and ISO/IEC 17029:2019 have same or higher level to meet the requirements on ethical and management system of ISQM 1. JAB recommends IAASB to reference these ISO standards as equivalent of ISQM 1.

Currently IESBA and IAF have been gap analysis between IESBA code and ISO standards, JAB also recommend to conduct similar gap analysis between ISQM 1 and related ISO standards.

## 4.3 Neither agree or disagree

### 1. Monitoring Group

#### Basel Committee on Banking Supervision (BCBS)

The Committee views it as critical that all assurance providers on sustainability reporting for banks – audit practitioner or non-audit practitioner – are held to a high standard of common ethical and quality management requirements. The Committee therefore supports the IAASB's principle on ethical and quality management in ED-5000. However, the concept in ED-5000 that ethical requirements and quality management standards be "at least as demanding" as the IESBA Code regarding ethical requirements for assurance engagements and ISQM1 regarding a firm's responsibility for its system of quality management is a matter of judgment and can, therefore, be subject to interpretation. This presents the risk of inconsistent application or diversity in practice, and this risk is greater with sustainability reporting as there may be a wider, different set of requirements applied by non-audit practitioners related to ethics and quality assurance requirements.

The Committee recognises that the concept of "at least as demanding" is not new and that regulators and national standard setters share responsibility for determining what would be considered as such in practice. However, given the unique circumstances for sustainability assurance described above, providing more clarity in the ED-5000 application guidance on how the "at least as demanding" test is met would be valuable. For example, does this mean other standards need to contain all the requirements of the relevant IESBA codes and ISQM1, or only material elements (and if so which) and what actions need to be taken when there are gaps?

We have identified additional specific areas where we recommend that the requirements of ED-5000 be clarified or strengthened:

ISQM 1 establishes a clear objective to which paragraph A56 of ED-5000 refers. There is less clarity on the aims of the IESBA code in paragraph A48. The requirements could be clarified by stating the IESBA code requires firms to comply with the fundamental principles and be independent, as established in its paragraph 900.5.

With respect to references in the assurance report, the jurisdiction of origin of the ethical requirements applied and the specific ethical standards applied should be reported in the assurance report. In paragraph 170(d)(iv), ED-5000 should require that ethical requirements are specifically disclosed to avoid misrepresentation, and standards applied be publicly available to meet the "at least as demanding test". This would enable users of assurance reports to assess the ethical and professional requirements applied by the practitioner if they are not familiar with them.

The use of the work of another practitioner, such as the assurance work conducted along the value chain (eg Scope 3 GHG emissions data for banks from their counterparties), becomes a particularly important

aspect for sustainability reporting. Responsibilities of the practitioner as it relates to this area could be better clarified through application guidance.

### **International Association of Insurance Supervisors (IAIS)**

The IAIS believes that the standard can benefit from providing greater clarity on what is meant by “at least as demanding” to foster greater consistency in its application across audit and non-audit practitioners. For example, it may not be clear whether all requirements of the relevant IESBA codes or ISQM1 should be applied in the application of ISSA-5000 or whether insurers should apply only material elements. If only some key elements are required, then the standard could be clearer in identifying these and listing what actions should be taken when gaps are identified.

## **2. Preparer and Users of sustainability information**

### **American Bankers Association**

Due to the environmental difference noted above, a large proportion of assurance engagements are performed by organizations that are not consistently subject to professional requirements related to competence, ethics, and technical documentation, among other things. As a result, more detailed guidance will also be needed to integrate the typical existing assessments made by engineering and other non-auditing firms into governance and internal control systems within the new public reporting environment

### **Ceres, Inc.**

We appreciate the IAASB’s goal of allowing firms other than accounting firms to provide sustainability assurance engagements pursuant to the proposed standard. There may well be other types of organizations, such as engineering and consulting firms, that are capable of providing this service. However, we are concerned that these non-accounting firms may not adhere to the type of ethical and quality control standards that exist for the accounting profession. We should note that our knowledge in this area is anecdotal.. Accordingly, it is important that the IAASB, presumably through this comment and outreach process, obtain as much hard information as possible.

The proposed standard would allow non-accounting firms to perform these engagements as long as they meet the accounting profession’s ethical or quality management standards or meet another set of requirements that “are at least as demanding” as the accounting profession’s standards. Our understanding is that there currently are no such alternative standards, and it is not clear who would determine whether any newly developed alternative standards are “at least as demanding.” And, more significantly, we are not aware of any mechanisms in place to enforce compliance with professional standards by non-accounting firms (other than the perhaps unlikely possibility of civil liability). Accounting firms, by contrast, are generally subject to significant oversight both by the profession itself and by government or other regulators.

For these reasons, we believe it is appropriate for the IAASB to work with the International Organization of Securities Commissions to develop means for determining standards that “are at least as demanding” and for enforcing compliance with such standards.

## 7. Accounting Firms

### Crowe Global

We have no issues here, but we would like to see improved alignment between the IAASB and IESBA with the development of standards concerning sustainability. We are concerned that the two Boards may develop standards, concepts, and definitions independently as well as deliver their standards at different times. Alignment and timing is essential, particularly with the approaching need to report under the EU CSRD.

## 10. Member Bodies and Other Professional Organizations

### Chartered Professional Accountants of Canada (CPAC)

The concept itself is clear, and we agree in theory with the requirements, but there are practical implementation concerns as outlined in our comments above. While we acknowledge that there are similar requirements currently in ISAE 3000, we consistently heard in our outreach that it will be very challenging to make the determination of whether different ethical requirements and quality management systems are at least as demanding as the IESBA Code and ISQM 1 respectively.

As a result, we recommend that these assessments are not left to individual practitioners and that the IAASB do further work with relevant parties to determine whether the requirements of other organizations are “at least as demanding”. To provide transparency for users, we also suggest including a provision in the standard to require disclosure of the professional code of ethics and quality management framework the practitioner uses.

We also note that some relevant guidance on the topic of quality management has been issued by the IAASB (e.g. IAASB: A framework for audit quality). It would be beneficial to make these resources more prominently accessible and available for all practitioners that are conducting engagements under ISSA 5000.

### Institute of Certified Public Accountants of Rwanda (ICPAR)

“at least as demanding” could be applied subjectively in different jurisdictions without proper and appropriate guidance.

## 12. Individuals and Others

### Dr. Prachi Ugle Pimpalkhute

Level of assurance engagements, quality check for working on the errors

## 4.4 Disagree with comments

### 2. Preparer and Users of sustainability information

#### Keidanren (Japan Business Federation)

ED-5000's ethical and quality management-related requirements for assurance engagements are clear. However, having been developed based on auditing standards and regulations, the requirements appear demanding to be applied from the very beginning, and are difficult for assurance engagement providers other than auditing firms to meet. We are therefore concerned about a potential lack of providers capable of meeting these requirements. For providers other than auditing firms, there seem to be few standards developed at a level comparable to the IESBA Code or the IAASB ISQM 1; we therefore believe that the IAASB should explore requirements at a level that is practicable not only for auditing firms, but also for other assurance engagement providers.

#### Philip Morris International INC.

The concept of "at least as demanding" has been referred to several times within the document but not defined clearly under definitions as a concept. The standard states in article A3 "Law, regulation or professional requirements in a jurisdiction may specify relevant ethical requirements or requirements relating to quality management to be applied in the conduct of assurance engagements and may provide guidance about what constitutes "at least as demanding" as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm's responsibility for its system of quality management". This conveys a message that definition of "at least as demanding" may change according to jurisdiction or by decisions of regulators. On the contrary, it is expected that IESBA Code and ISQM 1 to establish a minimum baseline. A concrete definition of the concept and its repercussions whenever local laws and regulations impose stricter or more tolerant rules than IESBA and ISQM 1 will provide more clear understanding wherever the terminology is used and applied.

### 4. Regulators and Audit Oversight Authorities

#### Accounting and Corporate Regulatory Authority

As ED-5000 is designed to be profession-agnostic, it will be helpful to make concerted efforts to facilitate the transition by non-accounting assurance firms and get their buy-in to this standard. We considered the following:

a simultaneous implementation of IESBA code and ISQM 1 requirements will pose great challenges to non-accounting assurance firms.

To illustrate, audit firms (that have already implemented ISQC 1) was given 2 years to implement ISQM 1, which was issued approximately 1.5 years after the issuance of ED-ISQM 1. All assurance firms will need at least the same amount of time before implementation.

For non-accounting assurance firms currently using other control frameworks such as ISO 17029, more time may be required to transit. Concurrently, the new ethics and independence standards for sustainability reporting and assurance are under development by IESBA.

if non-accounting assurance firms elect to provide only limited assurance on Scopes 1 and 2 GHG emissions, whether there is a need for such firms to be required to apply frameworks that are "as least as demanding" as ISQM 1 and relevant ethics requirements.

In light of the above, we propose the following:

give more time for non-accounting assurance firms to adopt ethical and quality management standards that are “at least as demanding” as IESBA code and ISQM 1 requirements. Guidance targeted to this group should also be developed to support consistent application of ethical and quality management standards;

if non-accounting assurance firms elect to provide only limited assurance on Scopes 1 and 2 GHG emissions, the relevant standard for ethical and quality management standard should be lowered to commensurate with the lower risks arising from such engagements as a start. In such circumstances, ISO 17029 and ISO 14064 adopted concurrently as a start can be accepted as standards that are “at least as demanding” as ISQM 1; and

IAASB should prescribe the factors to consider when considering standards that are “at least as demanding” (i) as IESBA Code and (ii) ISQM 1 for consistent application and provide a list of international standards that meet this requirement.

### **Committee of European Audit Oversight Bodies (CEAOB)**

Recognizing the importance of applying the same level of requirements for the achievement of a quality engagement whatever the profession of the practitioner in charge of the assurance, the CEAOB has identified various proposals that need further review to produce a standard that can be used by all practitioners, even those outside the audit profession:

ED 5000 should not refer directly to provisions or other pronouncements which are not currently applicable outside the audit profession, unless these provisions can be applied in any circumstances.

In this regard, relevant provisions for quality management to be applied are highly welcome, but requiring ISQM1 or “at least as demanding requirements” to be applied may be challenging for practitioners outside of the audit profession in the first years of the CSRD implementation. To solve the issue without impairing the need for an appropriate level of quality management by all practitioners (QM), the IAASB should clarify the criteria intended to be ‘at least as demanding’ and how to make that assessment, including the possibility that this can be dealt at national level by laws and regulations.

In the same vein, it is relevant for ED 5000 to refer to adequate ethical provisions which need to be adhered to by all practitioners. However, no automatic and compulsory link should be created, through ED 5000, to a single framework like the IESBA Code of Ethics, since other relevant ethical rules are applicable in many countries by specific laws and regulations. Specific consultation will moreover be organised by IESBA on ethical standards which are under drafting and the results of this work should not be preempted by the IAASB.

### **Financial Reporting Council – UK (FRC)**

Evaluating what is “at least as demanding” could be difficult for assurance practitioners with no experience of the IESBA Code or the ISQM standards. A3 says “Law, regulation or professional requirements in a jurisdiction may specify relevant ethical requirements or requirements relating to quality management to be applied in the conduct of assurance engagements, and may provide guidance about what constitutes “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management.” We acknowledge that those with the recognised authority to promulgate other ethical Codes or quality standards might indicate whether they believe them to be at least as demanding as the IESBA Code or ISQM standards. However, it is less likely that guidance will be issued about what constitutes “at least as demanding” where requirements are different.

Accordingly, recognising the importance of these fundamental premises to the performance of high quality sustainability assurance engagements, we believe the IAASB should consider issuing educational material to support consistent understanding of the related requirements of ISQM 1 by non-accountant assurance practitioners. For example, the IAASB could re-issue the ISQM 1 First-Time Implementation Guide with a focus on sustainability assurance engagements.

### **Independent Regulatory Board for Auditors (IRBA)**

It is in the public interest that the same level of requirements for quality management and ethics (including independence) should apply to all practitioners performing sustainability assurance engagements, regardless of the profession to which they belong, or their professional designation.

ED-5000's requirement in paragraph 29, to have a system of quality management that is "at least as demanding as" ISQM 1, may contribute to this objective. Presently, we are not aware of other quality management requirements that are "at least as demanding as" or "equivalent" to ISQM 1.

However, how does the IAASB therefore understand that this requirement can or will be met by other professions, and in the absence of regulatory oversight of such professions, and how will such a standard be enforced? Unless explicitly explained, this could be problematic and a rather simplistic approach by the IAASB to open the door to the use of this standard, without a proper safeguard that addresses the quality environment in which such engagements are conducted.

Regarding ethical requirements, the IRBA is of the view that with ED-5000 being profession agnostic, the standard is not sufficiently clear on the concept of "at least as demanding" as the International Ethics Standards Board for Accountants (IESBA) Code regarding relevant ethical requirements for assurance engagements.

The IAASB is encouraged to explain further, over and above paragraph A56 of ED-5000, on what is required under ISQM 1, and provide the criteria for "at least as demanding". This can be achieved through the IAASB issuing guidance that will supplement the finalised standard.

It is unclear how this compliance ("at least as demanding") will be regulated and inspected, to ensure conformance at a jurisdictional level, given that the standard applies to professional accountants and non-accountant assurance practitioners. The IAASB's actions in this area in the rush to achieve a short-term objective must not undermine its long-term responsibility around sustainability of the audit profession through standard setting, and managing of the audit expectation gap.

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

#### **Enforceability**

NASBA commends the IAASB's efforts on developing the foundational standards for sustainability assurance engagements and establishing some level of standards with accountability and consistency. It provides a relatable framework for CPAs providing those services. However, since the framework is open to all, including non-CPAs, the concern is enforceability of the International Standard on Sustainability Assurance (ISSA).

The Exposure Draft addresses the fact that the public accounting profession has professional standards, systems of quality management and independence requirements that are in the public interest and an integral part of high-quality assurance engagements. Paragraph 5 of the proposed ISSA states that members of the non-CPA service provider engagement team and the engagement quality reviewer are subject to the International Ethics Standards Board for Accountants' International Code of Ethics for

Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements or other requirements that are at least as demanding [Emphasis added]. Similarly, the non-CPA service provider is subject to International Standard on Quality Management (ISQM) 1, Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, regarding the responsibility for its system of quality management or requirements that are at least as demanding [Emphasis added]. This language mirrors the premise outlined in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

A 2021 joint benchmarking study sponsored by the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA) titled “The State of Play in Sustainability Assurance” considered a range of subjects including the use of the ISAE 3000 standards by non-CPA service providers. The report indicated that over 50% of the reports by other non-CPA service providers utilized alternative language to reference their use of the ISAE 3000 standards. In other words, less than 50% directly stated that their work was “in accordance with” ISAE 3000. The others utilized language such as “based on”, “commensurate”, “including” and “utilized the same verification principles”. While the motives of those utilizing the alternative language are not fully known it can be assumed that in a number of cases it serves as an admission that they do not or were not otherwise able to meet the “at least as demanding” thresholds related to independence or quality management. That behavior does not appear to meet the spirit or the substance of the requirements of ISSA 5000 and would not be in the public interest.

We recommend the IAASB consider making it a requirement that the IESBA Code and ISQM 1 be followed in order to perform a sustainability assurance engagement under the proposed ISSA. There is risk to the public that practitioners are not adhering to the requirements set forth in the proposed ISSA and then it would be left up to the individual jurisdiction to determine if those other requirements are at least as demanding as the IESBA Code and ISQM 1 in enforcing the proposed ISSA.

In addition, we recommend the IAASB add language to the proposed ISSA that the practitioner cannot refer to the proposed ISSA unless the requirements of the proposed ISSA are followed. It would not be in the public interest for a practitioner to refer to a set of standards and not comply with its specific requirements.

## 5. National Auditing Standard Setters

### American Institute of Certified Public Accountants (AICPA)

A practitioner’s adherence to relevant ethical requirements and a system of quality management is fundamental to the public interest and assurance quality. Oversight and enforcement of compliance with relevant ethical requirements and quality management standards is a critical reason why users can have confidence in the reliability of assurance reports. While the IAASB does not have enforcement authority, it should consider what it can do to instruct and inform jurisdictions with respect to the importance of monitoring compliance with relevant ethical requirements and quality management standards. This topic could be an item of discussion at the IAASB’s 2024 meeting with national standard-setters.

In addition, given that the IESBA Code is being revised to be relevant to non-accountant assurance practitioners providing assurance on sustainability reporting, ED-5000 should require the use of the IESBA Code, unless the assurance practitioner is required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated, by those with oversight authority, as “at least as demanding” as the IESBA Code. If the IAASB does not have the authority to require the use of the

IESBA Code, application material should be added encouraging the use of the IESBA Code. While it's conceptually clear from our perspective as a national standard-setter what “at least as demanding” means in relation to the IESBA Code, in practice we are not aware of any ethical requirements for non-accountant assurance practitioners that are at least as demanding.

With respect to ISQM 1, paragraph A8 states that other requirements are at least as demanding “when they address the requirements of ISQM 1”. Similar to the above, the IAASB should require use of ISQM 1, unless the assurance practitioner is required to comply with quality control requirements prescribed by law, regulation or national standard setters that have been designated, by those with oversight authority, as at least as demanding as ISQM 1.

We agree with the IAASB's view that jurisdictional authorities have a key role to play in supporting practitioners by determining, in the context of the jurisdiction, what requirements are deemed at least as demanding. The IAASB will likely need to continue to engage with the International Organization of Securities Commissions, the United Kingdom's Financial Stability Board, the European Commission, the United States Securities and Exchange Commission, and other jurisdictions as to what requirements should be followed when non-accountant assurance practitioners perform ISSA 5000 engagements, as well as what oversight regime would be in place for those circumstances.

#### **Auditing and Assurance Standards Board Canada (AASB)**

We support the fundamental premises of ethics and quality management in ED- 5000. We believe it is very important to users of the sustainability information and in the public interest that these engagements be supported by high-quality ethics and quality management standards.

However, in considering the implementation of the requirements in ED- 5000, we have the following concerns.

Key Concern: The concept of “at least as demanding” is subjective

On balance, we heard concerns that the concept of “at least as demanding” may be inconsistently understood and applied. Including:

Questions about the ability of an assurance practitioner to make the “at least as demanding” assessment without a professional body to help them. The IESBA code is complicated with many sections and frequently revised. The current exercise by IFAC CPA member bodies in those jurisdictions that do not adopt the IESBA code to ensure its national codes are “at least as demanding” is challenging. Concerns were raised on the ability of others to make this assessment at the organization level.

Risk of actual or perceived quality differences between engagements performed by those applying the IESBA Code and ISQM 1, and those that are not, if there is no consistent understanding and interpretation of what “at least as demanding” means. It is important to support a practical understanding and application of the “at least as demanding” requirement to ensure equivalency in the ethics and quality management standards applied by all assurance practitioners.

The term “at least as demanding” is not practitioner neutral language and may imply that the IESBA code and ISQM 1 are superior to other professional codes or standards.

However, we also heard from non-accountant assurance practitioners that they follow stringent quality management and ethical requirements under other standards (such as the ISO standards), and they do not have concerns with asserting they have applied standards at least as demanding.

While we support the intention of “at least as demanding” in ED-5000, given concerns raised, we believe revisions are needed.

Suggest:

Consider whether the standard should use more neutral language and clarify the concept of “at least as demanding” by:

Removing the reference to “at least as demanding” and instead require the practitioners that are not following the IESBA code and ISQM 1 to follow codes and standards that have similar objectives (which are already outlined in the application material in ED-5000).

Requiring the documentation of the practitioners' consideration in concluding the codes/standards applied meet the objectives.

Provide additional guidance to assurance practitioners and regulators on making the determination of “at least as demanding” or any alternative terminology used.

Explore opportunities to lead or support overarching work in the global ecosystem to consider whether other predominant standards/codes used by non-accountant assurance practitioners are considered “at least as demanding” and ensure this work is communicated publicly so it can be relied on. For example, the work IESBA is doing with the International Accreditation Forum in mapping the existing requirements in ISO standards to the code to see if they are aligned will help demonstrate that non-accountant assurance practitioners have fundamental premises in place that are at least as demanding. The IAASB should perform a similar exercise to map ISQM 1 to the quality management requirements in ISO standards.

Concern: Inconsistent oversight and regulation of all assurance practitioners

We support the overarching principal of ISSA 5000 being practitioner agnostic. However, we heard a common theme during outreach around inconsistency in the oversight and regulation of all assurance practitioners that may be applying the standard.

We understand that oversight and regulation of these engagements in individual jurisdictions is evolving. While oversight of the application of the standard in its entirety is important, specific concerns were raised around when assurance practitioners assert compliance with ethics codes and quality management standards that are “at least as demanding”.

Suggest:

We acknowledge that oversight and regulation of these engagements is not within the remit of the IAASB. While this area evolves and matures, we recommend the IAASB:

Consider how transparency in the assurance report may support users access to sufficient information to support their decision making. For example, consistent with the existing requirement in ISAE 3000.69(j), we recommend requiring a statement in the assurance report when the practitioner is not a professional accountant to “identify the professional requirements, or requirements imposed by law or regulation, applied.”

Consider its role in sharing feedback received and advocating with regulatory bodies such as IOSCO for the oversight and regulation of ISSA 5000 engagements.

### **Australian Auditing and Assurance Standards Board (AUASB)**

The AUASB strongly disagrees with the approach to quality management and ethics underpinning ED-5000. Our concerns are as follows:

Imposing firm quality management and ethics through an assurance standard: We believe that it is not appropriate for an assurance standard to 'back door' requirements concerning firm quality management and ethics. ED-5000 does this through requirements on the engagement leader to be a member of a firm with certain quality management and ethical requirements, and a requirement to report compliance. Failure to report compliance with standards "at least as demanding" as ISQM1 and the Code of Ethics would result in non-compliance with ISSA 5000.

Firm quality management should be dealt with through a separate dedicated project of the IAASB: Ethics should be a matter solely for the IESBA which is currently developing ethical requirements for sustainability. Any reporting requirement should be about what requirements were followed and to what extent.

In particular, we are concerned that:

National standards setters may not be able to make ISSA 5000 compliant standards: Some national sustainability assurance standard setters do not have the remit to set firm quality management and ethical requirements. These standard setters may need to remove all references to quality management and ethics from the final ISSA 5000, with the resulting standard not being ISSA compliant;

Standards for non-accountant assurance providers: The IAASB should consider whether for assurance over a narrow piece of information requiring highly specialised technical expertise, different quality management and ethical requirements could be applied by non-accountant practitioners that are more relevant and appropriate than requirements at least as demanding as ISQM 1 and the Code of Ethics in ED-5000. For example, assurance over the entity's assessment of soil quality which requires an understanding of chemical and other properties relevant to the current and future use of soil by the entity or entities in its value chain, and the use and replacement of minerals consumed in use of the land and current levels and expected trends in salinity. This may require particular approaches to review and re-testing that are not contemplated by ISQM 1 while some elements of ISQM 1 may not be as important or relevant to this narrow piece of assurance work; and

Ethics and Quality Management "at least as demanding": A lack of clarity on the concept of "at least as demanding" could result in inconsistent firm quality management and ethical requirements. If the IAASB were to retain the requirements concerning firm quality management and ethics, which we do not support, the term "at least as demanding" should be sufficiently clear to avoid inconsistency in practice. For example, high level principles might be regarded as being 'at least as demanding' as the Code of Ethics. Alternative quality management specific to another profession might be regarded as more demanding than ISQM 1.

If the requirement on firm quality management and ethics were to remain, the IAASB should consider allowing non-accountants time to transition to those requirements which may necessitate new processes.

### **New Zealand Auditing and Assurance Standards Board**

The NZAuASB agrees that robust ethical and independence and quality management requirements are essential to enhancing trust and confidence.

The NZAuASB does not believe that the "at least as demanding" approach will result in a profession agnostic standard. The language, length, density and the large number of "shall" requirements will create a barrier (real or perceived) to other professions "adopting" the IAASB standard. Many other professionals

working in the field of sustainability reporting and assurance have high quality ethical and quality management principles. We do not believe that it is credible or appropriate for one profession to insist that their approach should form the baseline for another profession. We encourage the IAASB to find a more inclusive approach and are concerned that the proposed approach will create a barrier to adoption by non-accountants.

Both the Code of Ethics and ISQM 1 are comprehensive standards that have been built on over time. Accountants, or those familiar with these standards, have had many years to develop systems and implement their detailed requirements. Other professions have their own ethical requirements and systems of quality management that have not been mapped to the IESBA Code or ISQM 1. It will be time-consuming to map these standards, and then implement any changes. A proportionate approach is needed based on principles, that can be refined over time to bring assurance professionals together to learn from each other, and build depth and capacity in the market.

The way in which we addressed this challenge in New Zealand for mandatory greenhouse gas assurance was to include higher level principles for both ethics and quality management, that are familiar to most professions, as the starting point, which could be added to or tailored over time. The XRB has recently issued non-authoritative guidance to expand on these principles and may continue to do so over time to aid in consistent understanding and application of the principles. We consider that this is a proportionate way to bring a range of practitioners, and skills together, recognizing that there is a shortage of experienced and competent practitioners in the market.

The IAASB has a key role to play in facilitating the application of ISQM 1 and the IESBA Code of Ethics for those who are new to these standards

The IAASB and the IESBA have a crucial role to play to facilitate and assist those not familiar with the ethics and quality management requirements. We encourage the IAASB to work with others, to learn more about the quality management requirements others apply, and to co-ordinate global mapping exercises. We welcome the collaboration with the International Accreditation Forum (IAF) on Quality Management. In doing so, the IAASB may also learn more about other quality management practices to inform a post implementation review of the IAASB's ISQM 1 standards in due course. Other professions have existing quality management standards that may be more appropriate for the underlying subject matter. There is currently a great opportunity to learn about other approaches, through co-ordinated mapping and ongoing engagement.

We encourage the production of a "Get Started" guide to assist practitioners. We encourage the IAASB to work closely and jointly with the IESBA on non-authoritative guidance.

Please refer to our answer to question 22.

### **Public Accountants and Auditors Board Zimbabwe (PAAB)**

The concept of "at least as demanding" is not sufficiently clear as:

Feedback1: The intent behind the phrase "at least as demanding" is fairly clear, possibly not phrased appropriately. It appears to relate to meeting as a minimum requirement the threshold of, for example the IESBA code and if there is another regime in place like regulatory requirements which require a higher bar or standards then to follow such regulatory requirement and where the regulatory bar is not as high then follow the higher bar, which is the IESBA code.

Feedback 2: It is key to set out characteristics or indicators (such as scalability, is it a PIE, ETC) that may lead to the conclusion that the situation is at least as demanding as per ISQM or IESBA as certain entities may fail to comply with regulations highlighting that it was not at least demanded as per their own assessment.

## 6. Global Standard Setter

### Social Value International

The reliance on the engagement leader's judgement (A67) that the team have the competencies required is a conflict of interest and risks undermining trust in opinions arising from use of the Standard.

Paragraph 5 refers to the IESBA code and highlights that assurance operates within a wider ecosystem to be effective. In financial accounting and auditing there are existing internationally recognised competency requirements. This is not yet the case for sustainability reporting and unless the competency requirements of a particular scope have been identified, it is difficult to see how an assurance provider can meet the requirements of the code or of the paragraphs referenced in paragraph 5. This could be done, however, through the use of and certification against, for example, relevant ISO CASCO standards.

Paragraph A67 also risks inconsistency in the competencies of assurance teams and therefore in opinions. Over reliance on financial audit skills without recognising that the risks, especially to completeness and the need for stakeholder engagement are very different for sustainability information and are not addressed only by using experts on specific sustainability topics. This approach would not be possible in a financial audit.

We recommend that this is replaced with a requirement to follow internationally recognised competencies in relation to the scope and the opportunity is taken to reference ISO standards.

We also suggest that the references in paragraph 5 include paragraph 25 (b) 32 (c) 41 and A82

This issue is also relevant to ISQM1 and paragraphs 58, 65-67 which could also be referenced.

In addition to the lack of a benchmark of what constitutes relevant competencies, the Engagement Leader may identify matters, topics or aspects of topics in the course of the engagement that require competencies that the existing team do not have.

We recommend that this possibility is specifically stated.

More generally paragraph A68 raises a risk that the ethical issues relating to an assurance process are differentiated from the ethical risks associated with a particular sustainability scope. Where a scope excludes potential impact on people and their human rights and that group of people cannot hold the reporting organisation to account or do not have access to the information through other means, this raises a more general ethical issue. This links to Paragraph A202.

Moreover, we think there is a clear link between 'rational purpose' (paragraph 74/A192) with ethical considerations if assurance is to be conducted with a public interest objective. It is difficult to reconcile how a 'rational' purpose can be untethered from ethical considerations in satisfying the public interest given there is a higher standard of not just checking that information is consistent with criteria but can be relied on as presenting fairly the sustainability matters as defined in the scope of the engagement.

We recommend the ED is amended to address this issue.

## 7. Accounting Firms

### Baker Tilly International

The phrase “at least as demanding” is problematic in that it enables others to decide what that means in practice. ED-5000 should instead require compliance with the IESBA Code and ISQM 1. The IAASB should be confident in describing this framework as the gold standard which gives confidence to users. The concept of “at least as demanding as” is not interoperable or understandable by non-accountant assurance practitioners. In practice, the only likely means for a non-accountant to comply with the Code or ISQM 1 is to adopt them in full.

### Mazars

The adoption by all sustainability assurance providers of consistent ethical and quality management requirements is a key public interest issue that needs to be clearly addressed to ensure that there is a level playing field for all providers and to mitigate the risks of a two-tier quality outcome for users.

Although not necessarily easy for the IAASB to address, there are key questions around who defines what is “at least as demanding” and who will regulate and enforce the consistency of application of these requirements. With a lack of appropriate regulation it is difficult to see how the requirement to have ethical/ISQM standards “at least as demanding” can be enforced and therefore it is potentially not a level playing field between different assurance providers. Some assurance providers will be accredited and/or regulated while others may not be subject to the same degree of accreditation and regulation. This may well be a jurisdictional challenge that the IAASB (and IESBA) will be setting up for others to deal with, and the standards Boards need to be careful in striking the right balance in this area.

Many professions and other assurance providers will operate existing codes of conduct, ethical requirements etc. but these will almost certainly not be as comprehensive as those placed on existing audit practitioners as the IESBA Code of Ethics is, rightly, extremely demanding and robust. Furthermore, the requirements of ISQM1 are also highly demanding and existing audit firms have found the implementation of such standards to be a significant challenge. The requirements for such high-quality standards, whilst essential in the public interest, may have the unintended consequence of reducing choice of assurance practitioners as providers may find the requirements to be onerous and/or jurisdictions may choose to restrict the choice of providers due to the associated regulatory burden. We are already seeing this in Europe where some EU countries are opening the market to other providers, whereas others are likely to restrict assurance to existing audit practitioners.

Key considerations which need to be clearly set out, with enhanced guidance include:

What does “at least as demanding” mean in practice, both for ethics (especially independence and self-review threats; perhaps the application material could recommend the use of the IESBA Code) and ISQM? What is the minimum that will be required to achieve “at least as demanding”? Although this may well require lengthy guidance, it will be necessary to enable consistency. The IAASB may wish to consider requiring providers not using ISQM1 or IESBA Code to describe the standards which have been applied.

Who should assess whether a provider’s standards are genuinely at least as demanding? And who should enforce the requirements? For example, is self-assessment sufficient or should all assurance providers be subject to some form of accreditation/regulation?

The IAASB should consider whether ED-5000.A78 should be clear that assurance reports may only refer to compliance with ISSA 5000 where appropriate quality management and ethical standards are applied.

We note that the requirements around sustainability competence in the standard are less robust than those relating to equivalence in ethics and quality management. The IAASB may wish to strengthen the requirements to demonstrate relevant experience and competence in sustainability, including but not restricted to demonstrating completion of appropriate training.

#### **MHA**

While paragraph A56 of ED-5000 provides a concise explanation what is expected in terms of a practitioner's quality management system, we are concerned that non-accountant assurance practitioners will not understand the "at least as demanding" concept in relation to the IESBA Code, and may still be confused as to their responsibilities in relation to ISQM 1 given the brevity of paragraph A56. We concur with other respondents who highlight the risk of a two-tier quality outcome; meanwhile, many reporting entities may find it difficult to assess whether the assurance practitioners under consideration fulfil both sets of requirements. We believe that regulators will also be unable to enforce the ethical and quality management requirements of ISSA 5000 without further clarity.

We recommend that the IAASB rephrases the "at least as demanding" concept to "equally rigorous" and then provide specific detail as to which non-accountant professional bodies, regulators or standards are considered to fulfil this criterion. Further detail should be provided on what a system of quality management and ethical standard should contain if it is to meet these thresholds. If the IAASB believes it is unable to provide this specific detail, ISSA 5000 should explicitly require assurance practitioners to adhere to the IESBA Code and ISQM 1 while ensuring the proposed standard does not exclude non-accountant assurance practitioners.

While professional accountancy firms are subject to regulatory supervision concerning their system of quality management, many non-accountant assurance practitioners are not and we continue to observe many assurance reports prepared under ISAE 3000 by non-accountants that reference ISQC 1, despite this being superseded by ISQM 1 several years ago. We encourage the IAASB to collaborate with bodies such as IOSCO or the International Standards Organization to develop an equivalent standard to ISQM 1 that can be understood and operationalised by non-accountant assurance practitioners.

#### **MNP LLP**

We support the inclusion of ethics and quality management requirements in ISSA 5000, however we believe the concept of "at least as demanding" is subjective and may not be consistently applied. It may also be difficult for assurance practitioners to make this determination on their own.

The IAASB should consider providing additional guidance to assurance practitioners and regulators on making the assessment of "at least as demanding".

The IAASB could also consider supporting a coordinated work effort to assess whether other ethical standards and codes used by non-accountant assurance practitioners are "at least as demanding" and making this information publicly available. This may alleviate some of the concerns raised about potential for inconsistent oversight and regulation of assurance practitioners.

#### **Nexia International**

While the concept of "at least as demanding" is not new, ISQM 1 is relatively new. While A8 of the ED does provide some guidance specific to ISQM 1, the guidance is brief and likely open to noticeable interpretation and diversity in practice. We suggest the quality management guidance as to "at least as demanding" be more akin to what is in A44 – A49 specific to IESBA. However, although guidance on "at least as

demanding” specific to IESBA is more robust, in practice we have concerns the guidance is not prescriptive enough.

Given the relatively new area of sustainability reporting, we suggest the final standard require the practitioner to disclose regarding IESBA and ISQM 1 (1) whether the IESBA Code/ISQM 1 was adhered to, and if not, what was, and (2) that the standards adhered to, if any, are different. Illustrative wording in grey for consideration is below:

We are independent of the Company in accordance with the [name of relevant independence requirements] issued by the [Standard Setting Body] ([Independence Requirements]), which is an independence code other than the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. Together with the ethical requirements that are relevant to our assurance engagement in [jurisdiction], we have fulfilled our other ethical responsibilities in accordance with these requirements and the [Independence Requirements].

Our firm applies [name of relevant quality control standards], which is a quality standard other than International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. Under [name of relevant quality control standards], we maintain a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

This type of transparency will be in the public interest and if regulators or other users desire IESBA/ISQM 1, they will demand as such thus creating a market condition driving practitioners and engaging parties.

#### **PKF International Limited**

ED-5000 is not sufficiently clear about the concept of “at least as demanding” as the IESBA Code and ISQM 1. Our concerns are as follows:

Equivalent emphasis in ED-5000 between ISQM 1 and the IESBA Code

In ED-5000 para 29, there is a requirement that standards of firm-level quality management applied by the engagement leader’s firm shall be the ISQMs or other professional requirement, or requirements in law or regulation, that are at least as demanding as the ISQMs. However, for relevant ethical requirements, the “at least as demanding” point in ED-5000 is not a requirement, rather it is presented as application guidance (para A48). The differing levels of emphasis create a mismatch between the relative importance attached to compliance with ISQMs and compliance with the IESBA Code. In our view, the ISQMs and the IESBA Code are both foundational standards that support high-quality assurance engagements and they carry a level of importance which is approximately equivalent. To address this concern, we suggest the term “at least as demanding” is brought in as a requirement in ED-5000 (para 33), to match para 29 on ISQMs in which “at least as demanding” is currently included.

Interchangeable use of the terms “ISQMs” and “ISQM 1”

The term “ISQMs” collectively describes the full suite of international standards on quality management, including ISQM 1, ISQM 2 and ISA 220R, in which “ISQM 1” is only one of the three standards. There are inconsistencies within ED-5000 relating to its references to “ISQMs” and “ISQM 1”, which in our view will cause confusion among practitioners on whether a firm using ED-5000 shall apply:

ISQM 1 only, or the full suite of ISQMs (or other requirements that are at least as demanding in both cases).

Examples from ED-5000 of the inconsistent use of “ISQM 1” and “ISQMs”, include the following:

References in ED-5000 to use of ISQM 1 as a stand-alone standard

In places, ED-5000 indicates that a firm using ED-5000 shall comply with ISQM 1 as a stand-alone standard, with no reference to ISQM 2 or ISA 220R. For example, ED-5000 para 170 specifies the elements of the assurance report, which para 170 (d) (v) requires that the report:

“...states that the firm of which the practitioner is a member applies ISQM 1” or other requirements that are “at least as demanding as ISQM 1”.

Other paragraphs within the requirements and application guidance of ED-5000 also refer to a firm’s use of ISQM 1 in the singular. For example, see paras 5(b), A3, A8, A53, A56 and A150.

References in ED-5000 to use of the full suite of ISQMs

In our view, ED-5000 para 29 appears to prescribe the overriding requirements on ISQMs, by stipulating that the:

“engagement leader shall be a member of a firm that applies ISQMs”.

Further, para 29 goes on to state that other requirements can be applied so long as they are “at least as demanding as the ISQMs”, which we interpret as meaning that to use ED-5000 a firm shall apply the full suite of ISQMs (or at least as demanding).

The terms “ISQMs” and “ISQM 1” mean different things and should not be used interchangeably within ED-5000. We suggest that this matter is clarified to eliminate ambiguity in the final standard on whether the foundational requirement to use ED-5000 is that a firm applies either “ISQMs” or “ISQM 1”.

The practitioner’s external expert’s application of ISQMs and the IESBA Code

There is no requirement in ED-5000 for a practitioner’s external expert to apply ISQM 1 or the IESBA Code nor other requirements which are at least as demanding.

It seems likely there will be high levels of cooperation between professional audit firms and non-audit firms possessing expertise in a field other than assurance for the purpose of performing ISSA 5000 assurance engagements on sustainability reporting.

For many engagements, we anticipate external experts will be used extensively in practice and, in many instances, may contribute a larger portion of the overall assurance work than is contributed by personnel from the engagement partner’s firm. This scenario will result in significant reliance by the engagement partner on the work of the external expert, making it more challenging for the engagement partner to ensure that the overall assurance engagement is performed to sufficient standards of quality. To help engagement partners fulfil their responsibilities where external experts are involved, we recommend consideration is given to introducing a further safeguard to ED-5000 requiring the practitioner’s external expert (or their firm) is also subject to the requirement to apply the IESBA Code or ISQMs (or other requirements that are at least as demanding).

Defining those alternative standards which are considered to be “at least as demanding”

With one general exception, our understanding is that there are no alternative standards which are commonly regarded as being at least as demanding as the IESBA Code or ISQMs. The only exception, at present, is in jurisdictions where the local standards-setting body has used the IESBA Code and ISQMs as the basis for its equivalent standards with further local requirements applied in addition. We recommend that

if there are other alternative standards which are not based on the IESBA Code and ISQMs but which are generally considered to be “at least as demanding”, that they be cited as examples within the ED-5000 application guidance. Alternatively, if there are no other standards that are generally accepted as being equivalent to the IESBA Code or ISQMs, ED-5000 could simply just require that the assurance provider applies the IESBA Code and ISQMs.

If the final version of ISSA 5000 does not resolve this point in one way or another, our concern is that widely varying interpretations will arise on what “at least as demanding” means, with the risk that other alternative requirements which might be applied could transpire to be inferior to ISQMs and the IESBA Code. If this were to occur it would increase the possibility of ISSA 5000 contributing to lower quality assurance engagements and would not be in the public interest. Further, we do not consider it practical, or likely, that this matter could be satisfactorily resolved by delegating the responsibility to national regulatory or professional oversight bodies for implementing a solution which has consistent application on a global basis.

## 8. Assurance Practitioner or Firm - Other Profession

### SGS

The concept of “at least as demanding as” is not clear enough and could be argumentative. It will add more clarity and inclusivity to list paralleled global requirement from TIC industry e.g., IAF and ISO requirement on ethical, quality and personnel management. Or to provide suggestions/guidance for regulators' decision-making.

### TIC Council

The concept of “at least as demanding as” is not clear enough and could be argumentative. It will add more clarity and inclusivity to list paralleled global requirement from TIC industry e.g. IAF and ISO requirement on ethical, quality and personnel management. Or to provide suggestions/guidance for regulators' decision-making.

As a non-accounting audit provider, we do not refer to the IESBA code, but we comply with the ‘International Federation of Inspection Agencies – Compliance Code – Third Edition’ which we consider equivalent to ‘Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants’. It would be of benefit to list other standards that can be considered equivalent (such as the International Federation of Inspection Agencies – Compliance Code – Third Edition) directly in the ISSA 5000 standard. We currently perform a gap analysis between IESBA code and ISO 17029 with the ambition to align both requirements.

ED-5000 refers to ISQM 1 and ISQM 2. These may be unfamiliar to independent assurance service providers (IASP). It would be helpful to provide a cross reference to comparable standards accepted as firm level quality management such as ISO 9000. Our members already possess QMS, they would need to acquire additional programs uniquely for assurance.

Further clarity on conflict-of-interest managements where a firm are both (a) advising and providing assurance of the sustainability information (b) providing IT for and assurance of the sustainability information (c) have provided advisory on historic sustainability information and are providing assurance of current sustainability information. Many TIC companies, like many other service providers, deliver advisory, software and assurance services for sustainability information. We observe a variety of combinations of services being delivered by service providers presenting a risk of conflict of interest. The introduction of ISSA 5000 presents an opportunity to harmonize approaches to service combinations through provision of a decision

tree / matrix demonstrating what combinations are acceptable or low risk versus those that are not / higher risk.

## 9. Public Sector Organizations

### Government Accountability Office - US

In the context of ED-5000's alignment with "at least as demanding" as the IESBA Code and ISQM 1 (ED-5000, para 29), the exposure draft could further emphasize a risk-based approach, continual improvement, and ensuring engagement quality. We believe the exposure draft could clarify terminology such as independence and provide examples of relevant ethical requirements (ED-5000, paragraph 33). This would help ensure that ED-5000's requirements are "at least as demanding" as ISQM 1 and provide clear guidance to both accountant and non-accountant practitioners on how to achieve and maintain high standards of quality management in assurance engagements.

### Office of the Auditor General (New Zealand)

See our response to question 1 on improving the presentation of key concepts of ED-5000.

The application and other explanatory material is clear on which matters are addressed by ISQM 1 and the IESBA Code, and that the practitioner's system of quality management and code of ethics related to assurance engagements should address those matters to be 'at least as demanding'.

However, the effort required of a non-accountant assurance practitioner to identify whether the ethical and quality management requirements of their profession are "at least as demanding" may be substantial. We therefore recommend that the onus for making this consideration should not be on the assurance practitioner.

Paragraph A3 should be rephrased to say that the professional body to which the assurance practitioner belongs or the organisation that regulates the assurance practitioner is responsible for establishing a code of ethics and system of quality management requirements in a jurisdiction. These bodies and regulators should assess whether their requirements are 'at least as demanding' as ISQM 1 and the IESBA Code, and adapt those requirements as necessary to enable the assurance practitioner to perform this work.

Compliance with these requirements should also be monitored by these bodies and regulators. This may currently not occur in practice for practitioners that are not bound by ISQM 1 and the IESBA Code.

If the above recommendations are not practicable, the documentation requirements that a non-accountant assurance practitioner should meet at firm-level and engagement-level should be described.

### Office of the Auditor General of Alberta

"At least as demanding" is not sufficient because it is unclear and may result in marketplace distortions if other professionals (e.g. engineers, environmental scientists, etc.) follow ethical requirements that are more demanding. For example, other professionals may consider it unethical to perform a sustainability assurance engagement that is not inclusive and responsive to external impacts and harm reduction. ISSA 5000 could permit a sustainability engagement to be accepted that ignored external impacts and focused only on financial impact of the entity, which some could consider unethical. ISSA 5000 should be self-contained and should include all requirements to perform the engagement, including ethical requirements. Ethical requirements are no different from requirements for engagement acceptance, competence or even technical requirements such as sampling. IAASB should not be constrained by institutional arrangements

within the profession if ISSA 5000 is intended to apply outside the profession as well. If the relevant ethical requirements are in the standard, there is no confusion over “at least as demanding” and IAASB does not need to rely on other organizations that may define sustainability in ways that are inconsistent with ISSA 5000 or are not even in the public interest. This would also avoid IAASB having to depend upon whatever definition, if any, IESBA has for “sustainability” or “sustainability matters.”

## 10. Member Bodies and Other Professional Organizations

### Belgian Institute of Registered Auditors

The concept of "at least as demanding" is highly subjective and is likely to lead to divergent interpretations and applications that could mislead stakeholders. Consequently, ISQM 1 and the IESBA Code should apply to the performance of these engagements, in accordance with this standard.

International Standard on Quality Management “ISQM”-1 was developed for “firms”, which are defined in ISQM-1 as “sole practitioner, partnership of or other entity of professional accountants, or public sector equivalent”. Accordingly, ISQM-1 was not prepared with the intention of being able to be applied by assurance practitioners who are not in the audit profession. We believe that this poses a significant exposure of creating a different “level playing field” between traditional audit firms and these “independent assurance service providers” or “IASP’s”, which will be detrimental to quality with which assurance engagements on sustainability statements will be carried out. Accordingly, also the trust of the capital markets (also still one of the stakeholders as per the European Sustainability Reporting Standards (“ESRS’s”)) could be jeopardized by inconsistent firm quality standards being applied.

This means that for other assurance practitioners to be able to apply quality management standards, the Board should reflect on providing more guidance and translating some of the key concepts and definitions in ISQM-1 in a “profession” neutral manner, into the draft ISSA 5000 Standard.

In this respect, we recommend the Board also to reflect on moving some of the paragraphs in the “Application and other explanatory materials”, notably paragraphs A45 to A47 to the main body of the Standard, because these are of such fundamental importance with respect to independence.

### Center for Audit Quality

The need for oversight and enforcement of compliance with relevant ethical requirements and quality management standards

We believe that a practitioner’s adherence to relevant ethical requirements and a system of quality management is fundamental to the public interest and high-quality assurance. When sustainability information will be publicly available to a wide variety of stakeholders, it is important for that information to be reliable, hence the need for consistent, high-quality execution of an assurance engagement, including adherence to and transparency about the assurance practitioners’ application of well-understood requirements related to independence, ethics and quality control. Oversight and enforcement of compliance with relevant ethical requirements and quality management standards is a critical part of a corporate reporting ecosystem that provides reliable and decision useful information to users.

The IAASB’s assurance standards have allowed for non-accountant assurance practitioners to perform assurance engagements using ISAE 3000 (Revised) and have set up a framework for doing so that requires specific performance requirements (including application of minimum standards on quality control and relevant ethical requirements) as well as required reporting requirements to provide transparency about

what standards were applied. However well-intended this approach, it has not been consistently applied by non-accountant assurance practitioners. An International Federation of Accountants (IFAC) study revealed that:

Instead of performing their sustainability assurance engagements “in accordance with” ISAE 3000 (Revised), 47% of non-accountant assurance practitioners and 2% of professional accountants used language indicating that they had not fully complied with ISAE 3000 (Revised). Similarly, a CAQ analysis of S&P 500 companies revealed that of the assurance practitioners who used ISAE 3000 (Revised), roughly 40% of non-accountant assurance practitioners (compared to 0% of professional accountants) either did not specify whether their assurance engagement was performed in accordance with ISAE 3000 (Revised) or indicated that their engagement was based on, consistent with, or in alignment with ISAE 3000 (Revised). The nuances of this wording are likely not understood by many users. We recommend that the IAASB bring greater focus on this in some way, possibly in para. 19 of ED-5000 or, at a minimum, by adding a reference to para. A478 to para 19.

Regarding referencing the IAASB's ISQC 1 or equivalent:

62% of non-accountant assurance practitioners and 9% of professional accountants provided no indication of complying with ISQC 1 or equivalent.

Regarding referencing the IESBA Code or equivalent:

64% of non-accountant assurance practitioners and 6% of professional accountants provided a general statement which did not reference the IESBA Code or an equivalent standard of ethics.

16% of non-accountant assurance practitioners and 93% of professional accountants referenced the IESBA Code.

12% of non-accountant assurance practitioners and 0% of professional accountants referenced an alternative ethics standard.

8% of non-accountant assurance practitioners and less than 1% of professional accountants did not disclose anything related to independence.

Given that in current practice it is unclear whether the IAASB requirements to use ethical and quality management standards that are “at least as demanding” are being adhered to, and the fact that there is a significant difference in the extent to which professional accountants and non-accountant assurance practitioners disclose or report on how they apply those requirements we believe that, in the public interest, oversight and enforcement of ED-5000 is critical, including over appropriate adherence to ethical and quality management requirements. We believe that there is a role for IOSCO to play in encouraging oversight and enforcement by its member jurisdictions. Further, we encourage the IAASB to convene discussions with regulators globally e.g., International Forum of Independent Audit Regulators (IFIAR), IOSCO, SEC, etc., noting the importance of regulation and oversight to the ecosystem that enables engagement quality as described in the IAASB's Audit Quality Framework.

Given the requirement in para. 19, we also recommend that the IAASB strengthen the application material in A478 to indicate that assurance reports cannot refer to ED-5000 if the practitioner has not fully applied the standard, including adhering to ethical and quality management standards, to help avoid misleading users that the standard has been applied.

Suggestions for strengthening the concept of “at least as demanding” in relation to relevant ethical requirements for assurance engagements

Although the IAASB refers to “at least as demanding,” this is likely to have varying interpretations in practice, and it is not clear who determines what “at least as demanding” is. If left to practitioners, this could drive extensive inconsistency. The current inconsistencies in practice in the use of the IESBA Code when performing sustainability assurance engagements using ISAE 3000 (Revised) (as noted in the IFAC study above) suggest that it would be in the public interest for the IAASB to strengthen the requirement. We believe the IAASB should require use of the IESBA Code, unless the assurance practitioner is required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated, by those with oversight authority, as at least as demanding as the IESBA Code.

We understand that many jurisdictions adopt the IAASB standards “as is” and that prescribing the use of the IESBA Code without some flexibility would create an obstacle to the use of the IAASB standards in jurisdictions where there are local ethical codes. Our proposal above would provide more robust and consistent requirements, while still enabling jurisdictions to mandate the use of ethical requirements prescribed by law, regulation, or national standard setters, that were established for purposes of assurance engagements and have been designated, by those with oversight authority, as at least as demanding as the IESBA Code.

The need for coordination and alignment with IESBA

As noted in Question 14, we strongly encourage the IAASB to coordinate with the IESBA to ensure alignment on key definitions and terms as well as on the topics of experts, groups and information from the value chain, which the IESBA is also working on. This is especially important given that it appears that certain key concepts are not currently aligned, e.g., the explanatory memorandum indicated that the IESBA definition of sustainability information may differ, and IESBA draft proposals seem to hinge on the concepts of general purpose and special purpose frameworks which are terms that do not appear in the IAASB materials. Furthermore, there are key concepts being considered by the IESBA that appear to be impracticable to implement, for example, relating to independence and how this applies when there is information from the value chain.

Suggestion for strengthening the concept of “at least as demanding” in relation to ISQM 1 regarding a firm’s responsibility for its system of quality management

The current inconsistencies in practice and lack of transparency around the use of quality control / management standards when performing sustainability assurance engagements in accordance with ISAE 3000 (Revised) suggest that it would be in the public interest for the IAASB to strengthen the requirement. We believe the IAASB should require use of ISQM 1, unless there are quality management requirements prescribed by law, regulation, or national standard setters applicable to assurance engagements that have been designated, by those with oversight authority, as at least as demanding as ISQM 1.

### **Chartered Accountants Ireland**

The concept of whether ethical requirements are “at least as demanding” as the IESBA Code and whether the firm's system of quality management is at least as demanding as ISQM1 is not sufficiently clear. We believe making this determination without a framework or further implementation guidance would be particularly difficult for non-accountant assurance practitioners who have limited knowledge of the requirements of ISQM 1.

The proposed requirement is very subjective as currently set out in the standard and risks major inconsistency in practice. It is unclear who has the responsibility to make this assessment and who will monitor this in execution of the engagement. It is critical that there is a level playing field between all

assurance practitioners such that high quality assurance engagements are provided regardless of the profession of the assurance provider. We believe inconsistent application of the standard would be damaging to the acceptance of the standard globally. We believe that the application of the standard in this regard would be improved by including a requirement that the assurance provider's system of quality management addresses the eight components set out in paragraph 6 of ISQM 1, and a specific requirement regarding relevant ethical requirements.

For ISSA 5000 to be stand alone and profession-agnostic we believe that it may fall to local regulatory bodies to ensure that any local frameworks that are viewed as acceptable meet the standards required. However, guidance from the IAASB as to how they interpret this requirement would be helpful.

### CPA Australia

One of the key concerns we have heard consistently is that there is no benchmarking criteria for determining whether the provisions of other ethical, independence, and quality management requirements are 'at least as demanding' as the International Ethics Standards Board for Accountants (IESBA) Code and ISQM 1 respectively. It would be helpful to understand how such an assessment could be undertaken and who should be responsible for this assessment and associated compliance, both initially and on an ongoing basis. We do not believe it is sufficient to state that it is something left to local jurisdictions (paragraph 25 of the EM) as this could lead to inconsistent outcomes that can undermine the success of the standard. We suggest some consideration be given to this concern and some criteria be developed in conjunction with the IESBA and published to address it globally.

In order for high quality sustainability assurance to be achieved, it is important there is consistency in ethics, independence and quality management requirements for all practitioners. Therefore, we do not believe self-assessment would be effective.

To avoid inconsistency, it is crucial for regulators and/or standard setters to assess the various options for ethical, independence and quality management standards used by non-accountant practitioners and determine which frameworks are acceptable in their respective jurisdictions. In Australia, we are encouraging the Auditing and Assurance Standards Board (AUASB) to engage with regulators and other stakeholders to consider how this could be achieved. Ultimately, to achieve global consistency and comparability, as noted above, the IAASB (with the IESBA) will need to assist with the global baseline for assessment processes and guidelines.

We have also heard concerns about the requirements in paragraph 34 of ED-5000 that the "engagement leader should take responsibility for other members of the engagement team, having been made aware of relevant ethical requirements including the firm's related policies or procedures...". This requirement places a higher level of responsibility on engagement leaders under these proposals in comparison to the requirements in paragraph 20 of extant ISAE 3000 which states that "The practitioner shall comply with the provisions of the IESBA Code related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding." We note the current requirement in ISAE 3000 does not specifically require the engagement leader to take responsibility for others within the engagement team in respect of the relevant ethical requirements etc. We suggest the IAASB provides its rationale for placing a higher level of responsibility than ISAE 3000 as part of the Basis for Conclusions to this standard.

We agree that engagement leaders should be taking responsibility for the overall quality of the assurance engagement which includes compliance with the relevant ethical requirements (ISA 220 paragraph A3(a)(i)). However, applying this concept to a sustainability assurance engagement can be challenging in practice as

engagement team members may consist of practitioner experts from outside of the firm or from outside the engagement leader's profession, who are not subject to the same ethical requirements/system of quality management or the same policies and procedures. Therefore, we recommend early signposting of the requirement for the engagement leader to take different actions for engagement team members from another firm/profession. The IAASB could repurpose the wording in paragraph A64 of ED-5000 to address this.

Additionally, paragraph A64 of ED-5000 should also highlight that, unlike the audit of financial statements, the engagement team for a sustainability assurance engagement may include experts from outside of the accounting profession that may not have ethical requirements that are at least as demanding as the accounting profession. Therefore, extra care should be taken when the engagement leader intends to include such experts in the engagement team.

### **Institute of Chartered Accountants in England and Wales (ICAEW)**

We have concerns about the phrase "at least as demanding" relating to possible alternative codes of ethics and quality management requirements for other assurance practitioners.

We believe that more detail on what is required would be helpful. A56 is rather light in its explanation as to what is required under ISQM 1. Our comments below reflect our understanding but might also be an indication of the impact of the lack of sufficient detail.

This is a key public interest issue that must be addressed, or there may be a two-tier quality outcome. We question how reporting entities will be able to gauge whether the practitioner they are considering using meets the required standards for either ethics or quality management.

We accept that this is not a new concept for the IAASB standards, as the IAASB notes in the Explanatory Memorandum. We do, however, consider that it might be more helpful, for other assurance practitioners, to set out required provisions and concepts rather than draw comparisons. We appreciate that this would add to the length of an already long standard and would also necessitate updating in the future if the IESBA Code or ISQM 1 undergo revisions, but we believe that such an approach could reduce the scope for confusion in this area and could therefore be more usable and understandable for other assurance practitioners. Other possible options include:

the IAASB leaving the determination of 'red lines' to regulators (however this could give rise to consistency threats (see above)) or the IAASB and IESBA issuing standalone quality management and ethical provisions reflecting minimum requirements (this would be an effort-intensive option but might be the most usable option).

We are aware of IESBA's project on the development of new ethics and independence standards for sustainability reporting and assurance. Application of these standards should be required, unless practitioners are required to comply with ethical requirements prescribed by law, regulation or national standard setters that have been designated by such bodies as "at least as demanding". Where such bodies do not make that designation, IAASB should provide guidance on how to evaluate whether local codes or requirements meet the "at least as demanding" threshold.

Quality management is challenging, both conceptually and in practical terms, and it is important that the requirements are clear to avoid the risk that ISSA 5000 will be perceived as inaccessible. There are risks of inconsistency and fragmentation. If the bar for quality management is perceived as being set too high' then some other assurance practitioners may seek alternative standards, and those that do not may strive to comply with ISQM 1 but struggle. Furthermore, there is a risk that other assurance providers may be

deterred from entering the assurance market, thereby reducing competition and choice, which would not be in the public interest.

The implementation of ISQM 1 has been challenging for the profession, and that was in the context of moving from an ISQC 1 regime. While it could be argued that designing and implementing a new ISQM 1-equivalent System of Quality Management (SOQM) might in some ways be easier than moving from ISQC 1 to ISQM 1, we believe that other assurance practitioners could find that onerous. If other assurance practitioners design and implement – or believe that they have designed and implemented – an ISQM 1-compliant SOQM and this is not in fact the case, this could damage the reputation of ISSA 5000 and indeed the reputation of ISQM 1. This is a considerable risk for the IAASB.

With a lack of appropriate regulation, it is difficult to see how the requirement to have ethical and quality management standards “at least as demanding” can be enforced and therefore there is potentially no ‘level playing field’ between different assurance providers. This may well be a challenge that the IAASB (and IESBA) envisage will be dealt with at jurisdictional level, but IFAC must be careful in striking the right balance in this area.

We refer you to our earlier comments about operationalisation of ED 5000 and the desirability of the provision of additional guidance or resources for other assurance practitioners. Quality management is one area which would definitely benefit from such an approach.

#### **Korean Institute of Certified Public Accountants (KICPA)**

ED -5000 describes (in paragraphs A48 and A56) that, similar to the extant ISAE 3000 and others, “other requirements are at least as demanding as the provisions of the IESBA Code or ISQM 1 when they address the matters referred to in the relevant sections of the IESBA Code or the relevant requirements of ISQM 1 and impose obligations that achieve the aims of the requirements set out in the IESBA Code or the objective of ISQM 1. However, the concept of “at least as demanding” is not sufficiently clear. In particular, the intended meaning of ‘addressing the requirements’ is not clear, specifically whether it means addressing the matters or requirements of every single paragraph in relevant sections of the IESBA Code or ISQM 1, or whether it means covering the requirements enough to achieve the objective of the IESBA Code or ISQM 1. Assurance engagement is premised on compliance with relevant ethical requirements and quality management (ED-5000 Paragraph 5). In this light, clear and specific guideline is required to be provided to ensure the concept of “at least as demanding’ is not overly broad.

The KICPA suggests that the application material should include a guidance clarifying what constitutes ‘addressing the requirements’ (i.e., the extent to which individual requirements of the IESBA Code or ISQM 1 should be reflected) to be “at least as demanding”.

#### **Malta Institute of Accountants (MIA)**

This concept, and the overall equivalence concept, requires further clarification. The way that such a concept is currently featured within the proposed ISSA 5000 does not specify what this actually constitutes and by whom such equivalent is regulated, among others.

Our recommendations in this regard would be to either remove such a concept from the standard altogether or else provide more guidelines and detailed tangible references to ensure the necessary clarifications are in place.

It is important that the proposed ISSA 5000 maintains a level playing field.

### **New York State Society of Certified Public Accountants (NYSSCPA)**

Response: No. Although we agree that the concept of “at least as demanding” is not new, we recommend that the IAASB consider similar language that exists currently in ISAE 3000 (Revised). We believe our recommendation will more precisely achieve the IAASB’s objective for consistency with other existing standards and requirements.

### **Pennsylvania Institute of Certified Public Accountants (PICPA)**

The committee believes that the qualifier “at least as demanding” is too subjective. The committee recommends that practitioners using the IAASB standards should apply the IAASB Quality Management Standards.

### **World Federation of Exchanges**

It would be good to receive more guidance around what ‘at least as demanding’ looks like – as although this concept is not unfamiliar to financial assurance providers, this standard is intended to be sector agnostic.

## **11. Academics**

### **Accounting and Finance Association of Australia and New Zealand**

Ethical requirements and quality management standards are an important issue. There is evidence (Boiral et al., 2019) that providers tend to rationalize ethically questionable behavior such as excessive familiarity with reporting companies or assurance services that overlap with consulting activities. We agree that a high standard of ethics and quality management is needed. We disagree that a requirement that is “at least as demanding” is the correct approach for a profession-agnostic standard.

Any professional set of ethical or quality management standards will be stronger than the IESBA pronouncements on some issues, and weaker on others. In that case any other standard is still not “as demanding” on some particular issue. As a result, requiring standards that are “at least as demanding” in effect is a requirement to adopt only the accounting profession’s requirements and to reject all other professional standards. If the sustainability auditing standard is to be “profession agnostic” then it needs to take a different approach and recognize that other professions have their own way of dealing with ethical and quality management issues. We suggest the requirement should be ethical requirements and quality management requirements that “are required by a professional body” such as, for example, the engineering profession.

However, there is considerable uncertainty about what “as least as demanding as” means and we suggest that a clearer requirement is needed. A research study by Ge et al (2023) treated a number of alternative codes of ethics as “at least as demanding as”, including the APES110, ICAEW Code of Ethics, Code of Ethics by Bureau Veritas, Code of Ethics of J-SUS, the article L. 822-11-3 of the French Commercial code, Dutch Code of Ethics, ISO 14065, PES 1, the Professional Code for German Public Auditors and German Chartered Auditors. However, the authors consider that the “at least as demanding” requirement is unclear.

#### **References**

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## 12. Individuals and Others

### Capitals Coalition

The reliance on the engagement leader's judgement (A67) that the team have the competencies required is a conflict of interest and risks undermining trust in opinions arising from use of the Standard.

Paragraph 5 refers to the IESBA code and highlights that assurance operates within a wider ecosystem to be effective. In financial accounting and auditing there are existing internationally recognised competency requirements. This is not yet the case for sustainability reporting and unless the competency requirements of a particular scope have been identified, it is difficult to see how an assurance provider can meet the requirements of the code or of the paragraphs referenced in paragraph 5. This could be done, however, through the use of and certification against, for example, relevant ISO CASCO standards.

Paragraph A67 also risks inconsistency in the competencies of assurance teams and therefore in opinions. Over reliance on financial audit skills without recognising that the risks, especially to completeness and the need for stakeholder engagement are very different for sustainability information and are not addressed only by using experts on specific sustainability topics. This approach would not be possible in a financial audit.

We recommend that this is replaced with a requirement to follow internationally recognised competencies in relation to the scope and the opportunity is taken to reference ISO standards.

We also suggest that the references in paragraph 5 include paragraph 25 (b) 32 (c) 41 and A82

This issue is also relevant to ISQM1 and paragraphs 58, 65-67 which could also be referenced.

In addition to the lack of a benchmark of what constitutes relevant competencies, the Engagement Leader may identify matters, topics or aspects of topics in the course of the engagement that require competencies that the existing team do not have.

We recommend that this possibility is specifically stated.

More generally paragraph A68 raises a risk that the ethical issues relating to an assurance process are differentiated from the ethical risks associated with a particular sustainability scope. Where a scope excludes potential impact on people and their human rights and that group of people cannot hold the reporting organisation to account or do not have access to the information through other means, this raises a more general ethical issue. This links to Paragraph A202.

Moreover, we think there is a clear link between 'rational purpose' (paragraph 74/A192) with ethical considerations if assurance is to be conducted with a public interest objective. It is difficult to reconcile how a 'rational' purpose can be untethered from ethical considerations in satisfying the public interest given there is a higher standard of not just checking that information is consistent with criteria but can be relied on as presenting fairly the sustainability matters as defined in the scope of the engagement.

We recommend the ED is amended to address this issue.

### International Accreditation Forum (IAF)

The concept of “at least as demanding as” is subjective and not clear enough. It would add more clarity and inclusivity to list paralleled global requirements e.g. IAF and ISO requirements on ethical, quality and personnel management. Or alternatively to provide suggestions/guidance for regulators' decision-making.

At present IASPs do not refer to the IESBA code, but they are able to demonstrate compliance with the 'International Federation of Inspection Agencies – Compliance Code – Third Edition' which is considered equivalent to 'Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants'. It would be of benefit to list other standards that can be considered equivalent (such as the International Federation of Inspection Agencies – Compliance Code – Third Edition) directly in the ISSA 5000 standard.

IAF has been conducting a gap analysis between IESBA code and ISO 17029 with the ambition to align both requirements.

ED-5000 refers to ISQM 1 and ISQM 2. These may be unfamiliar to IASPs. It would be helpful to provide a cross reference to comparable standards accepted as firm level quality management such as standard for accreditation (ISO/IEC 17029) and for quality management system (ISO 9000).

Further clarity on the management of conflict-of-interest where a firm are both (a) advising and providing assurance of the sustainability information (b) providing IT for and assurance of the sustainability information (c) have provided advisory on historic sustainability information and are providing assurance of current sustainability information. Many IASPs, like many other service providers, deliver advisory, software and assurance services for sustainability information. We observe a variety of combinations of services being delivered by service providers presenting a risk of conflict of interest.

ISSA 5000 presents an opportunity to harmonize approaches to service combinations through provision of a decision tree / matrix demonstrating what combinations are acceptable or low risk versus those that are not / higher risk.

Considering that ISO/IEC 17029:2019 and ISO 14065:2020 have same or higher level to meet the requirements on ethical and management system of ISQM 1 and ISQM2. IAF recommends IAASB to reference these ISO standards as equivalent.

The risks in the market is that, allowing subcontracting part of the assurance process, to external parties the lack of control would be very high and the standard does not specify any internal / external control for this.