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USA

To the attention of Ms. G. FIGUEIREDO DIAS

Paris, 2 May 2024

Référence : 20240231

Objet : Response to ED "Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting"

Dear President, Dear Gabriela,

In our respective capacity as Presidents of the CNCC and the CNOEC, we are pleased to present our comments on the Exposure draft "Proposed International Ethics Standards for Sustainability Assurance and Other Revisions to the Code Relating to Sustainability Assurance and Reporting."

We acknowledge that IESBA had to work very hard and very fast under strong pressure to issue the ED in almost the same timing as the IAASB issued the ISSA 5000 ED.

However, we have one very strong concern with the ED. It is the treatment by IESBA of what it describes as "*independence matters arising when a firm performs both audit and sustainability assurance engagement to the same client*".

Paragraph 5410.11 A1 of the ED states that "*where a firm performs both an audit engagement and a sustainability assurance engagement for a sustainability assurance client, paragraphs 410.11 A1 to 410.11 A3 apply in the context of the fees charged by the firm or network firm to the sustainability assurance client [...]*."

We are in total disagreement with this statement which implies that two different assurance engagements provided to the same client could create a threat to independence for one another, and we consider the ED to be fatally flawed on that issue.

Two different assurance engagements provided to the same client can never create any threat to independence for one another since they both require to be independent under the same rules and the same code.

This is an issue we discussed at length in the EU during the legislative process of the CSRD, and both the European Parliament and the European Council of Ministers concluded that there was absolutely

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no problem of independence in the provision of statutory audit and sustainability assurance to the same client by the same firm. And this, even if the respective fees are unbalanced.

In fact, the primary route provided in the CSRD is the provision of sustainability assurance to an entity by its own statutory auditor. It is only a Member State option in the CSRD to allow another auditor than the statutory auditor, or even an IASP, to provide sustainability assurance to an entity.

In addition, in the EU, the provision of sustainability assurance to an audit client is not counted in the calculation of the 70% cap for NAS.

Even the IESBA Code of Ethics has so far never implied that there could be a problem of independence in providing different assurance engagements to the same client. It is the provision of non-assurance services to an audit client that can create a threat to independence, not the provision of any assurance engagement.

We therefore ask IESBA to **reconsider that position and delete the first sentence of paragraph 5410.11 A1.**

We have another disagreement with the proposals of the ED, on the issue of the independence vis-à-vis the value chain, where we consider that the ED goes too far.

The concept of the value chain is relatively new, and it requires careful consideration regarding independence. Value chain entities are neither part of the group nor are they related entities. Very often, the information needed from value chain entities will only deal with scope 3 emissions. They will generally be based on estimates and will have been gathered by the client based on information provided by the value chain entities or based on estimations which are public. Being neither part of the group nor a related entity, independence threats related to value chain entities are specific and depend on whether there is a contractual relationship between the firm and the value chain entity. Rules that apply to value chain entities should not and cannot simply be copied and pasted from the ones that apply to related entities of the assurance client.

The work done on the information gathered from the value chain is similar to the work conducted in an audit for collecting audit evidence from a provider of an audit client. It consists in checking the reliability of these evidence. Auditing standards do not require auditors to be independent from such providers. Therefore, we consider that requiring full independence from the firm and the assurance team on value chain entities is neither necessary nor practicable, unless the firm is engaged by the value chain entity to perform assurance procedures. In any other situation, we consider that the issue with respect to the information from the value chain is rather to avoid conflict of interests or to avoid having a self-review threat, rather than to require the “full monty” of independence.

Sustainability reporting is at an early stage of implementation in many countries. So is sustainability assurance. Entities are on a learning curve and so are the assurance practitioners.

In France we already have a long experience of sustainability assurance, acquired through different laws requiring both sustainability reporting from entities and sustainability assurance from auditors, and we can confirm that **assurance drives quality.**

At this stage, we truly believe that it is in the public interest to increase the quality of sustainability reporting. If undue and unpracticable independence rules are required with respect to the value chain entities, there is a risk that the value chain information remains unverified or entirely based on estimates and public information. We expressed a similar concern on the ED on “Using the work of external experts” (see our response to the “external experts” ED).


Overall, we consider that the ED is too long and not focused enough on the specifics of sustainability. See for example the section on NAS and tax services. It is difficult to see what tax planning or custody

of client asset has to do with sustainability? On the contrary, some specific NAS are missing: non-PAs often tend to carry a lot of technical certification engagements, often under ISO standards, that may create threats to independence if they also provide sustainability assurance to the same client. These types of certification engagements are not captured in the NAS section of the ED.

Our arguments are fully developed in our detailed response to the questions raised in the explanatory memorandum of the ED.

Please, do not hesitate to contact us if you want to further discuss our concern.

Yours Sincerely,



Yannick OLLIVIER
Président de la Compagnie Nationale
des Commissaires aux Comptes



Cécile de SAINT-MICHEL
Présidente du Conseil National de
l'Ordre des Experts-Comptables

Proposed *International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA)* and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

SUSTAINABILITY ASSURANCE

Main Objectives of the IESSA

1. Do you agree that the proposals in Chapter 1 of the ED are:
 - (a) Equivalent to the ethics and independence standards for audit engagements in the extant Code? *[See paragraphs 19 and 20 of this document]*

As drafted, we agree that the proposals in the ED for ethics and independence for sustainability assurance engagements (Part 5) are equivalent to the ethics and independence for financial audit. Indeed, they are almost copy-pasted from one another.

However, we believe that they have not been adapted enough to the specifics of sustainability assurance engagements (see our comments below on non-assurance services for example).

- (b) Profession-agnostic and framework-neutral? *[See paragraphs 21 and 22 of this document]*

As a matter of principle, the French profession is favorable to opening the "market" of sustainability assurance to non-PAs. In France, it is a situation we already know because when we transposed the previous directive (Non-Financial Reporting Directive-NFRD) in 2017, we were one of the few Member States to require sustainability assurance (it was an option not a requirement in the directive) on the non-financial information published by companies under the NFRD, and already at that time the French Government opened the market to auditors and to other assurance service providers.

The French profession never asked for any monopoly on that matter and the French Government, when transposing the CSRD, used the option of allowing independent assurance service providers (IASPs) to provide sustainability assurance to CSRD clients.

However, the underlying condition for allowing different actors (PAs and non-PAs) to provide sustainability assurance engagements in the context of the CSRD is that such sustainability assurance engagements be provided by all actors on a level playing field.

This entails that sustainability assurance engagements should be provided by PAs and non-PAs under the same ethical and independence standards.

We understand that it is the objective pursued by IESBA in drafting this ED.

So, when it comes to the question whether the ED is profession agnostic and framework neutral, we agree that it is both profession agnostic and framework neutral and that it provides a level playing field between PAs and non-PAs, but only for **sustainability assurance engagements** covered under part 5 of the Code.

When it comes to all other situations not covered under Part 5, it does not completely achieve such a level playing field between PAs and non-PAs, since it then requires PAs to apply Part 1 to 4B of the Code and simply encourages non-PAs to do so. We understand that IESBA could consider in the future requiring application of Part 1 to 4B of the Code to non-PAs.

2. Do you agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics? (See *paragraph 23 of this document*)

The Public Interest Framework refers to the need for clarity and conciseness of the standards.

We consider that the proposed ethics and independence standards should be shorter and clearer. For example, we believe that the ED can be shortened in its section 5600 on the provision of non-assurance services to a sustainability assurance client. A lot of the section 5604 on Tax services seems to be irrelevant in the context of sustainability assurance. What does tax planning have to do with sustainability? Same for custody of client asset?

Sustainability reporting and sustainability assurance are still at a very early stage in certain countries, and practice is not yet fully established, neither for reporting nor for assurance.

In Europe, entities have not applied the ESRs yet, and auditors or other assurance service providers have not yet provided assurance on the sustainability reports of their clients prepared in compliance with the ESRs.

IESBA should draft a shorter, higher-level standard, based on principles, which would progressively evolve overtime as practice settles.

At present the standard goes too far on the issues of value chain entities and group audit engagements, for example, when the IAASB has not dealt with neither of these issues in the ED of ISSA 5000.

We acknowledge that it is difficult to set the independence rules as long as the assurance standard is not finalized, and we also understand that the IAASB is planning to further develop its section on groups in ISSA 5000 following comments received on the ED. This is why we reaffirm that close coordination between the IAASB and IESBA is absolutely needed in the final phase of both the EDs IESSA and ISSA 5000.

Definition of Sustainability Information

3. Do you support the definition of "sustainability information" in Chapter 2 of the ED? (See *paragraphs 24 to 26 of this document*)

We note that the IESBA's definition of "sustainability information" is not the same as the IAASB's. There seems to be a confusion between the two boards around the notion of "subject matter information."

Here again, both definitions should be aligned. It is not understandable for a third party or even for a professional accountant why the definition of sustainability information should be different for ethics and for auditing purposes.

Scope of Proposed IESSA in Part 5

4. The IESBA is proposing that the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients. Do you agree with the proposed scope for the ethics standards in Part 5? [See paragraphs 30 to 36 of this document]

We agree with the approach taken in new Part 5 of the Code to cover sustainability assurance engagements and **non-assurance engagements** provided to sustainability assurance clients.

However, we have one very strong concern on the treatment by IESBA of what it describes as “*independence matters arising when a firm performs both audit and sustainability assurance engagement to the same client*”.

Paragraph 5410.11 A1 of the ED states that “*where a firm performs both an audit engagement and a sustainability assurance engagement for a sustainability assurance client, paragraphs 410.11 A1 to 410.11 A3 apply in the context of the fees charged by the firm or network firm to the sustainability assurance client [...]*.”

We are in total disagreement with this statement which implies that two different assurance engagements provided to the same client could create a threat to independence for one another, and we consider the ED to be fatally flawed on this issue.

Two different assurance engagements provided to the same client can never create any threat to independence for one another, since they both require to be independent under the same rules and the same code.

This is an issue we discussed at length in the EU during the legislative process of the CSRD, and both the European Parliament and the European Council of Ministers concluded that there was absolutely no problem of independence in the provision of statutory audit and sustainability assurance to the same client by the same firm. And this, even if the respective fees are unbalanced.

In fact, the primary route provided in the CSRD, is the provision of sustainability assurance to an entity by its own statutory auditor. It is only a Member State **option** in the CSRD to allow another auditor than the statutory auditor, or even an IASP, to provide sustainability assurance to an entity.

In addition, in the EU, the provision of sustainability assurance to an audit client is not counted in the calculation of the 70% cap for NAS.

Even, the IESBA Code of Ethics has never implied so far that there could be a problem of independence in providing different assurance engagements to the same client. It is the provision of **non-assurance services** to an audit client that can create a threat to independence, not the provision of any assurance engagement.

We therefore request the IESBA to delete the first sentence of paragraph 5410.11 A1.

5. The IESBA is proposing that the *International Independence Standards* in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. Do you agree with the proposed criteria for such engagements in paragraph 5400.3a? [See paragraphs 38 to 43 of this document]

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

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

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

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

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

Some say yes, for that same reason described above.

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

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

Structure of Part 5

6. Do you support including Section 5270 in Chapter 1 of the ED? [See paragraphs 46 to 48 of this document]

No, not needed, as it is covered by fundamental principles.

NOCLAR

7. Do you support the provisions added in extant Section 360 (paragraphs R360.18a to 360.18a A2 in Chapter 3 of the ED) and in Section 5360 (paragraphs R5360.18a to 5360.18a A2 in Chapter 1 of the ED) for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) NOCLAR to each other? [See paragraphs 56 to 67 of this document]

We agree in principles that the sustainability assurance provider should have a responsibility to comply with NOCLAR, and we agree that the financial auditor and the sustainability assurance provider should be able to communicate with one another in case of NOCLAR.

In France, the sustainability assurance providers, whether they be PAs or non-PAs, have an obligation to report to the public prosecutor the criminal acts they would discover in the course of their engagement.

The financial auditor and the sustainability assurance provider (whether PA or non-PA) are also relieved from professional secrecy towards one another. However, the law clearly mentions that they should communicate only the information which is strictly necessary for the accomplishment of each other's engagement.

Therefore, we consider that the communication of NOCLAR between the auditor and the sustainability assurance provider should be limited to what is strictly necessary for each other's engagement.

For example, if the auditor discovers a purely financial fraud from a staff of the accounting department, he will not need to communicate it to the sustainability assurance provider.

That being said, we have two concerns with the NOCLAR section:

- First, we are concerned with the extension of the examples of laws and regulations that might be subject to NOCLAR in paragraph 5360.5. A2. We are particularly concerned with the introduction of consumer rights in this list because they are very wide, and the sustainability assurance provider may not know them extensively. NOCLAR was relatively well defined when it was dealing with financial information because it was mirroring ISA 250. Now that it would also apply to sustainability, there is the risk of a scope creep.
- Second, we disagree with the conforming amendments brought to section 360 which introduce a NOCLAR responsibility to the financial auditor towards non-compliance affecting the sustainability information. The financial auditor and the sustainability assurance providers should only be dealing with the NOCLAR concerning their own respective topics: NOCLAR affecting the financial information for the financial auditor, NOCLAR affecting the sustainability information for the sustainability assurance provider. And then, they should be allowed / required to communicate with one another if the identified NOCLAR has an impact on the other professional's topic.

We therefore ask that section 360 be left as it is with no conforming amendments except for the paragraphs on mutual communication of NOCLAR.

8. Do you support expanding the scope of the extant requirement for PAIBs? (See paragraphs R260.15 and 260.15 AI in Chapter 3 of the ED) *[See paragraph 68 of this document]*

Yes.

Determination of PIEs

9. For sustainability assurance engagements addressed by Part 5, do you agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements? *[See paragraphs 80 to 85 of this document]*

We agree with having the same PIEs for both audit and sustainability assurance engagements. Having a different definition of PIEs for both engagements would be a nightmare.

However, as already mentioned in our response to the IESBA PIE ED some years ago, we believe that the decision of which entities are PIEs and which are not is a decision of the public authorities at national or supra-national level, not a matter for the standard setter.

Group Sustainability Assurance Engagements

10. The IESBA is proposing that the **International Independence Standards** in Part 5 specifically address the independence considerations applicable to group sustainability assurance engagements. [See paragraphs 86 to 92 of this document]

- (a) Do you support the IIS in Part 5 specifically addressing group sustainability assurance engagements? Considering how practice might develop with respect to group sustainability assurance engagements, what practical issues or challenges do you anticipate regarding the application of proposed Section 5405?
- (b) If you support addressing group sustainability assurance engagements in the IIS in Part 5:
 - (i) Do you support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement (see Section 5405)?
 - (ii) Do you agree with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firms regarding the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement? [See paragraph 88 of this document]
 - (iii) Do you agree with the proposed defined terms in the context of group sustainability assurance engagements (for example, "group sustainability assurance engagement" and "component")?

We agree in principles that there should be ethical and independence rules dealing with group sustainability assurance engagements. Indeed, in Europe under the CSRD, it will be the most common engagement we will start with.

However, it is difficult to comment on that section not knowing what the assurance standard ISSA 5000 is going to require in terms of group sustainability assurance.

ISSA 5000 did not really transpose the requirements of ISA 600 in the context of group sustainability assurance, and there is a risk of a mismatch between the IESBA and the IAASB requirements for group engagements.

Here again, it is important to coordinate between IAASB and IESBA on common issues.

Using the Work of Another Practitioner

11. Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner plans to use the work of another practitioner who is not under the former's direction, supervision and review but who carries out assurance work at a

sustainability assurance client. Do you agree with the proposed independence provisions set out in Section 5406? *[See paragraphs 93 to 101 of this document]*

The notion of "another practitioner" will be difficult to understand / translate. It will be very difficult to distinguish from an "other practitioner," and will probably be lost in translation anyway. We would recommend challenging whether it is really needed.

If yes, we recommend finding another term.

Assurance at, or With Respect to, a Value Chain Entity

12. Do you support the proposed definition of "value chain" in the context of sustainability assurance engagements? *[See paragraphs 102 and 103 of this document]*

We agree with the IESBA definition of a value chain. We agree particularly with the statement in the definition that value chain entities **are not components**.

However, here again, we note that the IESBA and the IAASB do not have the same definition of value chain, since the IAASB, through its concept of reporting boundaries, can consider value chain entities as components.

We definitely favor the IESBA definition which clearly excludes components from value chain.

13. Do you support the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity? *[See paragraphs 104 to 110 of this document]*

No, we do not support the provisions in section 5407 addressing the independence considerations when assurance is performed at or with respect to a value chain entity.

The reasons why we do not support the ED on this issue of independence from the value chain are explained below:

The concept of the value chain is relatively new, and it requires careful consideration regarding independence. Value chain entities are not part of the group and do not meet the definition of related entities. Very often, the information needed from value chain entities will only deal with scope 3 emissions. They will generally be based on estimates and will have been gathered by the client, based on information provided by the value chain entities, or based on estimations which are public.

The exposure draft (§5700) acknowledges that value chain entities (material) are not part of the sustainability assurance client's organizational boundary and are not under the control of the client. However, when analyzing the characteristics of the relationships between the audit client and the value chain entity, we should also recognize that the value chain entity and the audit client may or may not have contractual relationships (for instance, a supplier of a supplier). Additionally, the practitioner may or may not engage in contractual arrangements with the value chain entity to perform assurance procedures. We believe that assessing these contractual relationships is crucial and more relevant for independence considerations rather than how audit evidence is being collected (at the value chain entity or not).

When there is no contractual engagement between the assurance practitioner and the value chain entity within the context of the assurance engagement, it becomes challenging to justify

the existence of threats to independence. This situation becomes even more apparent when dealing with rank 2 suppliers - those who supply goods or services to the audit client's supplier. In the absence of a contractual relationship with the value chain entity, the practitioner has no obligations toward that entity, and vice versa.

In the context of financial audits, there are already instances where auditors perform stock counts or review procedures at an audit client's provider (such as a logistical provider or an IT service provider). Obviously, the auditing standards do not require auditors to be independent from such providers. The introduction of "*performing work at the value chain entity*" as a new consideration in the exposure draft also raises questions about its interpretation. For instance, does performing work remotely qualify as "*at the value chain entity*," or does seeking clarification from a representative of the value chain entity constitute performing assurance work in that context?

Consequently, whether the practitioner is engaged or not by the value chain entity should serve as the "entry point" for analyzing the independence threats of the assurance practitioner and a value chain entity of the assurance client, and not whether audit evidence is collected physically "*at the value chain entity*."

If the assurance practitioner is engaged by the value chain entity to perform assurance work, we agreed that independence consideration should be assessed with respect to that value chain entity rather than solely focusing on the audit client. This aligns with the requirements of section 5407, which we concur with, emphasizing that the triggering event should not be based solely on the fact that the sustainability assurance practitioner performs separate assurance work at the value chain entity. Instead, it should be triggered when the practitioner is engaged (either directly or jointly with the assurance client) by the value chain entity.

We thus suggest, at a minimum, the following mark up of section 5407:

5407.2 A1 The sustainability information on which a firm expresses an opinion might include information from a value chain entity. In performing the sustainability assurance engagement in accordance with the relevant sustainability assurance standards, the firm might determine that assurance procedures need to be performed at or with respect to that value chain entity. In such circumstances, the firm might:

- a) **Be engaged by the value chain entity** to perform the assurance work at the value chain entity;
 - b) Use the work of a sustainability assurance practitioner who separately performs the assurance work at the value chain entity;
- or;
- c) **Collect evidence** on the sustainability information of the value chain entity **with no contractual engagement with that entity for the purpose of the assurance engagement.**

(...)

R5407.3 If the firm **is engaged by the value chain entity to perform assurance** work at a value chain entity for the purposes of the sustainability assurance engagement, the firm and members of the sustainability assurance team shall be independent of the value chain entity in accordance with the independence requirements of this part that are applicable to a firm and

a sustainability assurance team member, as applicable, with respect to a sustainability assurance client.

(...)

Independence considerations when a firm performs assurance work on sustainability information of a value chain entity provided by the sustainability assurance client with no contractual engagement with that entity.

R5407.6 If the firm collects evidence on the sustainability information of the value chain entity provided by the sustainability assurance client with no contractual engagements with that value chain entity, the firm and members of the sustainability assurance team shall be independent of the sustainability assurance client in accordance with the independence requirements of this Part.

In the case of paragraph 5407.2 A1 c) we consider that the work done on the information gathered from the value chain is closer to the work conducted in an audit for collecting audit evidence and checking the reliability of these evidence. As such, the expression “perform assurance work” is misleading and “collecting evidence” from the value chain is more appropriate. The confusion comes from that notion of “performing assurance work” which triggers in every body’s mind the need to be independent.

Therefore, we consider that requiring full independence from the firm and the assurance team on value chain entities is neither pertinent nor practicable. We consider that the issue with respect to the information from the value chain should be, in applying the conceptual framework of the code that requires identification, evaluation and addressing of threats, to avoid conflict of interests or avoid having self-review threat, rather than to require the “full monty” of independence.

The following examples illustrate our argument:

- We agree that if the firm has prepared the information of the value chain and that this information is then included in the sustainability report of the sustainability assurance client, there is a self-review threat.
- We also agree that if the spouse of the partner in charge of the sustainability assurance engagement, works for the value chain entity on the information needed by the sustainability assurance client, there can be a conflict of interests.
- But we do not agree that there can be any problem if some staff from the firm, in any remote country of the world, owns a share from the value chain entity.

Therefore, we consider that requiring full independence from the firm and the team vis-à vis the value chain entity is disproportionate and unpracticable.

As mentioned above, sustainability reporting is at an early stage of implementation in many countries. And so is sustainability assurance. Entities are on a learning curve and so are the assurance practitioners.

In France we already have a long experience of sustainability assurance, acquired through different laws requiring both sustainability reporting from entities and sustainability assurance from auditors, and we can confirm that **assurance drives quality**.

At this stage, we consider that it is in the public interest to increase the quality of sustainability reporting. If nobody is able to verify the information from the value chain because the firm and the team need not only to be fully independent from the assurance client but also from the

value chain, there is a risk that the value chain information remains unverified or entirely based on estimates and public information.

For all these reasons, we consider that the requirements around the independence vis-a-vis the value chain should, in applying the conceptual framework, be limited to avoiding conflicts of interests and self-review threats.

14. Where a firm uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity but retains sole responsibility for the assurance report on the sustainability information of the sustainability assurance client:
- (a) Do you agree that certain interests, relationships or circumstances between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm's independence?

No, we disagree.

As mentioned above in our response to question 13, we do not agree with applying the full independence requirements to the value chain. We believe it should be limited to conflicts of interests and self-review threats.

When a firm uses the work of a sustainability assurance practitioner who is not a member of the firm to perform assurance work on the value chain information, it seems to us that it builds an additional "firewall" to any potential issue of independence between the firm and the value chain entity. By using an assurance practitioner who is independent from the firm, from the sustainability assurance team and from the value chain to provide to the firm assurance on the value chain information, we consider that the firm builds an additional safeguard to any potential independence issue between the firm and the value chain entity.

This is why we are not favorable to paragraph R5700.4 which stipulates that *"when the sustainability assurance team knows, or has reason to believe, that an interest, relationship or circumstance between the firm, a network firm or a member of the sustainability assurance team and the value chain entity is relevant to the evaluation of the firm's independence from the client, the sustainability assurance team shall include that interest, relationship or circumstance when identifying, evaluating and addressing threats to independence."*

This paragraph is a source of permanent insecurity for the firms that would have to demonstrate in case of future litigations that nobody knew or had reason to believe, at the time when the assurance engagement was conducted, that there was a potential problem of independence.

The concept of *'knows or has reason to believe'* appears in various parts of the code but mostly when dealing with conflicts of interests, and it lacks a specific definition. Given its expanded use in a new context, a clear definition of its meaning and implications for the assurance provider should be introduced into the code to avoid ambiguity and ensure consistent interpretations.

Paragraph 113 of the explanatory memorandum state that *"the IESBA does not intend that the application of the "knows or has reason to believe" principle create a monitoring obligation on the firm. Accordingly, there is no expectation that the firm maintains an up-to-date database of the client's value chain entities and monitor any interests, relationships and circumstances between the firm, network firms and members of the sustainability assurance team and such entities."* Such expectation is not explicitly written or explained in the code, and to avoid

misinterpretation, should paragraph R5700.4 be maintained as such, this expectation should be introduced and specified into the code.

We also consider that, even without maintaining an up-to-date database of the client's value chain entities (which would be impracticable) in accordance with ISQM, firms already possess databases to monitor interests, relationships and circumstances between the firm, network firms and their employees (the members of the sustainability assurance team), and entities that may or may not be assurance clients. The board should provide clarity regarding the information that must be considered to meet the requirement to 'know' when performing assurance work. For instance, should audit practitioners inquire about all existing source of information at their disposal, including such database, to assess independence in relation to value chain entities? The board's expectations in this regard need clarification. If the board expects the engagement team to undertake dedicated procedures to identify potential threats to independence, it could create practical challenges and increase the risk of potential non-significant breaches that the assurance practitioner must consider.

The board should further specify that, when the assurance practitioner has no contractual obligation to perform assurance work for the value chain entity, if a threat to compliance with the fundamental principles of the code related to supply chain entities is identified, the practitioner should apply guidance of section 5300 – "applying the conceptual framework". It would be then beneficial for the sustainability practitioner if the code includes applications material such as practical examples to illustrate the conceptual framework and guide their works.

Examples of such threats in our view should be limited to conflicts of interests and self-review threats.

To conclude, we believe that the requirement, if any, should be purely reactive and limited to conflicts of interests and self-review threats, which we consider to be the most serious threats in such case.

- (b) If yes, do you support the approach and guidance proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships or circumstances with a value chain entity in Section 5700? What other guidance, if any, might Part 5 provide? (See paragraphs 111 to 114 of this document]

N/A.

Providing NAS to Sustainability Assurance Clients

15. The *International Independence Standards* in Part 5 set out requirements and application material addressing the provision of NAS by a sustainability assurance practitioner to a sustainability assurance client. Do you agree with the provisions in Section 5600 (for example, the "self-review threat prohibition," determination of materiality as a factor, and communication with TCWG)? (See paragraphs 115 and 116 of this document]

Yes, we agree in principles that, similar to what exists for the audit of financial statements, the provision of non-assurance services related to sustainability, to a sustainability assurance client might create threats to independence.

We agree with the provisions in section 5600 concerning self-review threat, materiality, communication with TCWG, etc.

However, we find that when it comes to specific types of NAS, they have not been adapted enough to sustainability matters (see for example all the NAS around taxation) and seem to be copy-pasted from the NAS related to financial audits.

This creates a confusion about which NAS may create a threat to independence on which engagement, especially in the case where the firm is both the auditor of the financial statements and the sustainability assurance provider for the same client.

It should be made clear that only the NAS related to financial information may create a threat to independence on the audit, and only the NAS related to sustainability may create a threat to independence on the sustainability assurance engagement.

For example, providing bookkeeping services to an audit client may not create a risk on the sustainability assurance engagement for that same client. As presently drafted, the lack of sufficient "customization" and adaptation of the NAS related to sustainability, creates a confusion as to whether the two types of NAS (financial NAS and sustainability NAS) may mutually create a threat to independence on financial audit and sustainability assurance engagement.

We believe they should clearly be treated in two different silos.

Overall, we find that the NAS section is much too long and much too detailed.

16. Subsections 5601 to 5610 address specific types of NAS. *[See paragraphs 118 to 120 of this document]*
- (a) Do you agree with the coverage of such services and the provisions in the Subsections?

See our comments above on the lack of customization / adaption of the NAS examples to the specifics of sustainability. This is particularly true for all the NAS around taxation which seem almost copy-pasted from these same "financial" NAS.

- (b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

Non-PAs often tend to carry a lot of technical certification engagements, often under ISO standards, that may create threats to independence if they also provide sustainability assurance to the same client.

These types of certification engagements do not seem to be captured in the NAS section of the ED.

Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements for the Same Client

17. Do you agree with, or have other views regarding, the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also

audits the client's financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client)? [See paragraphs 123 to 131 of this document]

No, we totally disagree, and we have a very strong concern with this section, which is an **absolute deal breaker for us**, regarding this ED.

Paragraph 5410.11 A1 of the ED states that “*where a firm performs both an audit engagement and a sustainability assurance engagement for a sustainability assurance client, paragraphs 410.11 A1 to 410.11 A3 apply in the context of the fees charged by the firm or network firm to the sustainability assurance client [...].*”

We are in total disagreement with this statement which implies that two different assurance engagements provided to the same client could create a threat to independence for one another, and we consider the ED to be fatally flawed on this issue.

Two different assurance engagements provided to the same client cannot create any threat to independence for one another since they both require to be independent, under the same rules and the same code.

This is an issue we discussed at length in the EU during the legislative process of the CSRD, and both the European Parliament and the European Council of Ministers concluded that there was absolutely no problem of independence in the provision of statutory audit and sustainability assurance to the same client by the same firm. And this, even if the respective fees are unbalanced.

In fact, the primary route provided in the CSRD, is the provision of sustainability assurance to an entity by its own statutory auditor. It is only a Member State **option** in the CSRD to allow another auditor than the statutory auditor, or an IASP, to provide sustainability assurance to an entity.

In addition, in the EU, the provision of sustainability assurance to an audit client is not counted in the calculation of the 70% cap for NAS.

Even the IESBA Code of Ethics has never implied so far that there could be problem of independence in providing different assurance engagements to the same client. It is the provision of **non-assurance services** to an audit client that can create a threat to independence, not the provision of different assurance engagement.

We therefore request the IESBA to delete the first sentence of paragraph 5410.11 A1.

Other Matters

18. Do you believe that the additional guidance from a sustainability assurance perspective (including sustainability-specific examples of matters such as threats) in Chapter 1 of the ED is adequate and clear? If not, what suggestions for improvement do you have?

No.

19. Are there any other matters you would like to raise concerning the remaining proposals in Chapters 1 to 3 of the ED?

No

SUSTAINABILITY REPORTING

Scope of Sustainability Reporting Revisions and Responsiveness to the Public Interest

20. Do you have any views on how the IESBA could approach its new strategic work stream on expanding the scope of the Code to all preparers of sustainability information? [See paragraphs 133 to 135 of this document]

Quality of sustainability reporting starts with the preparers, it is undeniable.

We therefore agree in principles with expanding the scope of the code to all preparers of sustainability information, under the condition that IESBA prioritize the finalization of Part 5 of the Code at the appropriate level of quality, having taken into account the comments received on exposure and having carefully thought through the consequences of its proposals.

21. Do you agree that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics? [See paragraph 138 of this document]

No comment.

Proposed Revisions to the Extant Code

22. Do you agree that the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective, including:
- (a) Proposed revisions to Section 220? [See paragraphs 139 to 141 of this document]
 - (b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? [See paragraphs 143 to 153 of this document]
 - (c) Other proposed revisions? [See paragraph 155 of this document]

See our response to question 7 regarding NOCLAR. We disagree with amending section 360 to extend the responsibilities of the financial auditor to NOCLAR which are related to sustainability information.

23. Are there any other matters you would like to raise concerning the proposals in Chapter 4 of the ED?

No

EFFECTIVE DATE

24. Do you support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISSA 5000 on the assumption that the IESBA will approve the final pronouncement by December 2024?

Yes, but we do not know whether it will be possible, since we believe there is a lot of work to do to improve the ED streamline and simplify it, better adapt it to the specifics of sustainability and correct the flaws.

What is important is the quality of the final proposal, and if it requires to take more time to finalize the proposal, it is better to do so than to rush it through and end up with a text that will satisfy no one. We believe it is important that IESBA thinks through the comments received on exposure, better coordinate with the IAASB and carefully weighs the consequences of its final proposal. IESBA should also be ready to have a progressive approach, rather than trying to solve all issues at once, on what is still an emerging topic in many countries.