

May 10, 2024

IESBA  
529 5th Avenue  
New York, New York 10017

Attention: Gabriela Figueiredo Dias, Chair

**RE: 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 Ms. Figueiredo,

We write in response to the International Ethics Standards for Accountants (IESBA) Board's request for feedback to the proposed *International Ethics Standards for Sustainability Assurance* within the context of protecting the public interest.

**About the International CFO Alliance**

**CFO Alliance is a collaborative network of CFO Associations with the objectives to:**

- Foster closer co-operation between participating organizations within the CFO Alliance;
- Maintain International CFO Work Groups on 1) Climate and Sustainability Reporting 2) Automation and Digital Transformation and 3) International Tax;
- Collect and represent the views of CFO Associations, on issues impacting the CFO community, to international standard setting organizations and authoritative policy making bodies, such as the G20, the Financial Stability Board, the World Bank, World Economic Forum, IFAC, and the IFRS Foundation;
- Share best practice in CFO association management;
- Share local news and events from participating CFO Associations.

Our mission is to develop a collaborative network of CFO Associations that can serve as a collective voice on matters of mutual interest and concern, and in this way contribute to the efficiency of financial markets around the world, whilst ensuring a sustainable future for all.

Our work serves the public interest by fostering a culture of co-operation, sharing of ideas, and contribution to solving global issues affecting the CFO profession.

The alliance (originally formed in December 2021) of CFO organizations from Europe, Africa, and Latin America collaborate in areas of mutual interest, such as Sustainability, Digital Transformation, and Taxation.

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**The associations represented by the International CFO Alliance include:**

- Association Marocaine des Consolideurs Financiers – [AMCF](#) (Morocco),
- Associazione Nazionale Direttori Amministrativi e Finanziari – [ANDAF](#) (Italy),
- Associação Nacional de Executivos - [ANEFAC](#) (Brazil),
- Asociación Española de Financieros de Empresa – [ASSET](#) (Spain),
- Club des Financiers du Nord Maroc - [CFN](#) (Morocco),
- Association Tunisienne des Contrôleurs de Gestion et des Responsables Financiers – [COGEREF](#) (Tunisia),
- Association des Directeurs Financiers et de Contrôle de Gestion – [DFCG](#) (France),
- Association of Chief Financial Officers Germany – [GEFIU](#) now CFO Forum Deutschland e.V. (Germany),
- Instituto Argentino de Ejecutivos de Finanzas, [IAEF](#) (Argentina),
- Instituto Mexicano de Ejecutivos de Finanzas – [IMEF](#) (Mexico),
- Portuguese Association of Financial Executives – [PAFE](#) (Portugal),
- Chartered Institute for Business Accountants – [CIBA](#) (South Africa),
- Hellenic Association of Chief Financial Officers – [SEODI](#) (Greece), and
- several groups from UEMOA West Africa.

Our main comments, incorporating outreach with our membership, for your consideration on the impact of the proposed *International Ethics Standards for Sustainability Assurance* are set out below and detailed comments to many of the questions in the Request for Feedback document, where relevant, are set out in Appendix A.

Main comments:

Broadly, we support the direction that the IESBA Board is taking to expand the scope of the Code to include both PAs non-PAs when performing sustainability assurance activities. We further recognize the challenges associated with expanding the scope of the Code, and actively encourage the Board to consider specific implementation guidance and support resources to aid in adoption particularly for non-PA communities. Apart from ethics and independence guidelines relating to assurance practices, these supporting resources could potentially include material on the concepts of sustainability and stakeholders other than financial market participants to impart the importance of the greater public interest.

We have the following summary comments:

1. Supply Chain independence: Implementation will require significant implementation guidance to support users in practically applying the boundaries within the value chain for sustainability assurance purposes.
1. Third Party experts: In general, the roles, profiles, skills, and responsibilities appear unclear and imprecise: the various figures are generic and approximated. The relationship between ethics and competence is unclear. There is a lack of schemes and requirements through which one could verify skills: how would a sustainability expert be distinguished from a sustainability auditor? Is there a

different scheme of professional competences? Are there differences in academic titles, certifications, etc.? It may be helpful for the Board to refer within the standard implementation guidance to refer for competences to UNI PdR 104 and 109. How would a firm assess reasonable and informed third party for avoiding self-review threat? Moreover, considering the factors relevant to evaluating the capabilities of the external expert (290.6 A3) it is not clear within the passage regarding whether the external expert has sufficient time to perform the work. If it refers to the work planning of the external expert itself rather than on the firm's organization, it isn't easy to measure and establish the sufficient time requirement not knowing exactly the different activities the external expert may cover in its daily job, not entailing the firm's activities. In agreeing the terms of engagement, what is it meant by "general approach to the work"? Which kind of procedures are expected to be performed in this context? How might the PA assess the appropriateness of an expert analysis when they are referring to the expert when the PA themselves lack knowledge and skills in that specific field?

We hope that you find these comments helpful in assessing the readiness and suitability of the International Ethics Standards for Sustainability Assurance in protecting the public interest in this growing domain. If you wish to discuss them in more detail, please contact the undersigned at [siege@dfcg.fr](mailto:siege@dfcg.fr). We would also be happy to meet with the IESBA staff to further discuss our comments should you require it.

Sincerely yours,

International CFO Alliance (ICFOA)

*Carmine Scoglio*

Carmine Scoglio

Vice Chair, ESG Working Group



Emmanuel Millard

President

## Appendix A

### *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]

*Yes, we agree with the premise that sustainability assurance engagements on such information must be underpinned by the same high standards of ethical behavior and independence that apply to audits of financial information. High standards of ethical behaviour and independence apply regardless of the degree of assurance, meaning whether it applied to limited assurance or reasonably assurance – underlying ethics should be of a high standard.*

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

*Yes, in principle we agree with the profession-agnostic and framework-neutral approach of the Code. We strongly support the use of common language with the extant Code which will facilitate implementation (i.e.: familiarity for PAs in particular), and prevent the emerge of an alphabet soup in ethics related standards.*

*Moreover, we believe that additional guidance may be needed to support its implementation among other non-accounting professionals entering into assurance services professions. It would be unwise to assume that all professions are familiar with the common language used in the proposals, for example, in reference to the fields of audit, corporate governance, internal controls frameworks, etc.*

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]

*Yes, in principle we agree with the profession-agnostic and framework-neutral approach of the Code. We strongly support the use of common language with the extant Code which will facilitate implementation (i.e.: familiarity for PAs in particular) and prevent the emerge of an alphabet soup in ethics related standards.*

### **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 support the definition proposed for sustainability information, however, encourage the Board to continuously engage with other standard setters and regulators to ensure alignment on definitions and terms to ensure connectivity in understanding and concepts which will benefit the public interest through its consistency.*

### **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 that in terms of all types of assurance services, the new Part 5 should set the standards and be profession agnostic. However, non-assurance services (whether provided to the same or other clients) may

be guided by the Professional Standards of the Professional Body to which the non-PA individual or firm belongs. This will necessitate active outreach and alignment between IESBA and the other non-PA Professional Bodies to obtain convergence on ethics and independence in the different disciplines for all types of services. Additionally, some stakeholders may look upon PAs as “beholden” to the capital markets and not ‘stakeholder agnostic’. Therefore, we recommend sensitivity and care in promoting this objective relating to **non-assurance services**.

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]

*Yes, we support the independence requirements for sustainability assurance being equivalent to those for financial statement assurance engagements. Ethics should transcend the type of assurance to ensure high quality reliable information is produced and disclosed and upon which all stakeholders can rely.*

#### **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]

*Yes, we believe it is appropriate to require a sustainability assurance practitioner to communicate NOCLAR to the financial statements’ auditor, and vice versa. Any assumption that most of sustainability assurance will be provided by large one-stop consultancies/practitioners may not be correct [Par 60, bullet 3 of the Explanatory Memorandum]. SMEs are often resource constrained and may not be able to afford the services of a large one-stop sustainability assurance provider likely leading to individual assurance providers on different aspects of the sustainability report. We propose consideration for a requirement to review the financial audit and the sustainability information being assured in conjunction with one and other, minimally at a Board of Director level to ensure integration and the application of the appropriate materiality aspects as per the definition of Sustainability Information [(a) (i) and (ii)].*

#### **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]

*Yes, we broadly agree. We are particularly supportive of the assurer to take responsibility for ensuring work performed by other practitioners, which it intends to rely upon, meets the same ethical standards as the assurer themselves accept. It would follow that should reliance not be practicable on the practitioner’s work, then the assurer would need to develop compensating assurance or seek an alternative practitioner. In either case, the proposed approach would ensure high quality sustainability information underpinned by ethical behaviours and practices.*

#### **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 support the recognition of the Board in value chain entity control outside of its immediate contracting relationships. The proposal to include new provisions in Sections 5407 and 5700 in the proposed IESSA that explicitly address the independence considerations applicable when assurance work is carried out at, or with respect to, a value chain entity for the purposes of a sustainability assurance engagement is a reasonable approach to managing the independence risks within a wider value chain, particularly where one or more parties is material to the entity being assured.*

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]

*Yes, we support the requirement for the assurance team to be independent in fact and in appearance from assurance teams in material entities within the value chain, which are subject to specific assurance procedures. Independence in such cases is and remain important to public interest and trust – we’ve seen many public examples of failures from a lack of independence in financial reporting, sustainability reporting expands this risk and could exponentially increase failure risks impacting a much wider stakeholder community than would be impact by a financial reporting risk failure, for instance.*

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?

*Yes, we 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.*

(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]

*Yes, we do support the proposed approach for the reasons as noted above (note 13).*

#### **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, self-review threats could be a risk when a firm performs NAS to sustainability assurance clients – just as the risk exists today for financial assurance clients and non-audit services. Materiality is a reasonable approach to addressing the magnitude of the risk, however materiality should not be limited to quantitative factors.*

***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, we agree it would be in the public interest to align the effective date with that of the IAASB's ISSA 5000.*