

May 8, 2024


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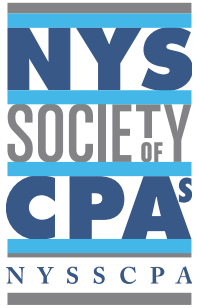
Re: Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 19,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned exposure draft.

The NYSSCPA's International Accounting and Auditing, Professional Ethics and Sustainability Accounting and Reporting committees deliberated the document and prepared the attached comments. If you would like additional discussion with us, please contact Edward Esposito at edcpa@icloud.com, or Keith Lazarus, NYSSCPA staff, at (212) 719-8378.

Sincerely,
NYSSCPA

NYSSCPA
Liren Wei
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED INTERNATIONAL ETHICS STANDARDS FOR SUSTAINABILITY
ASSURANCE (INCLUDING INTERNATIONAL INDEPENDENCE STANDARDS)
(IESSA) AND OTHER REVISIONS TO THE CODE RELATING TO SUSTAINABILITY
ASSURANCE AND REPORTING**

May 8, 2024

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New York State Society of Certified Public Accountants

Comments on

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

Background

In September 2022, the International Organization of Securities Commissions (IOSCO) issued a statement indicating that both the International Ethics Standards Board for Accountants (IESBA) and the International Accounting and Auditing Standards Board (IAASB) should develop “sustainability-related [assurance] standards that build on the requirements and principles of existing standards . . . [so that such standards are] “profession-agnostic”: i.e., could be used by either an “audit or non-audit firm.”¹ In November 2022, the Public Interest Oversight Board (PIOB), which monitors the activities of the IESBA and IAASB and the public interest responsiveness of their standards,² issued a report to the IESBA echoing the same mandate above from IOSCO stating that:

Although the Code of Ethics applies only to professional accountants, the PIOB welcomes the IESBA’s consideration of developing fit-for-purpose ethics (including independence) standards that could be used by other professionals who provide assurance on sustainability reporting (e.g. engineers, IT consultancies, actuaries, etc.), recognizing that it is in the public interest that all assurance providers adhere to the same high bar of ethical behavior and independence when engaged to perform sustainability assurance engagements. The PIOB notes the difficulty of the sustainability project and the importance of careful leadership by the Board and looks forward to the IESBA’s discussion on how to approach this topic.³

In January 2024, the IESBA issued the above Exposure Draft (ED) on which we are commenting. The IESBA’s approach is to create a new section, Part 5 (“Proposed Part 5”), within the International Code of Ethics for Professional Accountants (including International Independence Standards) (“the Code”) for sustainability assurance.

General Comments

Approach for Developing Sustainability-related Ethics and Independence Standards

As the PIOB stated above, they believe it is in the public interest to have a “fit-for-purpose”

¹ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD713.pdf>

² <https://www.ethicsboard.org/news-events/2024-03/iesba-staff-releases-high-level-summary-prohibitions-iesba-code-audits-public-interest-entities>

³ “PIOB’s Public Interest issues: IESBA projects,” November 2022, p.9, accessed on the web on March 14, 2024 at: <https://ipiob.org/wp-content/uploads/2022/11/PIOB-PI-Issues-on-IESBA-projects-October-2022.pdf>

ethics and independence standards exclusively for sustainability assurance practitioners. The Proposed Part 5 of the ED applies to all sustainability assurance practitioners, whether or not they are professional accountants. By keeping the Proposed Part 5 in the same document that deals with ethics and independence standards for professional accountants, non-accounting professionals and non-audit firms may inadvertently overlook it. Therefore, we suggest that the IESBA consider positioning the Proposed Part 5 in a standalone document separate and apart from the well-established IESBA Code. We believe that this approach will increase visibility of the sustainability-related ethics and independence standards, thereby making them easier to understand, use and enforce by all sustainability assurance providers (i.e., audit and non-audit firms).

Our rationale for having a standalone ethics and independence standard for sustainability assurance is that it would result in the same approach taken by the IAASB when they published the Proposed International Standard on Sustainability Assurance 5000 (Proposed ISSA 5000). On November 30, 2023, our Society issued a [comment letter](#) on the Proposed ISSA 5000 which agreed with the IAASB's approach to have a new assurance standard strictly for sustainability assurance that can be used by both audit and non-audit firms. The Proposed ISSA 5000 requires both audit and non-audit firms to comply with ethical and independence standards at least as rigorous as the extant Code. Accordingly, by having the Proposed Part 5 in a standalone document, both the IAASB and the IESBA will be on the "same page" with a similar presentation/delivery approach with regards to sustainability assurance, i.e., both the assurance and ethics/independence standards will be in standalone documents.

IESBA-IAASB Coordination

We applaud the IESBA's and IAASB's coordination efforts on this project. That said, we believe that further alignment is necessary in terms of how the complementary sets of sustainability assurance standards deal with definitions of terms and foundational concepts, including the definition of sustainability information. In addition, we believe the Boards should clarify the applicability of its proposed standards, and in doing so provide examples of engagements to which they will apply. For example, will an engagement to provide assurance on an entity's cybersecurity constitute a sustainability assurance engagement that is subject to IAASB's Proposed ISSA 5000 and IESBA's Proposed Part 5? Or will cybersecurity assurance engagements be subject to extant Part 4B of the IESBA Code?

Concerns about Extending the Applicability of the IESBA Code to Non-Accountants, Including Adoption and Implementation Challenges that May Arise

While we agree with the public interest merits of elevating ethics and independence standards for sustainability reporting and assurance, we question IESBA's approach. In particular, some principal drafters of this letter have expressed significant concerns about the ramifications of the IESBA promulgating ethics and independence standards for non-accountants. The IESBA should further clarify its reasons for doing so. In the U.S., for example, each state promulgates and enforces its own jurisdictional ethics code for professional accountants which is substantively aligned to the AICPA Code of Professional Conduct and the IESBA Code. We anticipate

adoption and implementation challenges with Proposed Part 5 and question whether it will be possible to promulgate it for non-accountants. Further, we are unclear as to how the IESBA's expanded standard setting responsibilities should be reflected in each jurisdiction. In this regard, we encourage the IESBA to further consider the following questions: 1) How will the Proposed Part 5 be enforced for non-accountants? and 2) If the IESBA is now promulgating ethics standards for non-accountants, should it change its name to reflect this change?

If the IESBA moves forward with the Proposed Part 5, we recommend that the Board consider undertaking a global communication and rollout strategy to promote consistent understanding of how Part 5 should be used. Targeted efforts will be needed for non-accounting professionals working at non-audit firms who currently provide sustainability assurance. We anticipate that non-accounting professionals will need additional time to familiarize themselves with the requirements in Part 5 most of which are based on Parts 1-4 of the extant Code which is already well understood by professional accountants.

Conclusion

We recommend that the Proposed Part 5 be placed in a separate document which will simplify compliance and enforcement for both audit and non-audit firms that provide sustainability assurance, and accordingly, the Proposed Part 5 should not be added to the IESBA Code.