

May 05, 2024

TO: IESBA

REF.: EXPOSURE DRAFT ON IESSA

Dear Sirs,

On April 4, 2024 the fifteen jurisdictions that form UNCTAD's Latin America Regional Alliance (ARL) met virtually to establish a joint-response to the Exposure Draft on IESSA. The following countries are members of the ARL:

	Country	Institution
1	Argentina	Argentinian Federation of Professional Bodies of Economic Sciences (FAPCE)
2	Brazil	Federal Council of Accounting of Brazil
3	Brazil	CBPS
4	Brazil	Securities Commission of Brazil
5	Chile	Professional Body of Accountants of Chile
6	Colombia	Technical Council of Public Accountancy of Colombia
7	Colombia	Office of the General Accountant of Colombia
8	Colombia	National Institute of Public Accountants of Colombia
9	Costa Rica	Corporate Alliance for Development of Costa Rica
10	Costa Rica	Professional Body of Accountants of Costa Rica
11	El Salvador	Institute of Public Accountants of El Salvador
12	Dominican Republic	ECORED - Dominican Republic
13	Dominican Republic	Ministry of Economy, Planning and Development of Dominican Republic
14	Dominican Republic	Ministry of Environment of Dominican Republic
15	Dominican Republic	Ministry of Industry, Trade and SMEs of Dominican Republic

16	Dominican Republic	Nacional Business Council of Dominican Republic
17	Ecuador	Professional Body of Accountants of Pichincha and Ecuador
18	Ecuador	Ministry of Finance and Economy of Ecuador
19	Ecuador	National Secretariat of Planning of Ecuador
20	Guatemala	Center for Business Social Responsibility Action in Guatemala (CentraRSE)
21	Guatemala	Professional Body of Accountants and Auditors of Guatemala
22	Guatemala	Ministry of Economy of Guatemala
23	Honduras	Technical Board of Accounting and Auditing Standards of Honduras
24	Mexico	Mexican Financial Reporting Standards Board (CINIF)
25	Mexico	Mexican Institute of Public Accountants
26	Panama	Superintendency of Securities of Panama
27	Panama	Professional Body of Public Authorized Accountants of Panama
28	Paraguay	Commission of Securities of Paraguay
29	Paraguay	Council of Public Accountants of Paraguay
30	Paraguay	General Directorate of Public Accounting- Ministry of Economy and Finance
31	Peru	Ministry of Finance and Economy of Peru
32	Peru	Superintendency of Securities of Peru

Two Board Members of IESBA, Mr. Hector Lehuede and Mrs Vania Borgerth, made a short presentation on the material and answered a few questions from the participants. The meeting was attended by Mr. Manuel Arias from IFAC.

After the presentations, a tool from Zoom was used to collect answers from the participants. In order to avoid any bias, the three participants previously mentioned did not vote at this time. The meeting was recorded and the video is available if necessary.

The result of the consultation was as follows:

Request for Specific Comments

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]

- I Agree – 75% of respondents
- I am not sure - 25% of respondents
- I don't agree (please qualify)

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

- I Agree - 67% of respondents
- I am not sure - 33% of respondents
- I don't agree (please qualify)

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]

- I Agree - 80% of respondents
- I am not sure - 20% of respondents
- I don't agree (please qualify)

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]

- I do support - 75% of respondents
- I am not sure - 25% of respondents
- I don't support (please qualify)

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]

- I Agree - 100% of respondents
- I am not sure
- I don't agree (please qualify)

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]

- I Agree 100% of respondents
- I am not sure
- I don't agree (please qualify)

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]

- I do support - 100% of respondents
- I am not sure
- I don't support (please qualify)

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]

- I do support 100% of respondents
- I am not sure

I don't support (please qualify)

8. Do you support expanding the scope of the extant requirement for PAIBs? (See paragraphs R260.15 and 260.15 A1 in Chapter 3 of the ED) (see paragraph 68 of this document]

- I do support - 80% of respondents
- I am not sure - 20% of respondents
- I don't support (please qualify)

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]

- I Agree - 100% of respondents
- I am not sure
- I don't agree (please qualify)

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?

- I do support - 100% of respondents
- I am not sure
- I don't support (please qualify)

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?

_____ **No comments presented** _____

(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)?

- I do support - **100% of respondents**
- I am not sure
- I don't support (please qualify)

(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]

- I agree - **100% of respondents**
- I am not sure
- I don't agree (please qualify)

(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")?

- I agree **100% of respondents**
- I am not sure
- I don't agree (please qualify)

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]

- I agree - 80% of respondents
- I am not sure
- I don't agree (please qualify) - 20% of respondents

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]

- I do support 60% of respondents
- I am not sure 40% of respondents
- I don't support (please qualify)

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]

- I do support 80% of respondents
- I am not sure 20% of respondents
- I don't support (please qualify)

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?

- I agree 80% of respondents
- I am not sure 20% of respondents
- I don't agree (please qualify)

(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?

- I do support - 80% of respondents
- I am not sure 20% of respondents
- I don't support (please qualify)

What other guidance, if any, might Part 5 provide? [See paragraphs 111 to 114 of this document]

No comments presented. _____

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]

- I agree 60% of respondents
- I am not sure 20% of respondents
- I don't agree (please qualify) 20% of respondents

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?

- I Agree 60% of respondents
- I am not sure 20% of respondents
- I don't agree (please qualify) 20% of respondents

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

No comments presented. _____

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]

- I Agree **60% of respondents**
- I am not sure **20% of respondents**
- I don’t agree (please qualify) **20% of respondents**

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?

- Yes, I do **100% of respondents**
- I am not sure
- I don’t believe they are adequate

If not, what suggestions for improvement do you have?

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]

No comments presented. _____

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]

- I Agree - 60% of respondents
- I am not sure 20% of respondents
- I don't agree (please qualify) 20% of respondents

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]

- I Agree 80% of respondents
- I am not sure 20% of respondents
- I don't agree (please qualify)

(b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? [See paragraphs 143 to 153 of this document]

- I Agree 75% of respondents
- I am not sure 25% of respondents
- I don't agree (please qualify)

(c) Other proposed revisions? [See paragraph 155 of this document]

No comments presented. _____

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

No comments presented. _____

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?

- I do support **100% of respondents**
- I am not sure
- I don’t support (please qualify)

Using the Work of an External Expert

Certain provisions in Section 5320 as well as Section 5390 of the proposed IESSA (in Chapter 1), and the revisions to “Using the Work of Others” in Section 220 and “Using the Work of an Expert” in Section 320, in the extant Code (in Chapter 4), all highlighted in grey, were developed under the Use of Experts project. See Using the Work of an External Expert Exposure Draft for the questions relating to these aspects. Any feedback should be provided in response to that Exposure Draft.

Request for General Comments

167. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

(a) Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

Proportionality should be taken into account.

(b) Regulators and Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and oversight communities.

Informative session on the provisions of the Code should be organized in order to stimulate adoption by regulators.

(c) Sustainability Assurance Practitioners Other than Professional Accountants – The IESBA invites comments on the clarity, understandability and usability of the proposals from sustainability assurance practitioners outside of the accountancy profession who perform sustainability assurance engagements addressed by the International Independence Standards in the proposed Part 5 of the Code.

No comments were provided

(d) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

No special consideration to developing nations. Ethical behaviour is expected both from developed or non-developed countries.

(e) Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

IESBA should establish similar translation policies to those adopted by IFRS Foundation.

Yours sincerely,

Vania Borgerth

Chair ARL