



## **Stellungnahme im Rahmen der Konsultation des IESBA zum Entwurf *Sustainability Assurance***

Die WPK hat mit Schreiben vom 8. Mai 2024 gegenüber dem International Ethics Standards Board for Accountants (IESBA) zum Entwurf *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* wie nachfolgend wiedergegebene Stellung genommen.

The Wirtschaftsprüferkammer (WPK) is pleased to take the opportunity to comment on the above-mentioned Exposure Draft (ED). We would like to highlight some general remarks first and provide you with our responses to the questions addressed in the requests for specific comments and general comments in the Explanatory Memorandum accompanying the IESBA ED thereafter.

### **General Comments**

We strongly support the IESBA's project to establish ethics and independence standards for sustainability assurance and sustainability reporting since there is an increasing demand for them.

The WPK also appreciates that the IESBA specifically addresses independence considerations for group sustainability engagements as it is to be expected that the majority of the sustainability assurance engagements in the European Union will relate to the consolidated reporting of groups at least in the first year, i.e. for periods beginning after 31 December 2023.

As already mentioned in our comment letter regarding the Exposure Draft "*Using the Work of an External Expert*", it would be helpful if the IESBA and the IAASB use the same definitions and terms whenever possible in order to avoid confusion and to increase understanding and acceptance by public accountants and providers of sustainability related services.

In our view, the main challenge is seen in the practical implications of the provisions relating to value chains. Since the concept of value chains is new in the context of reporting and assurance engagements, clear and practicable provisions and sufficient guidance are of utmost importance given the fact that the value chains of one client in a sustainability assurance engagement will presumably comprise a very large number of entities,

Below please find our detailed responses to the requests for specific comments and general comments.

## **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 the Explanatory Memorandum]

We generally agree with the IESBA's approach. However, it needs to be further examined whether the requirements can be transferred 1:1 or whether any further specifics of sustainability assurance engagements need to be taken into account.

(b) Profession-agnostic and framework-neutral? [See paragraphs 21 and 22 of the Explanatory Memorandum]

We agree with the IESBA's approach. Although the IESBA cannot oblige non-PAs to use the standards, the proposed provisions are a good offer to non-PAs to commit themselves to comply with them in order to achieve high-quality uniform global ethics (including independence) standards for sustainability assurance engagements. Since the provisions in the proposed IESSA are principally based on the ethics (including independence) provisions for professional accountants as well as for the audit of financial statements, sufficient application guidance is necessary to make sure that non-PAs will be able to understand and apply the provisions in the same way as 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 the Explanatory Memorandum]?

We agree that the proposals are responsive to the public interest. However, it seems that enforceability is one of the major challenges in applying the IESSA. In paragraph 23 of the

Explanatory Memorandum, the IESBA states that the inclusion of the new provisions in the existing Code as a new Part 5 will facilitate the enforceability in relation to those who have already adopted the Code. Another important question, however, is how the IESSA can be enforced in relation to other potential users, i.e. non-PAs.

### ***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 the Explanatory Memorandum]

We agree with the IESBA’s approach to use a broad and generic definition of “sustainability information” which is necessary for Part 5 of the Code to be framework-neutral. We understand that subparagraph (b) of the definition scopes in terms and definitions used in laws and regulations or by other standard setters, such as the IAASB’s definition in the ISSA 5000 Exposure Draft. However, we strongly encourage the IESBA to continue to closely coordinate with the IAASB to ensure alignment on key definitions and terms to the highest extent possible.

### ***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 the Explanatory Memorandum]

We agree with the IESBA’s decision to choose the “middle ground” option as a balanced approach.

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 the Explanatory Memorandum]

We agree with the criteria proposed by the IESBA.

### ***Structure of Part 5***

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

We cannot fully comprehend why it is considered necessary to include these requirements and application material in the sustainability assurance provisions. As they originate from Part 2 relating to PAIBs, they seem to fit more into the environment of public accountants being employed by or working for non-PAs. As analogous provisions have not been included in Part 3 as well, the IESBA should double-check the necessity of including these requirements and application material here and their appropriateness for the intended purpose.

### **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 the Explanatory Memorandum]

We generally agree with the IESBA that a mutual communication between the auditor of the financial statements and the sustainability assurance practitioner can be very useful for both parties. However, compliance with the principle of confidentiality is usually most likely to prevent the auditor (and potentially the sustainability assurance provider as well) to give such information to third parties, including to each other. Such information transfer would be only permitted, if expressly allowed or required by national law / regulation or explicitly agreed with the client.

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 the Explanatory Memorandum]

We do not comment on the requirements for professional accountants in business (PAIB) since German law does currently not allow for PAIB.

### **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 the Explanatory Memorandum]

We principally agree that the same determination of a PIE as for purposes of the audit of the entity's financial statements should also be used for sustainability assurance engagements. However, as we have also pointed out in our comments submitted in connection with the IESBA Exposure Draft: *Proposed Revisions to the Definitions of Listed Entity and Public*

*Interest Entity in the Code*, it is finally in the discretion of the legislator or regulator to determine what constitutes a PIE. It cannot be excluded that a legislator or regulator will establish different criteria with regard to audits of financial statements and sustainability assurance engagements.

### **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 the Explanatory Memorandum]

(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?

We support that the IESBA also specifically addresses independence considerations for group sustainability engagements. This seems to be the more important as it is to be expected that the majority of the sustainability assurance engagements in the European Union will relate to the consolidated reporting of groups at least in the first year, i.e. for periods beginning after 31 December 2023. On the other hand, specific performance standards for sustainability assurance engagements have not yet been adopted and the Exposure Draft of ISSA 5000 does not comprehensively deal with group sustainability engagements.

(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)?

Yes, we agree with the IESBA's approach.

(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 the Explanatory Memorandum]

We principally agree with the IESBA's approach. However, the non-existence of an equivalent to ISA 600 or comparable performance standards, especially for group

assurance engagements, makes it difficult to foresee whether the proposed provisions will finally be appropriate in the context of the performance standards.

- (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”)?

The terms and definitions should be in conformity with those in the performance standard(s). The IESBA should continue to closely cooperate with the IAASB to harmonize the definitions and terms to the highest extent possible.

### ***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 the Explanatory Memorandum]

We principally agree with the independence provisions proposed by the IESBA. However, it may be difficult in practice to oblige another practitioner to comply with the relevant ethics, including independence, provisions since the sustainability assurance practitioner has no contractual relationship with the other practitioner and the other practitioner may not be subject to the IESBA rules.

### ***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 the Explanatory Memorandum]

We agree with the IESBA’s view that the actual definition of “value chain” in the context of sustainability reporting should be left to the applicable reporting standard(s). This is also clearly stated in the first paragraph of the definition.

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 the Explanatory Memorandum]

We principally support the provisions in Section 5407. However, we would like to suggest to clarify what “*Perform the assurance work at the value chain entity*” actually means in order to avoid any misunderstanding that it refers to a physical presence of the sustainability

assurance practitioner at the premises of the value chain entity and to achieve a clear distinction between the alternatives a) and c).

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?

We principally agree with the IESBA's view. However, given the fact that the value chains of one client in a sustainability assurance engagement may comprise a very large number of entities, clear and practicable provisions and sufficient guidance are of utmost importance.

(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 the Explanatory Memorandum]

The introduction to question 14, above, as well as the introduction to Section 5700 in 5700.2 both refer to a situation only where „a firm uses the work of a sustainability assurance practitioner (who performs the assurance work) at a value chain entity ...“. However, the requirement in 5700.4 does not include such reference so that it might give the impression that it relates to all value chain entities of the client, regardless of their size or importance for the sustainability information or the assurance work. This would make the practical application of the entire provision very challenging for the sustainable assurance practitioner, at least in engagements where the value chain comprises a very large number of entities, even if it is only required on a “*knows or has reason to believe*” basis. Therefore, a clarification is necessary that the requirement in 5700.4 relates only to the above-mentioned cases.

In our understanding, this requirement is closely linked with Section 5407, in particular, with alternative b) in 5407.2. A1 and the respective requirements and application material in 5407.4 and 5407.5. If this is the case, the requirement 5700.4 should rather be relocated to the above-mentioned provisions in Section 5407 instead of forming a separate section.

Furthermore, a clear and more comprehensive guidance is considered necessary in respect of what actions the sustainability assurance practitioner is supposed to perform in

order to comply with this provision.

### ***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 the Explanatory Memorandum]

We agree with the IESBA’s approach.

In 5600.12 A1, reference should be made to R5600.15 instead of R600.15.

16. Subsections 5601 to 5610 address specific types of NAS. [See paragraphs 118 to 120 of the Explanatory Memorandum]

- (a) Do you agree with the coverage of such services and the provisions in the Subsections?

We agree with the IESBA’s approach.

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

In our view, there are no further NAS to be addressed.

### ***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 the Explanatory Memorandum]

Audits of financial statements as well as sustainability audit engagements are both assurance engagements for which almost the same ethics, including independence, provisions apply. Furthermore, it is to be expected that the auditor of the financial statements will also be the sustainability assurance practitioner for the same client in a large number of cases, because national legislation either mandates or at least allows such combination in many jurisdictions. It is essential that ethics, including independence, provisions should not create any major hurdles to the combination of both assurance services.



Consequently, the ratio of fees for the sustainability assurance engagement and for the audit of the financial statements should not be considered in the evaluation of threats as proposed in 5410.11 A3 and 410.11 A1 to A3, respectively, for both services separately. Otherwise, the fee for the one service could always be considered to be a potential threat for the other service, depending on which of the two fees is higher. The respective provisions in Part 5 and Part 4b should be amended accordingly.

### ***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?

As suggested above, the provisions relating to value chain entities require a clear, understandable and detailed application guidance since the concept of value chains is new in the context of assurance engagements.

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

We propose to examine whether and for which specific provisions transitional provisions would be necessary. This could be the case, in particular, in relation to Section 5540 - Long Association of Personnel (Including Leader Rotation) with a Sustainability Assurance Client.

### **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 the Explanatory Memorandum]

We propose to initiate an outreach to stakeholders, regulators, oversight bodies, non-PA organisations, etc. to enquire whether there is broad demand for it. An important aspect might be whether non-PAs are interested in applying such provisions at all or whether legislators or regulators intend to oblige them to do so.

It should also be taken into consideration that the extant code does not include similar provisions for “all preparers” of financial statements, but only provisions applying to PAIB.

Therefore, it should first be determined what persons the term “all preparers” should actually cover and how these provisions can be enforced.

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 the Explanatory Memorandum]

As far as the proposed changes of Part 2 of the Code is concerned, we do not comment on the requirements for professional accountants in business (PAIB) since German law does currently not allow for PAIB.

As far as the proposed changes in Part 1 and Part 3 are concerned, we agree that they are responsive to the public interest.

### ***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 the Explanatory Memorandum]

We do not comment on the requirements for professional accountants in business (PAIB) since German law does currently not allow for PAIB.

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

We do not comment on the requirements for professional accountants in business (PAIB) since German law does currently not allow for PAIB.

As far as the proposed changes in Part 3 are concerned, we agree with the IESBA’s approach.

- (c) Other proposed revisions? [See paragraph 155 of the Explanatory Memorandum]

We do not comment on the requirements for professional accountants in business (PAIB) since German law does currently not allow for PAIB.

As far as the proposed changes in Part 3 are concerned, we agree with the IESBA’s approach.

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

No additional comments.

### **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?

We agree with the IESBA's proposal to align both effective dates.

### **Request for General Comments**

(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.

As a fundamental principle, we wish to emphasize the importance of considering the concerns of SMPs in the development of requirements within the Code of Ethics. This is particularly crucial given that SMEs and their respective auditors form the backbone of the economy and must not be unduly burdened.

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

n/a

(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.

n/a

(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.

n/a

(e) Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes

[We have no comments.](#)

We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

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