

April 30, 2024

Sent by email: [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org)

Mr. Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants  
529 5th Avenue  
New York, New York 10017

Dear Mr. Siong,

**Re: Exposure Draft (January 2024) – Using the Work of an External Expert**

On behalf of the Global Accounting Alliance (GAA), I am writing in response to the International Ethics Standards Board for Accountants' (IESBA) request for comments on the above Exposure Draft (ED). The GAA is broadly supportive of the IESBA's endeavors in this domain, particularly in the context of the significant transnational regulatory and standard-setting initiatives directed at achieving globally consistent, comparable, and reliable sustainability reporting and high-quality assurance thereon.

***About the GAA***

The GAA was formed in November 2005 and serves as a forum for 10 leading professional accountancy bodies representing 1,400,000 members in over 180 countries around the globe. Professional accountants play an important role in global capital markets, helping organizations meet the evolving information needs of investors and other stakeholders, including on environmental, social, and governance (ESG) issues.

The GAA's purpose is to serve the public interest by leading the advancement of a high-quality accounting profession by sharing information, and collaborating, among GAA members, and advocating on international issues important to the profession.

The GAA's members include the following professional accountancy bodies:

- Association of International Certified Professional Accountants
- Chartered Accountants Australia and New Zealand
- Chartered Accountants Ireland
- Chartered Professional Accountants of Canada
- Hong Kong Institute of Certified Public Accountants
- Institut der Wirtschaftsprüfer in Deutschland e.V.
- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants of Scotland
- Japanese Institute of Certified Public Accountants
- South African Institute of Chartered Accountants

Although the GAA believes it would not be appropriate to duplicate its members' input into the IESBA's request for comments, I would like to raise a number of specific issues, which all the GAA member institutes agree should be considered by the IESBA:

1. The GAA acknowledges measures in the development of profession-agnostic standards and guidance as a necessary and commendable response to market needs and expectations, however, it urges the IESBA to remain cognizant of the imperative for ensuring the standards it issues meet the characteristics of the Public Interest Framework in order to protect the public interest and maintain public trust in its standards as they evolve to meet these new demands. The *International Code of Ethics for Professional Accountants* (the Code), as it operates in many jurisdictions, functions in a co-regulatory environment directed specifically at professional accountants in public practice (PAPPs) and includes established requirements around internal performance monitoring and quality management, practice and engagement inspection/ review, and disciplinary processes. As far as non-PA professional sustainability assurance practitioners are concerned, the absence of either a similar professional body or regulatory agency providing such requirements may give the public the impression that those providers are subject to the same co-regulatory environment as PAs or even that those providers are PAs, when that may not be the case. This challenge calls into question whether the timelines for addressing identified needs without sacrificing quality, implementability, enforceability, and consistent and global application characteristics of the Public Interest Framework will in fact be met.
2. GAA members have cited concerns about implementation challenges. These include the likely absence of a consistent understanding amongst sustainability assurance practitioners, not familiar with or with no previous experience of the Code, of both the technical language and underlying principles contained in proposed Sections 390 and 5390. I therefore urge the IESBA to reconsider the wording and terminology with an aim towards simplification, including the use of more plain language (a matter pertinent to understandability and, of course, subsequent translation), and to achieve appropriate alignment with ISSA 5000.
3. The GAA members note that guidance on evaluating a potential expert's objectivity is already well established and set out in the IAASB's audit and assurance standards, ISA 620 and ISAE 3000, and the proposed ISSA 5000. Given the profession's familiarity with this guidance, the GAA members would strongly urge the IESBA to ensure that any new provisions in the Code do not contradict it; to ensure that both PAs and sustainability assurance practitioners (SAPs) apply a consistent approach.
4. Further concerns the GAA members have relate to the current state of market development for the provision of sustainability assurance services and the nature of the services themselves. The GAA members note that sustainability-related expertise covers a wide range of subject matter and, in a number of areas, is nascent in its development. There is thus concern that the requirements imposed upon external experts in paragraphs R390.8 through R390.11 and part 5 equivalent as drafted might unduly limit the availability of external experts for PAs and SAPs and impede development of this important market. If the external expert is willing to comply with these requirements, the GAA believes this will drive up the cost of securing external experts.
5. Specifically, in relation to the objectivity element of the *Competence, Capabilities and Objectivity* (CCO) evaluation and the apparent 'binary' character of the intended test itself, GAA members' understanding of the market for relevant expertise in sustainability suggests that the proposed approach seems unduly inflexible. I therefore would urge a greater emphasis on the IESBA Code's well understood threats and safeguards mechanisms as well as the sliding scale approach adopted in ISA 620 that would enable suitable engagement with external experts while protecting overall independence. As such, the requirements in R390.8 through R390.11 and the R390.12 prohibition may in fact impede desired market development by creating a reluctance amongst competent

external experts to work with professional accountants (and others who use the Code), whilst at the same time potentially driving up assurance costs through the internalizing of expertise within firms. Paragraph 390.12(b) and part 5 equivalence should be aligned to R390.6, which clarifies that the external expert has to have the necessary CCO for the accountant's purpose, not the absolute.

6. Relatedly, R390.12 operates in the context of the list of relationships set out in R390.8. These are, in themselves, common sense; nevertheless, in the views of GAA members, these may again further impede market development through either dissuading use of or development in particular branches of emerging sustainability expertise. The blanket nature of such a list without regard to different degrees of threat to objectivity and an apparent absence of reference to effects over time pose, in GAA members' views, significant practical challenges.
7. Separately from our concerns about profession-agnostic standards, I would urge, on behalf of the GAA members, some greater attention to consistency and harmonization, especially with respect to definitions in related standards, such as those required in ISAE 3000, ISA 620, and potentially ISSA 5000.

Finally, in relation to developments in these critical areas of disclosure and broader economic and market reform, I would urge, on behalf of the GAA members, improved coordination, and communication between key regulatory and standard-setting bodies to ensure that their respective projects align to terms of their scope, where applicable, terminology and timeline. The accounting profession is a key stakeholder in these developments, both impacted by and playing a key role in successful implementation.

As a concluding matter of note, the GAA acknowledges with approval the reference made in the EM to transitional provisions safeguarding CCO amongst practitioners in an emerging market for sustainability experts and urges the IESBA to also consider deferring the approval of the updated Code until all issues identified in the consultation process are comprehensively reviewed and resolved.

I wish you every success in finalizing the proposed sections, along with that of the IESBA's related consultation on its proposed *International Ethics Standards for Sustainability Assurance*, as essential underpinnings to professional practice around sustainability reporting and assurance thereon.

If you have any questions or would like to further discuss any issues, please do not hesitate to contact me at [Jim.Knafo@aicpa-cima.com](mailto:Jim.Knafo@aicpa-cima.com).

Best regards,



**Jim Knafo, CPA, CA, CGMA**  
Chief Executive Officer  
Global Accounting Alliance