



Mr. Emmanuel Faber  
Chair, International Sustainability Standards Board (ISSB)  
Columbus Building, 7 Westferry Circus  
Canary Wharf  
London E14 4HD UK

June 22, 2022

Re: Exposure Drafts – General Sustainability-Related Disclosures and Climate-Related Disclosures

Dear Mr. Faber, dear ISSB

We share the common aspiration of stakeholder trust in and use of globally relevant and comparable sustainability-related disclosures that are appropriately assured and supported by a robust framework of excellence in corporate governance, standards, practice, regulation, and education.

I am writing because strong ethics of those involved in the preparation of corporate disclosures and in furnishing related assurance reports is fundamental to this trust. What we all are reading in today's headlines is indicative of trust being ours alone to lose. The right advocacy and support for sound sustainability reporting-related ethical decisions are needed at this very inception of the ISSB's new reporting regime.

I therefore have a simple but important ask. It is that the ISSB take every opportunity to advocate the importance of high standards of ethical behavior, and the role and contributions of the IESBA Code<sup>1</sup> in meeting the markets' needs for trustworthy sustainability reporting. In so doing, the ISSB's voice and support for ethics will help underpin public confidence and trust in information that is increasingly being used for capital allocation or other purposes by investors, customers, employees or potential employees, government agencies and other stakeholders.

My Board has unanimously resolved to take timely action to develop fit-for-purpose, globally applicable ethics and independence standards as a critical part of the infrastructure needed to support sustainability reporting. Our firm conviction is that the IESBA Code is the third pillar alongside the standards of the ISSB and the IAASB.

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<sup>1</sup> [\*International Code of Ethics for Professional Accountants \(including International Independence Standards\)\*](#)



I trust you will find the accompanying details useful in your understanding of our work and perspectives in relation to your exposure drafts.

Yours sincerely,

A handwritten signature in black ink, which appears to read "Gabriela Figueiredo Dias". The signature is written in a cursive style.

Gabriela Figueiredo Dias  
IESBA Chair

cc: Sue Lloyd, ISSB Vice Chair  
Tom Seidenstein, IAASB Chair  
James Gunn, Managing Director, Professional Standards

## Appendix

### 1. Ethics and IESBA's Contribution to Sustainability Reporting and Assurance

The International Ethics Standards Board for Accountants (IESBA) welcomes the ISSB's work in delivering a global baseline for high-quality, consistent and comparable sustainability reporting. As a result, there will also be a growing demand for the assurance of that work. For sustainability reporting to meet the needs of stakeholders in the public interest, the infrastructure that supports sustainability reporting and assurance must be underpinned by high standards of ethical behavior and independence together with a robust system of quality management, oversight and enforcement.

IESBA is a critical part of that infrastructure. While global sustainability reporting standards will be essential to meet the information needs of investors and other stakeholders, we believe it is critical to recognize the role of ethics in supporting public trust in sustainability reporting and assurance.

The importance of ethics to trustworthy corporate reporting is well understood and cannot be overstated. High quality ethics standards, such as those set out in the IESBA Code, establish the mindset and behavioral characteristics professional accountants must exhibit at all times when they apply financial and sustainability reporting standards alike,<sup>2</sup> as well as the independence expectations assurance providers must meet when they are engaged to provide external assurance on the information. Importantly, the IESBA Code, or ethics standards that are at least as demanding, establish a responsibility for professional accountants to act in the public interest.

Trusted globally accepted ethics standards have never been more important than in navigating the pressures brought on by today's fast-moving, complex and uncertain world, and in supporting more sustainable businesses and economies. We look forward to working closely with ISSB and the International Auditing and Assurance Standards Board (IAASB) to ensure that our standards are appropriately coordinated and globally interoperable.

IESBA is the independent global standard-setting board which develops the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#). At IESBA, we believe that a single set of high-quality ethics standards (including independence requirements) enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the work of the accountancy profession. IESBA carries out its mandate with a strong focus on serving the public interest. It is overseen by the Public Interest Oversight Board (PIOB).

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<sup>2</sup> See, for example, Part 1, Complying with the Code's Fundamental Principles and the Conceptual Framework and Part 2, Professional Accountants in Business, in particular:

- Section 110, [The Fundamental Principles](#)
- Section 120, [The Conceptual Framework](#)
- Section 210, [Conflicts of Interest](#)
- Section 220, [Preparation and Presentation of Information](#)
- Section 230, [Acting with Sufficient Expertise](#)
- Section 260, [Responding to Non-Compliance with Laws and Regulations](#)
- Section 270, [Pressure to Breach the Fundamental Principles](#)

## 2. Sustainability-related Issues Being Considered by IESBA of Potential Relevance to ISSB

### *Misleading Information*

Sustainability reporting is increasingly important, not only in meeting stakeholder needs, but also in supporting capital allocation decisions. Global standards, including those relating to ethics and independence, provide an important guardrail against the risks of fragmentation and low quality or misleading information. These risks may be heightened in the context of sustainability reporting as the information is often forward-looking instead of historical, and is subject to higher levels of estimation uncertainty and volatility. In addition, sustainability information is often reliant on assumptions which may be highly subjective. There are further well-known challenges associated with widespread sustainability reporting in its nascent stages. For example, many companies lack mature systems, processes and internal controls to accurately collect and report the required information.

These challenges together with the pressures to report sustainability-related information at the same time as financial information could further exacerbate risks of issues such as “greenwashing” and “cherry picking”, undermining the credibility of the information and the quality of the assurance provided. Greenwashing is a significant public interest concern as it presents investors and other users with misleading information, thereby detracting from the goal of providing them with reliable decision-useful sustainability information. This reinforces the importance of anchoring the conduct and mindset of those involved in sustainability reporting in a robust Code of Ethics. The ISSB’s stated objective that sustainability information needs to be complete, neutral and accurate underlines the need to have in place a robust ethical framework to govern the conduct of all professionals involved in sustainability reporting and assurance. The Code we maintain covers the production and assurance of both financial and non-financial information by professional accountants and auditors.

### *Involvement of Professionals Other Than Professional Accountants in Sustainability Reporting*

Stakeholders are requiring that the preparation of sustainability information be performed to consistent high standards of ethical behavior and technical capability, regardless of who undertakes that work, so that it is as reliable as financial information which to date has been the main driver in capital allocation decisions.

We understand that, in many situations, professional activities related to sustainability reporting might be performed by professionals other than professional accountants. Consequently, the Code would not apply to these other professionals. To address this significant public interest matter, IESBA is currently seeking stakeholder input to explore whether and, if so, how the scope of the robust fundamental ethical principles and other specific provisions in the IESBA Code which apply to professional accountants, could be expanded to professionals other than professional accountants who are involved in sustainability reporting.<sup>3</sup> We would welcome engaging with ISSB as we explore the multiple dimensions of this important matter.

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<sup>3</sup> See IESBA’s [global survey](#) to inform the development of its Strategy and Work plan for 2024-2027. The comment deadline for the IESBA’s Survey is July 8, 2022.

### *Understanding the Role of Providers other than Professional Accountants in Sustainability Assurance*

As with financial reporting, the credibility of sustainability information is enhanced by external assurance, provided by professionals committed to the public interest and the highest ethics standards. Professionals who provide assurance on sustainability information in accordance with the IAASB's International Standard on Assurance Engagements (ISAE) 3000 (Revised) are required to comply with [Part 4B](#)<sup>4</sup> and other ethics requirements of the IESBA Code, or other ethics and independence standards that are at least as stringent. We are keen on obtaining a deeper understanding of whether and, if so, how our International Independence Standards are being used, in particular by providers other than professional accountants who provide assurance on sustainability information. In this regard, we are proactively engaging with a broad range of stakeholders, including other standards setters, regulators, policy makers, and accounting firms, and would welcome your views and insights as we pursue our fact-finding.

### **3. Way Forward**

We have committed to finalizing a project plan by December 2022 with regard to the development of fit-for-purpose, globally applicable ethics and independence standards for sustainability reporting and assurance by professional accountants. We look forward to working in partnership with the ISSB, as well as with the IAASB, as we develop the necessary standards pillars of the sustainability reporting infrastructure in a timely manner, and build on our initial dialogue about the various matters discussed in this letter.

Should you wish to discuss this letter further, please contact Mark Babington, IESBA Board member and Chair of our Sustainability Working Group, at [m.babington@frc.org.uk](mailto:m.babington@frc.org.uk) and Ken Siong, IESBA Program and Senior Director, at [kensiong@ethicsboard.org](mailto:kensiong@ethicsboard.org).

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<sup>4</sup> Part 4B of the IESBA Code contains the International Independence Standards that apply for assurance engagements other than engagements to perform an audit or review of financial statements.