

**Draft Minutes of the 84th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held on September 18-22, 2023 in New York, USA**

Voting Members

Present: Gabriela Figueiredo Dias (Chair)
Laurie Endsley (Vice Chair)
Saadiya Adam
Mark Babington
Vania Borgerth
Sanjiv Chaudhary
Richard Huesken
Sung-Nam Kim
Héctor Lehuedé
Rania Uwaydah Mardini
Christelle Martin
Andrew Mintzer
Paul Muthaura (Days 3 & 5)
Felicien Muvunyi
Luigi Nisoli
Jens Poll
Channa Wijesinghe
Yaoshu Wu

Technical Advisors

Keith Billing (Mr. Babington)
David Clark (Mr. Huesken)
Jens Engelhardt (Prof. Poll)
Ellen Gorla (Mr. Mintzer)
Marta Kramerius (Mr. Nisoli)
Charles Luo (Mr. Muvunyi)
Ki-Tae Park (Mr. Kim)
Carmen Penderis (Ms. Adam)
Andrew Pinkney (Ms. Endsley)
Kemisha Soni (Mr. Chaudhary)
Bruno Tesnière (Ms. Martin)
Chris Twagirimana (Mr. Muvunyi)
Kristen Wydell (Mr. Wijesinghe)
Masahiro Yamada (Ms. Borgerth)
Xiaoye Yuan (Ms. Wu)

Non-Voting Observers

Present: Gaylen Hansen, IESBA Consultative Advisory Group (CAG) Chair, and Yohei Ito, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer

Present: Tomoyuki Furusawa

IESBA and IFAC Staff

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Linda Biek (Director), Geoffrey Kwan (Director), Laura Leal, Kam Leung, Jon Reid, Szilvia Sramko, Carla Vijian, Jeanne Viljoen, Astu Tilahun, Diana Vasquez
David Johnson (IFAC Communications)

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Ms. Dias welcomed all participants and public observers to the fourth meeting of 2023, held at the American Institute of Certified Public Accountants (AICPA) offices. She extended the Board's gratitude to AICPA for hosting this meeting at its offices. Ms. Dias extended a special welcome to former IESBA member Ms. Liesbet Haustermans, assisting Mr. Nisoli and observing the meeting in person.

Ms. Dias then updated the Board on the activities of the Planning Committee (PC) during the quarter, including discussion of the draft proposed revisions to the Strategy and Work Plan (SWP) 2024-2027; consideration of communication and outreach plans for the forthcoming Sustainability Exposure Draft and the Tax Planning final pronouncement; planning for the December 2023 Board meeting; and the composition of Task Forces/Working Groups and PC for 2024.

APPROVAL OF MINUTES

The IESBA approved the minutes of the June 2023 public session as amended.

2. Sustainability

I. International Accreditation Forum (IAF) Presentation

Ms. Dias welcomed Mr. Emanuele Riva, Chair, International Accreditation Forum (IAF), and Mr. Matt Gantley, Chair of the IAF Sustainability Working Group and CEO, United Kingdom Accreditation Service (UKAS), to provide an overview of IAF's activities and structure and the work of its Sustainability Working Group. The presentation also outlined IAF's recent collaboration with the IESBA and its exercise to map ISO 17029¹ and other IAF-related requirements to the IESBA's ethics and independence standards for sustainability assurance.

Among other matters, Messrs. Riva and Gantley provided the following responses to queries and comments raised by IESBA participants:

- There is a two-way feedback process on the development of standards by the Standard-setting Boards (SSBs) (the IESBA and the International Auditing and Assurance Standards Board (IAASB)) and the International Organization for Standardization (ISO). The IAF and accreditation bodies are able to participate in the SSBs' standards development process through their public consultation processes and the use of reference groups. At the same time, the IESBA's feedback on the development of ISO 14019² and other relevant competency standards is welcome.
- IAF is working with the Task Force on a mapping exercise of the relevant ISO standards to the IESBA Code. The purpose of this exercise is to identify instances where the Code's requirements are met when complying with the relevant ISO standards in order to avoid duplication as well as to identify any gaps in meeting the Code's requirements. The Task Force will report back on the status of the mapping exercise as well as further developments and next steps at the December 2023 Board meeting.

¹ International Organization for Standardization (ISO) 17029, *Conformity assessment – General principles and requirements for validation and verification bodies*.

² Draft ISO 14019, *Validation and verification of sustainability information*.

- There are a number of approaches that may be taken to fill the gaps identified in the mapping exercise, such as developing mandatory documents ~~which-that~~ are applicable to all accreditation bodies or additional standards, which is a much more time-consuming process.
- IAF, accreditation bodies and national standards-setting bodies are also working closely with ISO on the development of ISO 14019, addressing issues such as how the assurance mechanism will work within the European Union (EU) corporate sustainability reporting framework. The IAF has also shared its view with the European Commission (EC) that there should be a common framework and the IESBA Code should be used for the ethics and independence components within that framework.
- The ISO standards contribute to the achievement of every one of the United Nations (UN) Sustainable Development Goals (SDGs). However, developing standards relating to the environment is easier because performance on environmental targets can be more readily measured compared to developing social-related standards. IAF recognizes that the shift to corporate sustainability disclosure and assurance requires a consistent and robust approach based on global standards such as those from the IESBA and IAASB in order to build the right levels of competence and confidence.
- The key goal of accreditation is to guarantee that a certification body can legally provide certain certification services and do so reliably. As part of the accreditation process, IAF assesses and accredits conformity assessment bodies (CABs) to ensure that they have the competence to provide verification and validation services, which vary depending on the fields and programs. Following an initial assessment, a CAB will receive a certificate with a 5-year validity, during which there are annual as well as onsite assessments.
- When accrediting a CAB, IAF's accreditation bodies will ensure the CABs, such as Société Générale de Surveillance (SGS) which employs over 98,000 employees globally, have the right systems in place and the appropriate level of competence measured against the relevant legal requirements and standards. Following the mapping exercise, the plan would be for IAF accreditation bodies to measure the competence of CABs against the ethics and independence standards set out in the IESBA Code with respect to sustainability assurance.
- If a CAB did not implement the necessary actions to address identified non-compliance with requirements, sanctions, including suspension or withdrawal of accreditation, might be applied.

Ms. Dias thanked Messrs. Riva and Gantley for the informative and insightful presentation.

II. Common Issues

UPDATE ON COORDINATION & OUTREACH ACTIVITIES

Mr. Wijesinghe, Sustainability Reference Group (SRG) Chair, and Mr. Reid provided an overview of the second SRG meeting held in August 2023 which discussed the Task Force's responses to SRG's input on the Task Force's draft text.

The Board also considered an update on a series of outreach events in Japan and Korea attended by Ms. Dias and Mr. Kwan, as well as other outreach activities undertaken during Q3 2023, including meetings with representatives from ISO and the International Sustainability Standards Board (ISSB).

In response to a query raised by Mr. Furusawa, Ms. Sramko noted that IESBA staff has ongoing discussions with ISO representatives on the interoperability between ISO standards on verification and validation and the IESBA's proposed standards on sustainability assurance. Further, Mr. Kim highlighted that from the

recent Korea outreach in August 2023, some stakeholders using ISO standards may be unfamiliar with the differences between verification and assurance. Mr. Siong added that one proposed output in the draft ISO 14019 is an assurance statement, which can be based on validation or verification activities or a combination of both.

TITLE AND NUMBERING OF PART 5

IESBA members tentatively supported the Task Force's proposal for the title of the new Part 5 in the Code to be "*International Ethics and Independence Standards for Sustainability Assurance*." IESBA members also expressed support for the provisions in Part 5 to be numbered in the 5000s.

Among other matters, IESBA participants raised the following comments about clarity:

- Whether the proposed title for Part 5 is sufficiently clear to those not familiar with the IESBA's and IAASB's Sustainability projects.
- Whether it is sufficiently clear that the title relates to assurance on sustainability information rather than assurance that something is sustainable.
- Whether there should be a separate handbook containing Part 5 or a separate glossary.
- Consideration should be given to the acronym of the full title and how Part 5 will be referred to by users in the future.

In response, Mr. Babington noted that the proposed title should provide sufficient clarity to the majority of users. Ms. Dias and Messrs. Babington and Siong further noted that:

- As the Board had previously discussed, using two handbooks may create adoption issues in some jurisdictions. As the Board has agreed to include the proposed text in a new Part 5 within the Code, it should not reopen these discussions.
- Using one glossary should be sufficiently clear given that most users will not be referring to the glossary in isolation and that the online version of Code will link the defined terms in the Standards to the glossary.

There was also a suggestion for the Task Force to consider the architecture of Part 5 in a holistic way to ensure that it is equivalent to Part 4A and that references to Part 5 do not inadvertently create any additional requirements.

TITLE OF THE CODE

IESBA members expressed strong support for the Task Force's proposal not to revise the title of the Code. Amongst other matters, IESBA participants raised the following comments in support of this approach:

- More time should be taken to conduct the necessary fact-finding, including how the Code is adopted and to consider the impact of such a change. For instance, changing the title of the Code could create implementation delays for jurisdictions in which the Code is written into laws and regulations. Further, it was noted that in the context of ISO users, IAF does not seem to have any substantive concern with the current title of the Code in its effort to align or converge with the Code.
- Changing the Code's title would be part of a broader strategic discussion on making the Code applicable to professionals other than PAs, and not just for the development of the new Part 5. It was pointed out that the lack of reference to "professional accountants" in the name "*International*

Foundation for Ethics and Audit,” and the Task Force’s proposed approach on encouraging non-PAs to apply the Code, could be helpful first steps in this journey.

- The development of the legal and regulatory architecture for other professions involved in sustainability-related professional services and that are not currently regulated is likely a medium-term issue that will take 5-10 years to resolve, so there is not an immediate burning platform. Jurisdictional impact might depend on how adoption takes place, and often jurisdictions adopt the Code but change the name.
- Consideration should be given to how to ‘market’ the Code to non-PAs given that the title includes the term “professional accountants.” In this regard, it was noted that the IESBA has a strong brand in the marketplace.
- It might be helpful to seek stakeholder feedback via the Exposure Draft on the Board’s consideration of this strategic issue, including any potential implementation issues, challenges or obstacles, taking into account any further views that the Board might have during its discussions on the draft SWP.

Whilst acknowledging the Board’s overall support for the Task Force’s proposal, a few IESBA members expressed the view that not changing the title of the Code may be seen as a step backwards and inconsistent with the IESBA’s strategic decision for the Code to be profession-agnostic. It was noted that the IESBA is undertaking a significant shift, creating an opportunity for it to be forward-looking and ahead of the curve and the momentum might be lost if the issue is not addressed now.

3. Sustainability Work Stream 1

Mr. Babington, Work Stream 1 (WS1) Chair, Mr. Billing and Ms. Sramko briefed IESBA members on the key independence matters in the draft International Independence Standards (IIS) in Part 5 presented for first read, and asked for Board members’ feedback regarding the proposals. In addition to editorial matters, IESBA members discussed and commented on the following topics.

TERMINOLOGY

An IESBA member commented that the proposed terminology used in the draft IIS seemed complicated and that this could prove challenging for practitioners who are not PAs in applying the standards. She suggested that WS1 consider simplifying the terminology without changing the substance of the proposals. Ms. Dias supported the need for simplicity wherever possible.

Mr. Babington explained that it was inevitable that some technical terms would be used since the project’s objective was to develop ethics and independence standards equivalent to the standards applicable to audit engagements. He pointed out that the IESBA and all sustainability standard setters would need to focus on and invest effort in assisting in the education of practitioners, especially non-PAs, to help them implement and comply with the new standards.

An IESBA member pointed out that the IESBA’s new objective of expanding the scope of the Code to cover others who are not PAs and reaching out to a wider range of stakeholders would require a new and different communication strategy.

A few IESBA members commented that in the current fast-evolving environment, leveraging the robust ethical framework already available for audit engagements was the right approach to respond promptly to regulators’ demand for profession-agnostic global ethics and independence standards for sustainability

assurance. Mr. Babington shared this view and added that the extant Code resulted from the IESBA's thorough due process, including public consultation. Since the project's objective is to achieve equivalence to the standards applicable to audit, he cautioned against using different terms and wording in the requirements, as this could lead to regulatory arbitrage and create enforcement issues.

SYSTEMS OF QUALITY MANAGEMENT

IESBA members agreed that quality management (QM) within firms is an integral part of high-quality sustainability assurance engagements. Among other matters, the following were raised in relation to WS1's proposals on systems of QM in the proposed new Part 5.

- If the sustainability assurance practitioner (SAP) only implemented a system of QM relating to compliance with ethics and independence standards, whether this would meet the criteria in the Code regarding the need for a system of QM. It was felt that it could be challenging for non-PA SAPs to implement systems of QM to cover matters beyond ethics and independence, and that such a proposal could potentially risk non-PA practitioners not implementing the standards in Part 5.

Mr. Babington responded that firms would need to implement an entire system of QM in order to comply with the provisions in Part 5, not only parts of a system of QM that apply to certain matters, such as ethics and independence. However, he added that standard setters, including the IAASB and IESBA, should consider providing appropriate time for non-PA practitioners to adopt and implement systems of QM in accordance with ISQM 1 or QM standards that are at least as demanding as ISQM 1.³

- Whether the proposed provision regarding a system of QM in Part 5 was a requirement and whether it would constitute a breach of the Code if a firm was not subject to such a QM system.
- A suggestion to clarify who determines the equivalence of a QM standard to ISQM 1.

Mr. Siong clarified that it was the regulators' role to decide on the applicable assurance framework and whether non-PA SAPs could also perform mandatory sustainability assurance engagements. He added that for SAPs applying the proposed ISSA 5000,⁴ irrespective of whether they are PAs or non-PAs, they would be required by ISSA 5000 to have in place systems of QM in accordance with ISQM 1 or QM standards at least as demanding as ISQM 1. He reminded the Board that non-PA practitioners at the IESBA's global Sustainability roundtables had commented that they would be able to comply with ISSA 5000 and ISQM 1 as needed.

DETERMINATION OF PUBLIC INTEREST ENTITIES (PIES)

IESBA members supported WS1's proposals regarding the determination of PIEs in the context of sustainability assurance engagements.

A few IESBA members commented on the proposal that the voluntary application of the PIE provisions by the auditor of the financial statements would not mean that another firm performing the sustainability assurance engagement would also need to apply the provisions applicable to PIE clients. An IESBA

³ International Standards on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁴ Proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

member was concerned about the inconsistent treatment of the same entity for the audit and the sustainability assurance engagements. Another IESBA member noted that the IESBA's recently approved PIE provisions provide guidance for firms on this matter in the context of an audit engagement and encourage them to consider whether treating the client as a PIE is necessary. He was of the view that Part 5 should require firms to apply the PIE provisions for sustainability assurance engagements in this situation on the same basis.

Mr. Babington explained that WS1 did not believe it would be appropriate to require the SAP to apply the more stringent PIE provisions based on another firm's (the auditor's) voluntary decision.

INVOLVEMENT OF ANOTHER PRACTITIONER

Mr. Babington and Ms. Sramko presented WS1's proposals regarding the independence considerations applicable when a SAP intends to use another practitioner's assurance work and the firm cannot direct, supervise and review the work of such practitioner.

IESBA members generally supported WS1's approach in the proposed Section 406 in Part 5. Among other matters, the following comments were raised:

- An IESBA member and Mr. Hansen noted that financial reporting and sustainability reporting are not much different since financial statements may also include financial information prepared by others (for example, equity method investees). They questioned whether the reporting boundary for the two types of reporting was so different that Part 5 needs to address this issue specifically and provide a different independence regime when the firm uses the work of another practitioner. Another IESBA member was of the view that the reporting entity should report the information received as it was presented to the entity without obtaining assurance from another firm and without involving so many firms in the assurance work. He believed there was a risk that the approach proposed for using the work of another practitioner could weaken the sustainability assurance firm's independence.

Mr. Billing explained that based on the reporting frameworks, the sustainability information might include other information, for example, from value chain entities, that another firm has already assured. He pointed out that the firm carrying out the sustainability assurance engagement might have no access to, or oversight of, the other firm's assurance work. He clarified that the relevant provisions of the draft ISSA 5000 are aimed at providing a framework to enable the SAPs to use that assurance work if the other practitioner meets the relevant independence criteria.

- An IESBA member raised that the other practitioner might issue a report covering a different reporting period. She wondered whether that difference in timing could create any issue.
- There were questions regarding the application of the "knows or has reason to believe" principle by another practitioner and whether that practitioner would have access to the necessary information. An IESBA member suggested that Part 5 define the "knows or has a reason to believe" principle as it was familiar to PAs but not necessarily non-PAs.

Mr. Babington mentioned that using the work of another practitioner might be similar to providing services to a lending syndicate. He explained that the other practitioner may have no up-to-date information about the exact composition of such a syndicate, but the other practitioner knew about material issues. Instead of defining the "knows or has a reason to believe" principle, he suggested that the Board consider commissioning guidance and other explanatory material to facilitate a common understanding over time.

- An IESBA member raised some concerns regarding the process set out for confirming another practitioner's independence. He pointed out that this process differs from the usual way of communication with another firm since requesting confirmation on the understanding of another party changes the firm's responsibility. He believed that the firm should ask for specific information and then assess the practitioner's independence. He also questioned whether WS1 had considered providing the option for firms to assess the independence of the other practitioner based on compliance with the relevant ethical requirements disclosed in the other practitioner's report on the assurance work, instead of setting out a complex process to follow.

Mr. Babington pointed out that there might be no reference to compliance with relevant ethical requirements in the other practitioner's report, especially in the case of practitioners who are not PAs.

- There was a suggestion to include consideration of the materiality of the assurance work performed by another practitioner. It was felt that this approach could limit the number of other practitioners whose independence the firm would need to assess.

Mr. Babington noted that sustainability reporting frameworks could refer to either single or double materiality, therefore, this approach could result in a challenging process.

Mr. Siong noted that the proposed ISSA 5000 requires the firm to assess the other practitioner's independence, but that it was within the IESBA's remit to determine the extent of the requirements for independence. He was of the view that the proposals regarding using the work of another practitioner should not be less stringent than the independence considerations applicable to using an external expert's work.

Mr. Siong also clarified that the objective of the assessment of the other practitioner's independence is to determine whether the firm can use the other practitioner's assurance work. He added that if the firm cannot confirm the practitioner's independence, the firm cannot use the practitioner's work. The firm would then need to seek other ways to obtain the necessary evidence, or, if that is not possible, limit the scope of the engagement or issue a modified assurance report on the grounds of a limitation of scope.

GROUP SUSTAINABILITY ASSURANCE ENGAGEMENTS

Mr. Billing briefed the Board about the proposed independence considerations applicable to a group sustainability assurance engagement. Among other matters, IESBA members discussed the following issues:

- There were a few questions regarding the definition of a component and whether that would cover entities within the value chain. Mr. Billing clarified that WS1 proposed that components not include value chain entities.
- An IESBA member suggested that the IIS focus on the entities within the reporting entity's organizational boundary, which should not include the suppliers or customers of such entity. He also noted that a component is not a concept created by reporting frameworks, but that it is determined by assurance standards to identify entities, business units or functions in respect of which auditors need to obtain audit evidence in the context of an audit of financial statements. He added that there is a difference between the relevance of the information and the relevance of an entity to the audit. Therefore, he had concerns about using terms such as groups and components in the proposed IIS if sustainability assurance standards do not use them yet.

Mr. Billing responded that unlike the Code, the proposed ISSA 5000 is an overarching standard. He added that the IAASB might consider developing specific assurance standards for group engagements after finalizing ISSA 5000. Mr. Billing also noted that the proposals in the draft IIS in Part 5 for group sustainability assurance engagements are equivalent to those for group audit engagements in Part 4A, and the concept of a component is the same for both audit and sustainability assurance engagements.

- Another IESBA member noted that the sustainability assurance environment, including regulations, may not be sufficiently evolved yet to require the same level of assurance and independence from entities outside the reporting entity's organizational boundary or control.

Mr. Babington pointed out that there are higher expectations regarding sustainability information that could impact financial information, and it is the responsibility of the engagement leader to identify the entities where such information is coming from and ensure the firm's independence from them.

RELATIONSHIP WITH VALUE CHAIN ENTITIES

Mr. Babington presented WS1's proposed approach regarding addressing threats to independence created by relationships and circumstances between the firm, a sustainability assurance team member, and an entity within the client's value chain.

Among other matters, IESBA members made the following comments:

- The involvement of numerous value chain entities in the engagement might create too much complexity and limit the market for practitioners. It was suggested that the proposals focus instead on addressing relationships and circumstances with value chain entities that are material to the sustainability information.
- Whether the proposals are in line with the assurance frameworks, especially the proposed ISSA 5000 and the EU Corporate Sustainability Reporting Directive (CSRD). In this regard, it was noted that in the CSRD, there are no independence requirements in relation to third parties, such as value chain entities.

Reflecting on this matter, an IESBA member pointed out that the IESBA has been asked, and has a mandate, to develop profession-agnostic independence standards for sustainability assurance and to determine the appropriate independence requirements. He believed that although the CSRD does not specifically address third parties, this does not mean that the independence standards should be silent about them. Mr. Siong added that IESBA Staff would coordinate closely with IAASB Staff regarding the feedback received on the Exposure Draft of ISSA 5000, especially concerning the assurance work at a value chain entity.

- A view that the firm only needs to be independent of the entity and not with respect to the information provided by others, including value chain entities, over which the firm has no control.

Mr. Babington was of the view that if the value chain could impact key indicators in the sustainability report, a firm would be expected to do a little more.

- There might be some limitations to the scope of the assurance engagement concerning the information from value chain entities. Therefore, consideration should first be given to the potential consequences of the proposed independence requirements applicable in the context of value chain entities and their impact on the market.

Mr. Babington recognized the potential challenges related to assuring information from a value chain entity; however, he explained that the concept and inclusion of value chain entities within the reporting boundary have already been set out in the current sustainability reporting frameworks. He added that the IESBA's mandate is to determine the principles of robust ethical requirements applicable to sustainability assurance engagements irrespective of the complexity of the applicable reporting frameworks.

A WS1 member added that relationships or circumstances with a value chain entity whose information is included in the sustainability information on which the firm expresses an opinion might create a threat to independence and the independence standards need to address such threat. He explained that WS1's view was that the independence standards need to be future-looking. He cautioned the Board against "bending" the principles because the regulations and the market might be immature and an adequate reporting infrastructure is not yet available. Instead, he suggested that the Board consider providing appropriate transitional provisions to facilitate adoption and implementation.

- Regarding the proposed independence considerations for value chain entities, Mr. Hansen suggested that WS1 coordinate with the "Use of Experts" Task Force regarding their approach to objectivity and independence. He cautioned the Board against creating the concept of "partial independence."

Messrs. Babington and Siong noted that applicable reporting and assurance standards already address value chain entities within the reporting boundary; therefore, the IIS in Part 5 should specify the applicable independence considerations to which these entities should be subject. They suggested that the Board seek feedback on the proposals during the public consultation.

Ms. Dias agreed that the Board needs to aim for a high-bar of standards that meet future expectations while remaining practicable and operable.

OTHER MATTERS

Proportion of Fees

Mr. Babington presented WS's proposed approach regarding the evaluation of the level of the threats created by a large proportion of fees for a sustainability assurance engagement to audit fees. A few IESBA members raised concerns about treating the fees for sustainability assurance engagements as non-audit fees. Since the independence standards in Part 5 are equivalent to the standards applicable to audit engagements, they did not believe that the fees should be treated differently.

Mr. Babington pointed out that audit fee is a defined term in many jurisdictions while the sustainability assurance fee has generally not yet been defined and does not have the same legal status as the audit fee. A WS1 member noted that regulators would like firms to identify and disclose the fee for the audit of the financial statements separately.

Mr. Siong and Ms. Dias suggested that WS1 clarify in the explanatory memorandum to the Exposure Draft why the proposals treat audit and sustainability assurance engagements differently on this topic but not on other topics such as long association.

PIOB OBSERVER'S REMARKS

Mr. Furusawa emphasized the importance of coordination between the two work streams on the project regarding the scope of the ethics and independence standards in Part 5. He suggested that the Board clarify when SAPs would need to apply the independence standards in Part 5 and Part 4B.

In relation to the proposals concerning value chain entities, he suggested that the Board assess whether the proposals are in line with the criteria in the public interest framework (PIF), especially in relation to proportionality and enforceability.

WAY FORWARD

The IESBA will consider the final draft of WS1's proposed text at its December 2023 meeting with a view to approving the proposed texts for exposure.

4. Sustainability Work Stream 2

REPORT BACK ON CONSULTATIVE ADVISORY GROUP MEETING

Ms. Martin provided an update on the feedback received at the September 2023 CAG meeting on the Sustainability Work Stream 2's (WS2) proposals. Ms. Martin noted the CAG's general support for WS2's proposals and provided an overview of the key comments raised by CAG Representatives during the meeting.

COMMUNICATING THAT THE CODE CAN BE USED BY ALL PREPARERS OF FINANCIAL AND NON-FINANCIAL INFORMATION

Ms. Martin presented WS2's proposal on communicating via three different channels that the Code can be voluntarily applied by all preparers of financial and non-financial information: An encouragement in both the new Part 5 and the Guide to the Code as well as a public statement to be released at the same time as the Exposure Draft.

IESBA members supported WS2's communication proposal and raised the following comments:

- In addition to the proposed ways of communication, WS2 may also consider reaching out to those who are in a position of influence, such as regulators. There was also a view that the Board should seek input from regulators, given that the Code may be used as an enforcement tool in the future.
- This communication is linked to the strategic issue of the branding of the Code and should be considered in conjunction with that issue.
- Notwithstanding the Board's decision not to include an equivalent Part 2 in the new Part 5, consideration should be given to further discussing the matter of expanding the scope of the Code to include all preparers of financial and non-financial information as part of the Board's deliberations on the draft SWP 2024-2027.
- The communication should demonstrate the value of the Code for all preparers and highlight that from an ethical perspective, there is only one way to do sustainability reporting.

Mr. Hansen noted that whilst the CAG was generally supportive of the IESBA's direction on the ethics standards for sustainability reporting, there was an expectation from some CAG Representatives that the

scope of the Code would include both PAs and non-PAs. He added that there was a question about whether the messaging in the “encouragement” is sufficiently strong.

In light of the comments raised by the CAG and the IESBA, Ms. Dias suggested that the key message of the proposed communication should be that the IESBA is developing ethics standards for sustainability reporting as an important measure to cover a gap and prevent ethics issues such as greenwashing. She noted that whilst there is a regulatory call for developing standards for sustainability assurance, the IESBA is creating an ethics framework for sustainability reporting which other standard setters are not considering at this stage. Ms. Dias added that the communication should further convey the message that the IESBA’s approach of addressing PAs ~~first~~ initially is a first step, to be followed by a broader strategy to explore expanding the scope of the Code so that it is profession-agnostic in the future.

In addition to the comments raised below, IESBA members also suggested editorial refinements and other changes to the draft provisions in Parts 1, 2 and 3 and the ethics standards in the new Part 5.

ETHICS STANDARDS FOR SUSTAINABILITY REPORTING

Mr. Reid presented an overview of WS2’s proposed revisions to extant Parts 1, 2 and 3 of the Code to address sustainability reporting, including examples relating to greenwashing, value chain considerations and forward-looking information. He noted that, in developing these proposals, WS2 has considered input received from the SRG, the PIF’s qualitative characteristics for new standards, and the need for the extant Code to remain framework-neutral. He also pointed out that much of the proposed revisions predominately relate to Section 220⁵ and to a lesser extent Sections 200⁶ and 270.⁷

IESBA members were generally supportive of WS2’s proposals for ethics standards on sustainability reporting and provided feedback on some of the specific sustainability-related examples presented. Among other matters, IESBA participants raised the following comments for further consideration by WS2:

- Whether the examples should also include ethical considerations relating to “greenhushing” where an entity is incentivized to keep quiet about its non-sustainable practices which customers would not want to be associated with. In certain markets, highlighting green initiatives also increases “greenwashing” accusations, so entities choose not to promote such initiatives.
- Whether the proposed examples captured the need for PA to exercise skepticism.
- Whether the Code should define or explain “undue reliance,” particularly in the context of sustainability reporting. In response, Ms. Leal pointed out that undue reliance is part of the extant requirements and the examples should not be overly prescriptive given the Code’s principles-based nature.
- Whether there are any specific safeguards relevant for sustainability reporting.
- Whether the draft example relating to forward-looking information should be expanded or include more granularity given that such information is fundamental to sustainability reporting.

⁵ Section 220, *Preparation and Presentation of Information*

⁶ Section 200, *Applying the Conceptual Framework – Professional Accountants in Business*

⁷ Section 270, *Pressure to Breach the Fundamental Principles*

IESBA members agreed with WS2's proposals not to revise Sections 230⁸, 250⁹, 321¹⁰, 325¹¹, 340¹² and 350¹³ on the basis that they are either specific to types of professional activities or are sufficiently broad to cover any professional services, including sustainability reporting. IESBA members also supported WS2's view that only minimal revisions to Part 1 of the Code are necessary.

Separate Section for Sustainability Reporting

IESBA members supported WS2's proposal not to develop a separate section(s) in the Code for sustainability reporting at this time on the basis that the extant Code and the revisions proposed by WS2 are sufficient to address ethics considerations relating to sustainability reporting. Among other matters, IESBA participants raised the following comments:

- To facilitate understanding by non-PAs, the communication accompanying the Exposure Draft should clearly inform the marketplace on the IESBA's strategic focus on expanding the scope of the Code, highlighting that the steps the Board is taking in developing profession-agnostic ethics and independence standards for sustainability assurance is the first step. The communication should also highlight the readiness of the extant Code in being used or voluntarily adopted by non-PAs or corporates in the interim.
- From an information-agnostic vs. profession-agnostic perspective, to ensure that the preparation and assurance of information, whether financial or not, is underpinned by the right ethical mindset and characteristics, it may be argued that the IESBA's existing code of ethics is fit for purpose.
- The readiness of regulators to adopt and implement the IESBA's standards may be impacted by the IESBA's tone and direction.
- The Board should consider the strategic opportunity of expanding the scope of the Code more broadly with caution, being mindful of unintended consequences.

ETHICS FOR SUSTAINABILITY ASSURANCE

Draft Part 5

Ms. Martin presented WS2's updated proposed approach regarding the scope of the ethics standards for sustainability assurance, taking into account the PIF's qualitative characteristics for new standards. She explained WS2's proposal and rationale for the ethics standards in Part 5 to apply to all sustainability assurance engagements and not only those that meet the criteria to be subject to the IIS in Part 5. IESBA members generally supported WS2's proposal and suggested that WS2 consider communicating the scope-related matters in a more simplified way.

⁸ Section 230, *Acting with Sufficient Expertise*

⁹ Section 250, *Inducements, Including Gifts and Hospitality*

¹⁰ Section 321, *Second Opinions*

¹¹ Section 325, *Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers*

¹² Section 340, *Inducements, Including Gifts and Hospitality*

¹³ Section 350, *Custody of Client Assets*

IESBA members were also supportive of WS2's proposed new provision in equivalent Section 100 on the importance of SAPs having adequate training and experience, following a comment from an IESBA member in June 2023.

Ms. Martin presented draft examples in Part 5 involving an entity's value chain. Among other matters, a few IESBA members expressed the view that some of the draft examples in equivalent paragraph 300.6 A1 may be too broad or unclear and would require further clarification.

Equivalent Part 2

Ms. Martin noted that, at its June 2023 meeting, the Board had agreed to include an equivalent Section 270 in Part 5 and to further consider if an equivalent Section 230 should be added to that Part.

Ms. Martin explained WS2's proposal and rationale for not including an equivalent Section 230. While supportive of the proposal, a few IESBA members disagreed with the argument that "employing organization" is a term used exclusively for professional accountants (PAs) in business (PAIBs). They were of the view that it could be replaced with "firm" if an equivalent Section 230 were to be included in Part 5. Another IESBA member felt that the fundamental principles are adequately described, thus rendering an equivalent Section 230 unnecessary.

The Board was also supportive of the draft equivalent Section 270 developed by WS2, following the Board's decision in June 2023 to add this Section to Part 5.

Equivalent Part 3

The Board was generally supportive of WS2's proposal and rationale not to include an equivalent Section 321 in Part 5 but to add an example of second opinion in the "encouragement" paragraph in the equivalent Section 100. An IESBA member noted the importance of extant Section 321, particularly in circumstances where a client may be "opinion shopping" on technical issues. The IESBA member asked if the requirement relating to the communication aspect in extant paragraph R321.4 could be included in Part 5 as well.

The Board was also supportive of WS2's proposal and rationale for including an equivalent Section 350 in Part 5.

Responding to Non-Compliance with Laws and Regulations (NOCLAR)

Ms. Leal presented WS2's proposals and rationale ~~on~~for addressing NOCLAR and suspected NOCLAR by an SAP and an auditor:

- Similar to extant Section 360, the procedures for SAPs to address NOCLAR or suspected NOCLAR in the equivalent Section 360 will depend on whether the service performed is a sustainability assurance engagement that falls within the scope of the IIS in Part 5.
- A new requirement for communication of NOCLAR or suspected NOCLAR by the auditor to the SAP and vice versa has been added to extant Part 3 and the new Part 5.
- If the relevant service provided by the SAP is not a sustainability assurance engagement that falls within the scope of the IIS in Part 5, the proposed requirements set out in the equivalent Section 360 will mirror those in extant 360.

In addition, consequential and conforming amendments were made to Section 260 in extant Part 2 relating to the communication of NOCLAR or suspected NOCLAR by PAIBs.

IESBA members were generally supportive of WS2's proposals. Among other matters, the following comments regarding the new requirement for communication of NOCLAR or suspected NOCLAR by the auditor to the SAP or vice versa were raised:

- Whether the proposed communication requirement for SAPs might create an obligation that could expose these practitioners to undue legal risks, considering the legal protections that jurisdictions have put in place for auditors are yet to be expanded to cover SAPs. In response, Ms. Martin suggested including a question in the explanatory memorandum to seek input from respondents.
- WS2's proposal is appropriate given that auditors are in a unique statutory position compared to SAPs, having to consider laws and regulations under ISA 250¹⁴ and having been given certain rights, such as with respect to communication with regulators.
- Requiring the sharing of information in the public interest may raise confidentiality issues, subject to local whistleblowing laws and regulations, as well as reciprocity issues, especially if one SAP follows the Code but another one does not.
- NOCLAR is a complex topic, even for PAs. Therefore, consideration should be given to keeping these provisions simple and to developing guidance materials aimed at making this topic more accessible for non-PAs. Further, the Board may wish to consider extending the effective date for the NOCLAR provisions, given the need for extensive consultations at the local level.

KEY DEFINITIONS

Sustainability Information

Ms. Martin presented the revised WS2 draft of the definition of "sustainability information" which took into consideration the feedback from the June 2023 IESBA and September 2023 CAG meetings. Ms. Martin further explained WS2's view that its draft definition of "sustainability information" sufficiently aligns with the IAASB's proposed definitions of "sustainability information" and "sustainability matters" set out in the Exposure Draft (ED-5000) of ISSA 5000.

IESBA members were generally supportive of WS2's revised definition of "sustainability information." Among other matters, IESBA participants raised the following comments:

- Alignment with IAASB definitions is important, including with respect to other relevant terms such as "sustainability assurance practitioner" and "practitioner."
- A suggestion to include "cultural matters" to further align with the IAASB's proposed definition of "sustainability matters," although it was recognized that "cultural" is a subset of "social matters."
- The IESBA's draft definition seems to have more clearly articulated the concept of "double materiality".

Professional Activity and Professional Services

Ms. Martin presented WS2's proposal regarding the definitions of "professional activity" and "professional services." She explained that following consideration of comments received from IESBA participants in August 2023, WS2 decided to propose using the extant terms "professional activity" and "professional

¹⁴ International Standard on Auditing (ISA) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

service” (amended to reflect sustainability assurance and reporting considerations) to denote the services provided by the SAPs for Part 5 purposes, instead of using an undefined term such as “engagements,” for greater clarity.

The Board was generally supportive of WS2’s proposed definitions. Among other matters, IESBA participants discussed the possibility of using a broader term than “sustainability assurance practitioner” in the definition of “professional activity” in order to cover different types of sustainability-related service providers, particularly regarding sustainability reporting. Following WS2’s deliberation of the IESBA’s feedback, Ms. Leal explained that WS2 proposed not to use a broader term such as “sustainability practitioner” on the basis that Parts 1-4B of the extant Code only reference “professional accountants” and Part 5 only references “sustainability assurance practitioners.”

LINK WITH THE TAX PROJECT

Ms. Leal explained WS2’s initial view that an equivalent Section 380 should also be added to Part 5 since the scope of the ethics standards in Part 5 covers other professional services that SAPs may provide to the same sustainability assurance client, and these services may include tax planning services.

PIOB OBSERVER’S REMARKS

Mr. Furusawa sought clarification about the application of requirements relating to due care in Part 2 of the Code to PAs in public practice (PAPPs) undertaking sustainability reporting and whether the same provisions apply if the PAPP is undertaking assurance of an investment product. In response, Mr. Reid explained the “applicability paragraphs” in the Code which make Part 2 applicable to a PAPP in respect of the PAPP’s relationship with the firm and clients. Mr. Siong added that in relation to a PAPP performing assurance of the sustainability credentials of an investment product, the assurance standards would determine the assurance procedures required to be undertaken.

In response to a query raised by Mr. Furusawa on the reasons for not including equivalent Part 4B standards in the new Part 5, Messrs. Babington and Siong clarified that whilst the review of Part 4B was not part of the current Sustainability project, the IESBA is considering adding a new work stream on revising Part 4B to cover sustainability assurance engagements that fall outside the scope of the IIS in Part 5.

Mr. Furusawa noted that the IESBA’s and IAASB’s respective development of the proposed definitions of “sustainability information” highlighted the importance of coordination and the need for clear explanations to support their decisions, acknowledging that the two Boards have different objectives and remits. In response, Ms. Leal stressed that the Task Force will continue to work very closely with the IAASB, noting that the comment period for the IAASB’s ED-5000 will end in early December 2023.

WAY FORWARD

The IESBA will consider the final draft of WS2’s proposed texts at its December 2023 meeting with a view to approving them for exposure.

5. SWP 2024-2027

Mr. Kwan commenced the session by providing a high-level overview of the respondents. He noted their general support for the proposed SWP set out in the IESBA’s Consultation Paper (CP), [*Proposed Strategy and Work Plan 2024-2027, Towards a More Sustainable Future: Advancing the Centrality of Ethics*](#). He also provided a report-back on the September 2023 CAG discussions, noting the CAG Representatives’ general

support for the Planning Committee's (PC) responses and proposals, including the proposed strategic focus on firm culture and governance.

PROPOSED STRATEGY

Ms. Viljoen and Mr. Kwan provided an overview of the significant responses received on the proposed strategy, including the proposed vision, strategic drivers, themes, and actions as set out in the CP, as well as the PC's responses and proposals.

The IESBA was generally supportive of the PC's proposed refinements to the strategic drivers, themes, and actions.

Firm Culture and Governance

On the topic of firm culture and governance, IESBA members acknowledged that recent high-profile incidents involving unethical behavior in some firms have undermined public trust in the accountancy profession and raised questions about firm culture, governance and tone at the top. IESBA members expressed support for the PC's proposal to include the topic as a key strategic focus and to add a corresponding new work stream to the work plan.

Among other matters, IESBA participants also provided the following comments:

- This is a burning platform issue with significant impact on public trust in the profession, so there is an expectation for the IESBA to respond to the issue given its role as the global ethics standard setter for the profession.
- Careful consideration should be given to the scope of the work stream given that the topic covers a broad range of issues, such as internal controls, and that it would be important to aim for outcomes that are relevant and practical. The Board should also maintain an open mind as to whether to develop revisions to the Code or issue non-authoritative material (NAM). Further, the focus of the work stream should be on firms. Subject to the findings from the work stream, it might also be appropriate for the Board to consider addressing the culture and governance of organizations at large in the future.
- The Board should continue to promote the Code and the importance of ethics within firms, building on its June 2023 [statement](#) that reminded PAs of their ethical obligations under the Code. Consideration might also be given to commissioning NAM in the short term.
- The Board should leverage relevant work on the topic produced by others.
- Given the linkage of the topic with the concept of a client, it was suggested that consideration be given to addressing within the work stream the meaning of the term "audit client," a matter which had been included as part of the proposed topic on audit firm – audit client relationship in the CP.

Mr. Furusawa agreed that the issue of firm culture and governance should be of strategic importance. He also suggested that internal controls and management responsibilities are important factors for consideration.

Expanding the Scope of the Code

On the topic of expanding the scope of applicability of the Code, IESBA members expressed support for the PC's proposal to include the topic as a matter of significant public interest in the SWP. It was noted that

the general lack of awareness among stakeholders regarding the importance of ethics, observed from recent outreach by IESBA representatives, is concerning as many corporate failures were arguably caused by a lack of ethical behavior.

Among other matters, IESBA participants also made the following comments:

- It is important to clearly state the scope of the work stream and its target audience, and to have a focused approach.
- This topic requires extensive stakeholder engagement in order to obtain stakeholder buy-in and to allow the Board to make informed decisions.
- The Board should first focus on strengthening the Code, including Part 4B for sustainability assurance engagements, before attempting to expand into other areas.
- There is a degree of urgency with respect to preparers of information, specifically in relation to those preparing sustainability information, as in many jurisdictions, these preparers are not PAs.

Mr. Furusawa expressed support for the inclusion of this topic in the SWP as a strategic priority. He suggested that the SWP should include a work stream on exploring expanding the scope of the Code to all preparers of sustainability information. In addition, he encouraged the Board to undertake further consultation with stakeholders on the prioritization of this topic. In response, Mr. Siong clarified that the Board will continue to consult with stakeholders, including the upcoming meetings with the International Organization of Securities Commissions' (IOSCO) Committee 1, the Committee of European Auditing Oversight Bodies (CEAOB), the Monitoring Group, the Forum of Firms (FoF) and the IESBA-National Standard Setters (NSS) liaison group.

PROPOSED WORK PLAN

Ms. Viljoen and Mr. Kwan provided a brief overview of the significant responses received on the proposed work plan, particularly with respect to the potential new work streams as set out in Table B of the CP, as well as the PC's responses and proposals, including the prioritization of the new work streams.

Among other matters, IESBA participants made the following comments:

- Consideration should be given to incorporating a review of the Code's definition of the term "audit client" in the new work stream on firm culture and governance.
- Whether there is a need to clarify the connectivity between different work streams, such as the role of chief financial officers (CFOs) and other senior PAIBs and communication with those charged with governance (TCWG). It was suggested that consideration might be given to grouping the work streams into sub-groups where they are interlinked.
- Consideration should be given to factors such as ongoing and pre-committed work streams, new standards coming into effect and stakeholders' need for NAMs and other implementation support when determining which work streams should be included in the SWP. The SWP should indicate the level of priority of the work streams; however, not all work streams will be weighted equally.
- Certain topics might have a higher priority in the public interest but not require immediate action. It was also suggested to start with research on such topics before deciding on specific actions.
- Technology remains an important topic to be considered in the next strategic period.

WAY FORWARD

The IESBA will consider the 2nd read of the SWP with a view to approving it at its December 2023 meeting.

6. Use of Experts

Ms. Endsley, Chair of the Use of Experts Task Force, and Ms. Leung walked the IESBA through the Task Force's first-read draft of the proposed provisions to address the ethics and independence considerations regarding the use of experts. Among other matters, the proposals:

- Introduce definitions for the terms “expert,” “expertise,” and “management’s expert,” and revise the extant definition of “external expert.”
- Address the evaluation of an expert’s competence, capabilities, and objectivity (CCO) as these apply to using the experts’ work in an audit, assurance, or non-assurance service context, and in a PAIB context.
- Seek to bring the rigor of “independence” for external experts used in an audit or other assurance (including sustainability) engagement in a way that meets public interest expectations while maintaining proportionality and implementability.

The IESBA deliberated the following key comments and then reviewed a “page turn” of all the proposed provisions in new Sections 290, 390, and 5390.

PROPOSED NEW DEFINITIONS

Some IESBA members observed that PAIBs often use the work of others internal to the employing organization who have specialized competence in specific fields or areas as defined by their roles and responsibilities. It was argued that it would be unduly burdensome to ask a PA to go through the CCO evaluation each time they need to rely on the work of others, including experts, internal to the organization. Additionally, a PA might seek a second opinion on a specific matter to confirm the PA’s view or work performed rather than because they lack competence in the matter.

Accordingly, there were suggestions that experts internal to the employing organization or firm should be excluded from the scope of the project. Additionally, the following were raised about the definition of an “expert.”

- The difference between an internal “expert” employed by PAIBs and the definition of a “management’s expert” used in an audit or other assurance engagement. Mr. Siong explained that “management’s expert” is a longstanding audit term used in the ISAs from the perspective of an auditor gathering sufficient appropriate audit evidence through using the work of a management’s expert. He noted that this is different from the perspective of management who employs or engages an expert for management’s purposes.
- Why internal auditors are expressly excluded from the definition of an “expert.” It was also highlighted that this question was raised at the September 2023 CAG meeting.
- Why the definition of an “expert” is benchmarked against the PA’s competence. It was also observed that this definition is broad in scope and could lead to confusion regarding a PA’s competence, especially when a PA uses the work of another PA who has different competencies.

- It should be apparent from the outset that an “expert” who meets the definition of “engagement team” and “audit team” -is not subject to the proposed provisions.

In this regard, an IESBA member observed that the proposed definitions are challenging since there is an overlap between ethics and performance (i.e., audit and assurance) considerations. The IESBA member suggested that the explanatory memorandum (EM) explain the rationale for overlaying the definitions in the performance standards. Recognizing the Task Force’s pragmatic approach to the definitions, the IESBA member noted the potential for confusion from how an audit or other assurance engagement is performed and the different roles of engagement team members and audit team members (as already defined in coordination with the IAASB), compared with recognizing that expertise is used. A few IESBA members suggested that diagrams in the EM could help explain this difference.

Finally, there was a view that the definition of “expertise” should include experience.

PROPOSED NEW SECTION 390

Regarding the proposed provisions under the sub-heading “circumstances where experts might be used” and the overall requirement to evaluate an expert’s CCO, the following matters were raised, among others:

- In circumstances where a PA has insufficient expertise to perform a professional service, there are also other actions a PA could take, as set out in the Code, instead of using an expert. Accordingly, the draft text should not suggest that using an expert is the only action a PA could take.
- It is unclear whether an individual who provides expert advice used in an audit or other assurance engagement is an “external expert” or an “audit team” member.
- It seems confusing to define “management’s expert” in the glossary and refer to the term in the draft text just to emphasize that the proposed Section scopes out management’s experts.
- Whether there is another term for “capabilities” and whether readers would understand its meaning given that it is not used often in the Code.

Specific to the additional objectivity evaluation for external experts used in an audit or other assurance engagement, the following matters were raised, among others:

- The list of factors seems to focus only on:
 - Individuals. It was suggested that there should be clarification as to which factors also apply to the expert’s organization.
 - Financial factors. It was suggested that non-financial factors be also considered. In this regard, an IESBA member noted that for the social and governance aspects of sustainability, it is likely that the expertise of not-for-profit organizations would be used and that these organizations would receive donations for their operations. Accordingly, the IESBA member questioned how donations received would fit into the list of factors and whether other non-transactional factors should be considered.
- The extent of due diligence expected of the PA when evaluating the factor “previous public statements by the external expert which advocate for the entity.”

- Additional factors relating to other current or previous services provided by the expert and other previous or current positions held by management of the expert's organization at the entity at which the expert is performing the work, should be considered.
- Whether the period of the objectivity evaluation should incorporate the "financial statement period" rather than just "the period covered by the audit or assurance report and the engagement period." In this regard, an IESBA member noted that the time frame as set out in the draft text is appropriate as the period of the report could also include forward-looking information.
- Whether the evaluation of the expert's objectivity relative to the PA's client would encompass the client's related entities, and whether it should also cover interests between the expert's controlling organization and the client's controlling organization, and between the expert and a competing company of the PA's client or entity at which the expert is performing work.

Regarding the proposed provisions under the sub-heading "potential threats arising from using the work of an expert," the following comments or suggestions were raised, among others:

- Identifying threats: The example of a potential self-interest threat, "a PA has insufficient understanding of the expert's work..." could be clarified as "understanding" is quite broad. In addition, the example of a potential familiarity threat could be an issue for PAs in business who use the work of internal experts regularly as part of their job duties.
- Evaluating threats: The list of factors is lengthy and the factors are not necessarily all relevant or applicable to all professional services. It was suggested that sub-headings might simplify the list. In addition, each factor should be reviewed to determine whether it should be included from the perspective of the specific threat(s) to which it pertains.
- Addressing threats: Whether the example "obtaining a second opinion on the expert's work" means having another expert to reperform the work, and whether this example differs from the example "identifying a different expert to use."
- Emerging fields or areas: Consideration of multiple experts could be incorporated.
- Multiple experts: It appears that all the factors related to the evaluation of the expert's competence are required, and it should be clarified that the factors are not all inclusive.

Mixed views were expressed regarding the proposed provisions addressing communication with those charged with governance, and documentation:

- The term "encouraged" seems weak from a regulatory perspective.
- The proposed provisions would likely not be practicable in a non-assurance service context. They also appear burdensome for internal experts used by a firm.
- The scope of the proposed provisions could be narrower as there is already guidance in the Code and the IAASB standards regarding documentation in the context of audit and assurance engagements.

PROPOSED NEW SECTIONS 290 AND 5390

The IESBA noted that the comments raised on proposed Section 390 would also apply to the equivalent proposed new Sections for Parts 2 and 5 of the Code. No additional comments were provided on the proposed Sections 290 and 5390.

PIOB OBSERVER'S REMARKS

Mr. Furusawa highlighted the importance of coordination with the IAASB, for example, regarding the definition of “expertise.” He also supported the IAASB developing appropriate consequential and conforming amendments to its related standards contemporaneously with the IESBA’s project.

WAY FORWARD

The IESBA will consider a revised draft of the proposed provisions with a view to approving an Exposure Draft at its December 2023 meeting.

7. Technology

Mr. Clark, Chair of the Technology Working Group (TWG), provided an update on the activities of the Working Group, including highlights of the meeting held with the Technology Experts Group (TEG) in August 2023.

During that meeting, the TEG discussed the results of its preliminary testing of potential ethical scenarios resulting from technological advancements. The TEG concluded that the technology-related revisions, which will go into effect in December 2023, remain robust in guiding PAs who are faced with a technology-related ethical dilemma. Specific elements, such as close business relationships, and professional competence and due care, in the context of technology-related matters, were also discussed.

Mr. Clark indicated that the TWG will discuss how the scenarios can be used to provide guidance in applying the Code when PAs are faced with ethical dilemmas.

EDUCATIONAL SESSION

Mr. Clark introduced Ms. Mary Breslin, founder of Verracy and TEG member, who presented an educational session on navigating the evolving landscape of business risks and fraud in the technological era. During the session, Ms. Breslin provided real-world examples and spoke about recent trends, illustrating how the convergence of technology and global events creates a dynamic landscape of risks, and how the application of the ethics standards addresses these risks.

IESBA members commended Ms. Breslin on the insightful presentation. IESBA members also made the following observations, among others:

- The importance of a PA having sufficient competence to perform an engagement that involves technology.
- Blockchain can be used to capture both financial and non-financial information. However, the integrity of the tool can be compromised if the blockchain is modified.

Ms. Dias thanked Ms. Breslin for the helpful and informative presentation. She also thanked Mr. Clark for leading the TWG and for the update.

WAY FORWARD

The Working Group will provide another educational session for the IESBA’s consideration at its March 2024 meeting.

8. Tax Planning and Related Services

Prof. Poll and Ms. Vijian provided an update on the Task Force's activities since December 2022, the three global webinars in February 2023 to inform stakeholders on the key proposals in the February 2023 Exposure Draft (ED), *Proposed Revisions to the Code Addressing Tax Planning and Related Services*, and recent outreach activities with stakeholders such as the European Commission and CFE Tax Advisers.

Prof. Poll and Ms. Vijian then provided an overview of the significant matters raised by respondents to the ED and the Task Force's responses and proposals. In addition to editorial matters, the following were raised, among others:

DESCRIPTION OF TAX PLANNING

- It is appropriate to take a neutral approach to the description of tax planning.
- Some clarification to the wording “tax planning services comprise a broad range of advisory services” would be helpful to avoid potential confusion, as paragraph 604.2 A1 lists “tax advisory services” and “tax planning services” as separate examples of tax services.
- Whether there are different expectations of PAs if they are involved in tax planning versus tax compliance-related services (i.e., tax return preparation), and whether the distinction between the two could be clarified.
- Whether additional examples related to the efficient use of tax credits and mergers and acquisitions could be included.
- Given the intersection of tax planning and ESG (Environmental, Social and Governance) developments, whether a tax transparency and governance framework could be included in the description of tax planning. It was also suggested that the examples of tax planning services could include services related to sustainable practices, such as business renewal and compliance with environmental tax regulations.

Prof. Poll concurred that the sustainability arena is rapidly changing, but he cautioned against proposals that contain references to specific matters that may change over the years. He suggested that PAs should instead be encouraged to keep abreast of the latest developments in sustainability. Mr. Siong added that this would be more of a reporting issue for sustainability reporting frameworks to address.

Mr. Furusawa acknowledged that tax transparency is a reporting matter. However, he encouraged the Board to provide positive framing of the Board's awareness of the need for transparency in tax strategy reporting in the Basis for Conclusions document.

- Whether the term “tax minimization” might imply that the PA is encouraging tax avoidance.

Mr. Siong reminded the Board that this is a term contained in the ED and that making changes at this point could have unintended consequences. Prof. Poll also noted that the project's scope was to deal with tax minimization issues and PAs' related behavior when pursuing such strategies. Mr. Hansen concurred with Mr. Siong's and Prof. Poll's observations. He noted that the provisions should focus on the ethical behavior of PAs in providing tax planning services.

RELATED SERVICES

- The provisions on related services are helpful but they could be given a more prominent placement within the Section to ensure that stakeholders recognize the importance and relevance of these related services.
- Consideration should be given to clarifying the related services provisions as their interaction with the credible basis principle suggests that the PA would be precluded from assisting a client in rectifying or remediating a tax planning arrangement developed by another party that lacks a credible basis. There could also be other circumstances in which the PA might be legitimately engaged to advise the client on a tax planning arrangement that is being challenged in court.

ROLE OF THE PA IN ACTING IN THE PUBLIC INTEREST

- Regarding the reference to tax evasion being outside of the project's scope in the requirement for the PA to obtain an understanding of laws and regulations that limit or prohibit certain tax planning arrangements, consideration should be given to relocating that reference to elsewhere in the Section.

CREDIBLE BASIS

- Consideration should be given to further clarifying the concept of “or otherwise advise on” in the requirement to determine that there is a credible basis, in particular, to avoid precluding the PA from advising the client in remediating a tax planning arrangement that lacked a credible basis.
- Consideration should be given to including explanations about the assessment of a credible basis within the Basis for Conclusions. It was noted that the phrase “credible basis” is a globally accepted term, which implies that the tax planning arrangement would stand a relatively high probability of prevailing if challenged.

Prof. Poll concurred with the observation, noting that the Task Force would consider further explanations in the Basis for Conclusions to assist users with implementation. He shared that it is essential to strike a balance and avoid being too prescriptive in the Code.

“STAND-BACK TEST”

- In relation to the guidance explaining that an awareness of the wider economic consequences might take into account the PA’s general understanding of the current economic environment, consideration should be given to deleting the word “general” as it appears redundant. On the other hand, there was a view that the wording is helpful in terms of conveying clearly the intent of the provision.
- The extent to which the PA should obtain an understanding of the client’s risk appetite as part of the stand-back test, as this would be an important factor motivating the client in its determination of which tax planning strategy to undertake.

Ms. Vijian explained that the proposed ethical framework is premised on the PA obtaining knowledge and understanding of the client, its owners, management, and those charged with governance and its business activities. Prof. Poll added that, in the event of a disagreement, the relevant provisions on disagreements would cover the communication of the PA’s assessment to management or TCWG.

- Where the tax planning arrangement involves multiple jurisdictions, whose view would prevail.

Prof. Poll responded that the PA should apply appropriate professional judgment to assess the credible basis in the context of the laws and regulations in each jurisdiction.

- Consideration should be given to advocating the message that the Code is setting a higher bar for PAs in providing tax planning services once the proposals are finalized. It was felt that as the Board targets setting profession-agnostic standards, stakeholders will need to be educated on specific provisions in the Code and be made aware that they go further than what is required of non-PA tax advisers.

Mr. Siong commented that the stand-back test is proportional as the consideration of wider economic consequences would in practice only impact the PA's determination as to whether to recommend or otherwise advise on the tax planning arrangement in sophisticated cases where the amounts of tax involved are substantial or of a different order of magnitude than routine cases.

Prof. Poll added that the stand-back test concerns the PA's ethical obligations rather than the legality of the tax planning arrangement. The proposals encourage the PA to understand their decision's broader and wider perspective and its impact on their reputation.

- On the suggestion from a respondent to delink the consideration of wider economic consequences from stakeholders' perceptions, consideration should be given to explaining that several factors can come into play in the PA's considerations in applying the stand-back test. In this regard, it was observed that if there is a public reaction, it is often more about the business decision (e.g., the closing of factories) than the tax planning itself. It was suggested that further explanation be provided in the Basis for Conclusions.

APPLYING THE CONCEPTUAL FRAMEWORK TO NAVIGATE THE GRAY ZONE

- Consideration should be given to clarifying the self-review threat example in paragraph 380.18 A1, as the threat is more likely to occur if the PA is providing both the valuation and tax planning services. There was also a view that the example was unclear and that a different example should be provided.
- In relation to the example of self-interest threat that refers to fees "that might be considered to be excessive" in paragraph 380.18 A1, consideration should be given to providing further guidance on what would be considered excessive to assist consistent application.
- Consideration should be given to whether the term "pre-packaged" in paragraph 380.18 A2, bullet point seven, will be well understood by users of the Code.
- Consideration should be given to adding the qualifying term "successfully" to the reference to an established practice that has not been "challenged" in paragraph 380.18 A2, bullet point 10, as the absence of a challenge would not necessarily mean that there is no, or a low level of, threat.

DISAGREEMENTS

- Regarding dissociating from the client or the engagement, it would seem radical to require such severe measures without the PA taking appropriate steps to communicate with the client about the disagreement. It was suggested that consideration be given to revising paragraph 380.21 to require the PA to communicate to management the PA's position against pursuing the tax planning arrangement before deciding to dissociate from the client, if the client disagrees with the PA's assessment.

DOCUMENTATION

- There was general support for not requiring documentation, especially given the potential for unintended consequences on other Sections of the Code. It was also observed that NSS can always add more stringent provisions to their local provisions if they deem it appropriate for their particular jurisdictions.

Mr. Furusawa noted the Board's position on not having documentation as a requirement and encouraged the Board to explain this in the Basis for Conclusions.

TAX PLANNING PRODUCTS/ARRANGEMENTS DEVELOPED BY A THIRD PARTY

- Consideration should be given to highlighting the need to respect client confidentiality when the PA refers the client to a third-party provider.
- Consideration should be given to how to address a scenario in which the PA recommends the client to a third-party provider in response to the client's desire to pursue an aggressive tax planning strategy, which the PA themselves would not undertake.

OTHER MATTERS

- With reference to the examples of management responsibilities in paragraph 380.8 A1, whether it is appropriate to include the example of submitting the client's tax return as this task can be delegated to another party.
- With reference to the examples of circumstances that might give rise to uncertainty in paragraph 380.16 A2, consideration should be given to clarifying the phrases "difficulty in establishing an adequate factual basis" and "lack of clarity about the ultimate beneficiaries of the tax planning arrangement."

PIOB OBSERVER'S REMARKS

Mr. Furusawa noted the importance of this project, which has the potential to substantively change PAs' behavior when providing tax planning services. He encouraged the Board to communicate a strong message about the importance of the provisions in addressing behavioral issues in this area.

WAY FORWARD

The Task Force will present a revised draft of the provisions with a view to seeking the Board's approval of the final pronouncement at the December 2023 IESBA meeting.

9. **PIOB Observer's Remarks**

Mr. Furusawa thanked the Board for the opportunity to observe the meeting. He praised the Board on an intense and productive week. Among other matters, he acknowledged the Board's significant progress on its various work streams, especially on the Sustainability and Tax Planning projects. Mr. Furusawa then conveyed his respect for the Board's ambition ~~in to~~ expanding the scope of applicability of the Code to professionals beyond PAs. He congratulated the Board members on their concrete efforts on the Tax Planning project.

10. Closing Remarks

Ms. Dias congratulated the Board and staff for their hard work. Acknowledging the challenges faced, she praised the Board on a successful meeting. Among other matters, Ms. Dias emphasized the need for efficient and effective discussions in the future. She highlighted the Board's diversity, underscoring the need for a shared foundation of knowledge and the importance of thorough preparation, particularly in light of the Board's transition to a more strategic role. Additionally, Ms. Dias expressed support for the idea of scheduling informational Board sessions on select key projects slated for approval at the upcoming December Board meeting.

In closing, Ms. Dias acknowledged that the December 2023 Board meeting will be a challenging one but conveyed her confidence in the Board realizing its objectives. Finally, Ms. Dias expressed her gratitude to all the participants for their contributions, especially the staff. She thanked the AICPA for hosting the meeting and wished everyone safe travels.

11. Next Meeting

The next Board meeting is scheduled for:

- December 4-8, 2023, to be held in person in New York, USA; and
- December 13 and 15 in virtual format.