



Ernst & Young Global Limited Tel: + 44 20 7980 0000
6 More London Place Fax: + 44 20 7980 0275
London ey.com
SE1 2DA

Mr. Geoff Kwan
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue
New York, New York 10017
USA

7 July 2023

Consultation Paper: Proposed Strategy and Work Plan, 2024 - 2027

Dear Mr. Kwan:

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the Consultation Paper, *Strategy and Work Plan, 2024 - 2027* (the "SWP"), issued by the International Ethics Standards Board for Accountants (the "IESBA" or the "Board").

We welcome the opportunity to contribute to the further development of the IESBA Code of Ethics for Professional Accountants (the "Code") and we continue to support robust ethics standards that will reinforce the integrity and objectivity of auditors worldwide. We fully support the IESBA's efforts to ensure that the Code stays relevant, applicable, and responsive to an ever-changing environment.

We are supportive of the IESBA's vision of making the standards of the Code available for use by other professions whose members perform the same types of professional activities or services as professional accountants. In fact, we are seeing an increase in requirements from legislative and regulatory bodies for assurance procedures where the legislator or regulatory body is allowing for alternative independent providers for the audit or assurance service, for example in the EU Digital Services Act or the EU Green Bond verification performed by an external reviewer. With expanding the use of the Code's ethics (including independence) standards beyond the accountancy profession, the IESBA will enter into new territory that will present many new challenges and require increased efforts to promote adoption and implementation by legislators and regulators, as well as non-PAs who likely will not be familiar with the Code's conceptual framework and how to effectively apply it. We also support the IESBA's efforts to proactively and timely engage with the relevant stakeholders, such as the recent roundtables on sustainability and use of experts, and we are particularly supportive of the efforts that the Board will undertake to advance the Code's relevance and impact, deepen and expand the Code's influence, and expand the Board's perspectives and inputs, in particular from investors and the corporate governance community.

Seven specific questions were identified on which the Board requested stakeholders to comment, and we have organized our response accordingly. Our comments are set out below.

Strategic Drivers, Themes and Actions

1. Do you agree with the IESBA's Proposed Strategic Drivers?

Yes, we agree that the strategic environmental and operational drivers identified by the Board are relevant to achieving the IESBA's vision.

2. Do you agree with the IESBA's Proposed Strategic Themes and Proposed Strategic Actions?

Enhancing trust in sustainability reporting and assurance

We fully support the IESBA's continued prioritization of its current Sustainability project. We believe that close coordination with the IAASB on its Sustainability initiatives is critical to enabling effective implementation of the future standards of both Boards (see also our response to question six below). We also believe the development of profession-agnostic ethics and independence standards for sustainability assurance will be of significant benefit to the users of sustainability information. Therefore, we believe it will be important for the IESBA to engage with non-PA providers of sustainability assurance services, regulators and oversight bodies to demonstrate the purpose and benefit of the IESBA's standards, and to encourage acceptance and adoption among non-PA providers. Recognizing the challenges in developing standards to be used by those outside the accountancy profession, we believe the IESBA should allocate sufficient resources, as part of the project, for educating non-PA sustainability assurance providers on the standards and to support adoption of the standards.

Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance

We agree with this proposed strategic theme and support the associated strategic actions the IESBA has identified. In particular, we agree that ongoing projects and workstreams listed in Table A of the SWP should remain a focus and priority of the IESBA. With regard to potential new topics, please see our response to question three below.

Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards

We agree with this proposed strategic theme and support the associated strategic actions the IESBA has identified. We agree with the Board's view expressed in the SWP that obtaining and understanding feedback from investors and the corporate governance community, who are often less represented in the input received on the IESBA's projects and initiatives, is becoming increasingly important. And particularly in light of the efforts around standards for sustainability assurance, it will be important for the IESBA to engage with assurance providers outside of the accountancy profession to seek their input to the IESBA's development of profession-agnostic standards for sustainability assurance, and to promote the understanding, acceptance and use of those standards by those independent assurance providers. In addition to investors and the corporate governance community, we believe it would be beneficial for the IESBA to also pursue focused efforts on obtaining feedback from the private equity industry, sovereign wealth funds, and asset managers.

Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

We agree with this proposed strategic theme and support the associated strategic actions the IESBA has identified. It is in the public interest to have independence standards for audit and assurance that are adopted and consistently applied on a global level. We therefore believe that the IESBA should devote strategic focus on promoting full and timely adoption and effective implementation of the Code. In addition to promoting timely adoption, we believe the IESBA should equally focus on alignment between the Code and local requirements in jurisdictions that report the Code as being adopted. Many of these jurisdictions have made modifications in their adoption of the Code, resulting in global misalignment. We believe it is important for the IESBA to promote the benefit of a globally aligned and consistent standard on independence through stakeholder outreach in those jurisdictions that have not, or have only partially, implemented the Code, or that have supplemented the Code with additional local requirements.

Proposed Work Plan for 2024 - 2027

3. Do you support the IESBA considering the topics set out in Table B as potential work streams? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.

Role of CFOs and Other Senior PAIBs

We support this topic as a potential work stream for the reasons the IESBA articulated in its SWP. We agree that the Code provides a strong ethics standard that, with the appropriate enhancements, would support CFOs in addressing ethical issues and challenges with respect to their responsibilities for reporting on financial and non-financial information, as well as other areas of CFOs' expanding functional responsibilities.

Business Relationships

We do not support this topic as a potential work stream because we believe the Code is sufficiently robust and developed in this area, taking the changes already approved in the Technology project into account. We are opposed to removing the criteria exceptions for materiality and significance under Section 520 since there are many inconsequential business relationships that have no impact on independence that the Code properly recognizes as not material.

Audit Firm - Audit Client Relationship

We do not support this topic as a potential work stream. In light of the significant enhancements resulting from recent projects, we do not believe this issue of the audit firm and audit client relationship is relevant. Issues that might have previously existed that would call into question the nature of the relationship have been addressed through recent projects, in particular the Fees and NAS projects. The nature of this relationship is well understood by the market and stems from factors that are outside of the Code's purview and ability to impact.

Definition and Description of Terms

We support this topic as a potential work stream. A broad look at the definitions could be helpful in ensuring the Code remains fit for purpose. However, we believe such a project warrants careful consideration and caution as to not disturb the very foundations of the Code. Such a project would require close, proactive coordination with the IAASB so as to foster alignment and interoperability with the assurance standards (see also our response to question six below).

Custody of Data

We do not support this topic as a potential work stream. In light of the enhancements resulting from the Technology project, we believe this is now sufficiently addressed in the Code.

Communication with Those Charged with Governance

We strongly support efforts to increase transparency and effective communication with Those Charged with Governance. However, in reviewing the description of this potential work stream, we do not see the issue discussed in the SWP around the potential for over-reliance on experts or consultants as the critical issue on which the IESBA should focus. Rather, we believe the more significant issues and concerns relate to the objectivity and independence of experts, which are currently being addressed through the IESBA's Use of Experts project. However, we see the topic of over-reliance on experts as a good example of a topic for which the IESBA could obtain feedback from the corporate governance community so as to better understand if these stakeholders believe over-reliance on experts is a matter of importance to them.

4. Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work stream(s) set out in Tables A, B and C? Please explain your reasons.

Ongoing Projects and Work Streams

We do not believe the IESBA should accelerate or defer any of the ongoing projects and work streams listed in Table A of the SWP.

We note that the IESBA included in its 2014 - 2018 Proposed Strategy and Work Plan a work stream for Collective Investment Vehicles (CIV), in particular to review the application of the "related entity" definition in the Code to CIVs when firms audit the underlying funds, the sponsor/advisor of the funds, or both. The CIV work stream was not included in the IESBA's 2019 - 2023 Strategy and Workplan. For the next strategy period, the IESBA has again included a work stream for CIVs, but has expanded it to also include pension funds and investment company complexes. CIVs, pension funds and investment company complexes have a great degree of diversity in their governance structures from one jurisdiction to another. This can create significant challenges to developing a global approach to the "related entity" definition to apply to these structures. Therefore, we believe it would be of benefit for IESBA to focus on developing a clear framework for determining when a "control" relationship exists that could be applied to all structures, including CIVs, pension funds and investment company complexes.

Potential Work Streams Under Consideration

Regarding the potential work streams listed in Table B of the SWP, please refer to our response to question three above.

Pre-committed Work Streams

As for the pre-committed work streams listed in Table C of the SWP, each of these post-implementation reviews relate to projects that have or will result in many important changes to the Code. These changes are substantive, and it will be important that the profession be focused and engaged in understanding, addressing and implementing these new provisions. Therefore, we agree that the IESBA should focus on these post-implementation reviews with the aim of getting the revisions of recent projects appropriately adopted and implemented globally, and identifying any issues relating to the understandability of the provisions. We believe that an additional important aspect of the post-implementation review process should be to identify whether there are any unintended consequences that create challenges for stakeholders in terms of understanding or implementing the provisions. In this regard, we encourage the IESBA to also consider a mechanism or process that would allow the IESBA to address such unintended consequences timely, as well as any other smaller improvement or clarification opportunities identified as part of the post-implementation review.

5. Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B, and the needs and interests that would be served by undertaking work on such topic(s).

We have no further recommendations as to potential new work streams for the IESBA to consider during the strategy period.

Additional Information

6. The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?

We believe that close coordination between the IESBA and IAASB is critical for the development of interoperable standards related to sustainability and use of experts, the rollout initiative of the changes to the Code arising from the IESBA's definitions of listed entity and public interest entity, and alignment of the definition of terms used in the respective standards. Close coordination on current work streams for standards that are under concurrent development and require interoperability would help avoid any unintended consequences of the standards not being fully aligned. In our view, this coordination needs to be prioritized and proactively planned, and the IESBA's SWP should include more specifics around the planned topics and actions with respect to the projects and workstreams listed above.

7. Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024 - 2027?

We have no further comments.



We would be pleased to discuss our comments with members of the International Ethics Standards Board or its staff. If you wish to do so, please contact Tone Maren Sakshaug (tonemaren.sakshaug1@qa.ey.com) or John Neary (john.neary1@ey.com).

Yours sincerely,

Ernst + Young Global Limited