Close-Off Document
March 2016

International Ethics Standards Board for Accountants®

Changes to Part C of the Code Addressing Preparation and Presentation of Information and Pressure to Breach the Fundamental Principles

IESBA International Ethics Standards Board for Accountants®

This close-off document was developed and approved by the International Ethics Standards Board for Accountants® (IESBA®). It has been prepared in accordance with the current structure and drafting conventions of the *Code of Ethics for Professional Accountants*™ (the Code). It will be used as a basis for preparing a restructured version in accordance with the proposed new structure and drafting conventions the IESBA is developing.

The IESBA is an independent standard-setting board that develops and issues high-quality ethical standards and other pronouncements for professional accountants worldwide. Through its activities, the IESBA develops the Code, which establishes ethical requirements for professional accountants.

The objective of the IESBA is to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics.

The structures and processes that support the operations of the IESBA are facilitated by the International Federation of Accountants® (IFAC®).

CHANGES TO PART C OF THE CODE ADDRESSING PREPARATION AND PRESENTATION OF INFORMATION AND PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

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CHANGES TO PART C OF THE CODE (PHASE 1) (CLEAN)

SECTION 320

Preparation and Presentation of Information

320.1 Professional accountants in business at all levels in an employing organization are involved in the preparation and presentation of information both within and outside the employing organization. Stakeholders to whom, or for whom, such information is prepared or presented, include:

- Management and those charged with governance.
- Investors, lenders and other creditors.
- Regulators.

This information may assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. This includes financial and non-financial information that may be made public or used for internal purposes.

Examples include:

- Operating and performance reports.
- Decision support analyses.
- Budgets and forecasts.
- Information provided to the internal and external auditors.
- Risk analyses.
- General and special purpose financial statements.
- Tax returns.
- Reports filed with regulators for legal and compliance purposes.

320.2 Professional accountants in business who are responsible for recording, maintaining, preparing, approving or presenting information shall do so in accordance with the fundamental principles. This includes:

- Presenting the information in accordance with a relevant reporting framework, where applicable.
- Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately.
- Not omitting information with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.

An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.

This responsibility involves using professional judgment to:

- Represent the facts accurately and completely in all material respects.
- Describe clearly the true nature of business transactions or activities.
- Classify and record information in a timely and proper manner.

320.3 Preparing or presenting information may require the exercise of discretion in making professional judgments. Preparing or presenting such information in accordance with the fundamental principles requires the professional accountant not to exercise such discretion with the intention of misleading or influencing contractual or regulatory outcomes inappropriately. This includes not using discretion to achieve inappropriate outcomes in one or more of the following ways:

- Determining estimates. For example, determining fair value estimates in order to misrepresent profit or loss.
- Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework. For example, selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss.
- Determining the timing of transactions. For example, timing the sale of an asset near the end of the fiscal year in order to mislead.
- Determining the structuring of transactions. For example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.
- Selecting disclosures. For example, omitting or obscuring information relating to financial or operating risk in order to mislead.

320.4 When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall use professional judgment to identify and take into account the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed. For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who may rely on such information to form their own judgments. The professional accountant in business may also consider clarifying the intended audience, context and purpose of the information presented.

320.5 A professional accountant who intends to rely on the work of others, either internal or external to the organization, shall use professional judgment to determine what steps to take, if any, to ensure that the obligations set out in paragraph 320.2 are fulfilled. Factors to consider in determining whether reliance on others is reasonable include: reputation, expertise, resources available to the individual or organization and whether the other individual is subject to applicable professional and ethical standards. Such information may be gained from prior association with, or from consulting others about, the individual or the organization.

320.6 If the professional accountant knows or has reason to believe that the information with which the professional accountant is associated is misleading, the professional accountant shall take appropriate actions to seek to resolve the matter. Such actions include:

- Consulting the employing organization's policies and procedures (for example, an ethics or whistle-blowing policy) regarding how such matters should be addressed internally.

- Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the professional accountant's organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter. Such action may include:
  - Having the information corrected.
  - If the information has already been disclosed to the intended users, informing them of the correct information.

  In situations where the misleading information may involve a violation of a law or regulation, Section 360 provides guidance relating to non-compliance with laws and regulations.

320.7 If the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the professional accountant, while being alert to the fundamental principle of confidentiality, shall consider one or more of the following:

- Consulting with a relevant professional body.
- Consulting with the employing organization's internal and external auditor.
- Determining whether any requirements exist to communicate to third parties, including users of the information, or regulatory authorities.
- Consulting legal counsel.

320.8 If after exhausting all feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the professional accountant shall refuse to be or to remain associated with the information. The professional accountant also may consider resigning from the employing organization.

The professional accountant is also encouraged to document the facts, the accounting principles or other relevant professional standards involved, and the communications and parties with whom these matters were discussed, the courses of action considered, and how the professional accountant attempted to address the matter(s).

320.9 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from financial interests, including compensation and incentive linked to financial reporting and decision making, the guidance in Section 340 is relevant.

320.10 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 370 is relevant.

SECTION 370

Pressure to Breach the Fundamental Principles

370.1 This section addresses pressures that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.

370.2 A professional accountant in business may face pressure that could create threats, for example, intimidation threats, to compliance with the fundamental principles when undertaking a professional activity. Pressure may be explicit or implicit. Pressure may come from within the organization, for example, from a colleague or superior, from an external individual or organization such as a vendor, customer or lender, or from meeting internal or external targets and expectations.

The professional accountant shall not allow pressure from others to result in a breach of the fundamental principles. The professional accountant also shall not place pressure on others that the professional accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

370.3 Examples of pressure that could result in a breach of the fundamental principles include:

- Pressure related to conflicts of interest:
    - Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor.

      The guidance in Section 310 is relevant.
- Pressure to influence presentation of information:
    - Pressure to report misleading financial results to meet investor, analyst or lender expectations.
    - Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
    - Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.
    - Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
    - Pressure to suppress internal audit reports containing adverse findings.

      The guidance in Section 320 is relevant.
- Pressure to act without sufficient expertise or due care:
    - Pressure from superiors to inappropriately reduce the extent of work performed.
    - Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

      The guidance in Section 330 is relevant.

- Pressure related to financial interests:
    - Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who may benefit from participation in compensation or incentive arrangements.

      The guidance in Section 340 is relevant.
- Pressure related to inducements:
    - Pressure from others, either internal or external to the employing organization, to offer inducements to inappropriately influence the judgment or decision-making process of an individual or organization.
    - Pressure from colleagues to accept a bribe or other inducement, for example, to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

      The guidance in Section 350 is relevant.
- Pressure related to non-compliance with laws and regulations:
    - Pressure to structure a transaction to evade tax.

      The guidance in Section 360 is relevant.

370.4 In determining whether the pressure could result in a breach of the fundamental principles, the professional accountant may consider factors including:

- The intent of the individual who is exerting the pressure and the nature and significance of the pressure.
- The application of relevant laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the employing organization including the extent to which it emphasizes the importance of ethical behavior and the expectation that employees will act in an ethical manner. For example, a corporate culture that tolerates unethical behavior may increase the likelihood that the pressure would result in a breach of the fundamental principles.
- Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

In considering these and other factors, and being alert to the fundamental principle of confidentiality, the professional accountant in business may consult with:

- A colleague, superior, human resources personnel, or another professional accountant;
- Relevant professional or regulatory bodies or industry associations; or
- Legal counsel.

370.5 If the professional accountant determines that the pressure would result in a breach of the fundamental principles, the professional accountant may consider actions, including:

- Discussing the matter with the individual who is exerting the pressure to seek to resolve it.

- Discussing the matter with the professional accountant's supervisor, if the supervisor is not the individual exerting the pressure.
- Escalating the matter within the employing organization, for example, with higher levels of management, internal or external auditors, or those charged with governance, including independent directors and, when appropriate, explaining any consequential risks to the organization.
- Requesting restructuring or segregating certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting the pressure, where doing so would eliminate the pressure to breach the fundamental principles. For example, if a professional accountant is pressured in relation to a conflict of interest, the pressure to breach the fundamental principles may be eliminated if the professional accountant avoids being associated with the matter creating the conflict.
- Disclosing the matter in accordance with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.
- Consulting with legal counsel.

370.6 In situations where the professional accountant determines that the pressure to breach the fundamental principles has not been eliminated, the professional accountant shall:

- Decline to undertake or discontinue the professional activity that would result in a breach of the fundamental principles; and
- Consider resigning from the employing organization.

The professional accountant is also encouraged to document the facts, the communications, the courses of action considered, the parties with whom these matters were discussed, and how the matter was addressed.

SECTION 300

Introduction

300.1 This part of the Code describes how the conceptual framework contained in Part A applies in certain situations to professional accountants in business. It does not describe all of the circumstances and relationships that could be encountered by a professional accountant that create or may create threats to compliance with the fundamental principles. Therefore, the professional accountant is encouraged to be alert for such circumstances and relationships.

300.2 Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of professional accountants in business. Professional accountants in business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters.

300.3 A professional accountant in business may be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the professional accountant with the employing organization has no bearing on the ethical responsibilities incumbent on the professional accountant.

Key Provisions

300.4 A professional accountant in business has a responsibility to further the legitimate aims of the accountant's employing organization. This Code does not seek to hinder a professional accountant in business from properly fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles may be compromised.

300.5 All professional accountants have a responsibility to act in the public interest. The more senior the position of the professional accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization.

A professional accountant in business is expected to encourage and promote an ethics-based culture in the organization, taking into account the professional accountant's position and seniority in the organization, and to the extent that the professional accountant is able to do so. Examples of actions that may be taken include the introduction, implementation and oversight of ethics education and training programs; ethics and whistle-blowing policies; and policies and procedures to prevent non-compliance with laws and regulations.

300.6 A professional accountant in business shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.

Threats and Safeguards

300.7 Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances and relationships. Threats fall into one or more of the following categories:

(a) Self-interest;

(b) Self-review;

(c) Advocacy;

(d) Familiarity; and

(e) Intimidation.

These threats are discussed further in Part A of this Code.

300.8 Examples of circumstances that may create self-interest threats for a professional accountant in business include:

- Holding a financial interest in, or receiving a loan or guarantee from the employing organization.
- Participating in incentive compensation arrangements offered by the employing organization.
- Inappropriate personal use of corporate assets.
- Concern over employment security.
- Commercial pressure from outside the employing organization.

300.9 An example of a circumstance that creates a self-review threat for a professional accountant in business is determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported the acquisition decision.

300.10 When furthering the legitimate goals and objectives of their employing organizations, professional accountants in business may promote the organization's position, provided any statements made are neither false nor misleading. Such actions generally would not create an advocacy threat.

300.11 Examples of circumstances that may create familiarity threats for a professional accountant in business include:

- Being responsible for the employing organization's financial reporting when an immediate or close family member employed by the entity makes decisions that affect the entity's financial reporting.
- Long association with business contacts influencing business decisions.
- Accepting a gift or preferential treatment, unless the value is trivial and inconsequential.

300.12 Examples of circumstances that may create intimidation threats for a professional accountant in business include:

- Threat of dismissal or replacement of the professional accountant in business or a close or immediate family member over a disagreement about the application of an accounting principle or the way in which financial information is to be reported.
- A dominant personality attempting to influence the decision making process, for example, with regard to the awarding of contracts or the application of an accounting principle.

300.13 Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:

(a) Safeguards created by the profession, legislation or regulation; and

(b) Safeguards in the work environment.

Examples of safeguards created by the profession, legislation or regulation are detailed in paragraph 100.14 of Part A of this Code.

300.14 Safeguards in the work environment include:

- The employing organization's systems of corporate oversight or other oversight structures.
- The employing organization's ethics and conduct programs.
- Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent staff.
- Strong internal controls.
- Appropriate disciplinary processes.
- Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.
- Policies and procedures to implement and monitor the quality of employee performance.
- Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.
- Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution.
- Consultation with another appropriate professional accountant.

300.15 In circumstances where a professional accountant in business believes that unethical behavior or actions by others will continue to occur within the employing organization, the professional accountant in business may consider obtaining legal advice. In those extreme situations where all available safeguards have been exhausted and it is not possible to reduce the threat to an acceptable level, a professional accountant in business may conclude that it is appropriate to resign from the employing organization.

SECTION 310

Conflicts of Interest

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310.11 A professional accountant in business may encounter other threats to compliance with the fundamental principles. This may occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the employing organization or financial, business or personal relationships that close or immediate family members of the professional accountant have with the employing organization. Guidance on managing such threats is covered by Sections 320, 340 and 370 of the Code.

SECTION 330

Acting with Sufficient Expertise

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330.4 When threats cannot be eliminated or reduced to an acceptable level, professional accountants in business shall determine whether to refuse to perform the duties in question. If the professional accountant in business determines that refusal is appropriate, the reasons for doing so shall be clearly communicated.

330.5 In cases where a professional accountant in business is pressured to act in a manner that would lead to a breach of the fundamental principle of professional competence and due care, Section 370 of this Code provides guidance.

SECTION 340

Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making

340.1 Professional accountants in business may have financial interests, including those arising from compensation or incentive arrangements, or may know of financial interests of immediate or close family members, that, in certain circumstances, may create threats to compliance with the fundamental principles. For example, self-interest or familiarity threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price-sensitive information in order to gain financially. Examples of circumstances that may create threats include situations where the professional accountant in business or an immediate or close family member:

- Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business.
- Is eligible for a profit-related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business.
- Holds, directly or indirectly, deferred bonus share entitlements or share options in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business.

- Otherwise participates in compensation arrangements which provide incentives to achieve performance targets or to support efforts to maximize the value of the employing organization's shares, for example, through participation in long-term incentive plans which are linked to certain performance conditions being met.

340.2 A professional accountant in business shall not manipulate information or use confidential information for personal gain or for the financial gain of others.

340.3 The significance of any threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining the appropriate safeguards to be applied, a professional accountant in business shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances. Examples of such safeguards include:

- Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management.
- Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies.
- Consultation, where appropriate, with superiors within the employing organization.
- Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.
- Internal and external audit procedures.
- Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.

340.4 Threats arising from compensation or incentive arrangements may be compounded by explicit or implicit pressure from superiors or colleagues in the employing organization. Section 370 addresses pressure that could lead a professional accountant to breach the fundamental principles.

Effective Date

The changes will be effective on [Date]. Early adoption is permitted.

CHANGES TO PART C OF THE CODE (MARK-UP FROM EXPOSURE DRAFT)

SECTION 320

Preparation and Presentation of Information

320.1 Professional accountants in business at all levels in an employing organization are involved in the preparation and presentation of information ~~to stakeholders~~ both ~~inside~~within and outside the employing organization. ~~Such s~~Stakeholders to whom, or for whom, such information is prepared or presented, include~~ management, ~~:

- Management and those charged with governance~~, investors, regulators~~.
- Investors, lenders and other creditors.
- Regulators.

This information may assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. ~~Such information~~This includes financial and non-financial information that may be made public or used for internal purposes.

Examples include:

- Operating and performance reports.
- Decision support analyses.
- Budgets and forecasts.
- Information provided to the internal and external auditors.
- Risk analyses.
- General and special purpose financial statements.
- Tax returns.
- Reports filed with regulators for legal and compliance purposes.

320.2 ~~A p~~Professional accountants in business who ~~is~~are responsible for recording, maintaining, preparing, approving or presenting information shall do so in ~~a manner that is fair and honest, in~~ accordance with the fundamental principles. This includes:

- Presenting the information in accordance with a relevant reporting framework, where applicable.
- Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately~~;~~.
- Not omitting information with the intention of rendering the information misleading~~; and~~ or of influencing contractual or regulatory outcomes inappropriately.

An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.

- ~~Presenting the information in accordance with a relevant reporting framework, where applicable.~~

This responsibility involves ~~taking reasonable steps~~ using professional judgment to:

- Represent the facts accurately and completely in all material respects~~;~~.
- Describe clearly the true nature of business transactions or activities~~; and~~.
- Classify and record information in a timely and proper manner.

320.3 Preparing or presenting ~~financial~~ information ~~often involves judgment and~~may require the exercise of discretion~~.~~ in making professional judgments. Preparing or presenting such information ~~fairly and honestly~~in accordance with the fundamental principles requires the professional accountant not to exercise such discretion ~~in a manner that is intended~~with the intention of misleading or influencing contractual or regulatory outcomes inappropriately. This includes not using discretion to ~~mislead, including when:~~achieve inappropriate outcomes in one or more of the following ways:

- Determining estimates. For example, ~~over- or under-accruing warranty expenses~~determining fair value estimates in order to ~~manipulate income~~misrepresent profit or loss.
- Selecting ~~a particular~~or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework. For example, ~~selection of one method from among alternative revenue recognition methods~~selecting a policy for accounting for long-term contracts in order to ~~manipulate income.~~misrepresent profit or loss.
- Determining the timing of transactions. For example, timing ~~revenue transactions~~the sale of an asset near the end of the fiscal year in order to ~~manipulate income~~mislead.
- Determining the structuring of transactions. For example, structuring financing transactions in order to ~~manipulate the statement of financial position or the cash flow statement~~misrepresent assets and liabilities or classification of cash flows.
- ~~Determining~~Selecting disclosures. For example, omitting or obscuring information ~~so that materially different items are not distinguished~~relating to financial or operating risk in order to mislead.

320.4 ~~An important factor for~~When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant ~~to consider is having regard~~ shall use professional judgment to identify and take into account the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed. For example, when preparing or presenting ~~financial information such as~~ pro forma reports, budgets or forecasts ~~would require~~, the ~~professional accountant to include~~inclusion of relevant estimates, approximations and assumptions ~~that are necessary to~~, where appropriate, would enable those who may rely on such information to form their own judgments. The professional accountant in business may also consider clarifying the intended audience, context and purpose of the information presented.

320.5 ~~In cases where the~~A professional accountant ~~relies~~who intends to rely on the work of others, ~~the professional accountant~~ either internal or external to the organization, shall ~~take reasonable~~ use professional judgment to determine what steps to ~~be satisfied~~take, if any, to ensure that ~~such~~

~~work enables the professional accountant to fulfill~~ the obligations set out in paragraph 320.2 are fulfilled. Factors to consider in determining whether reliance on others is reasonable include: reputation, expertise, resources available to the individual or organization and whether the other individual is subject to applicable professional and ethical standards. Such information may be gained from prior association with, or from consulting others about, the individual or the organization.

320.6 ~~Where a~~If the professional accountant knows or has ~~determined~~reason to believe that the information with which the professional accountant is associated is misleading, the professional accountant shall take ~~steps~~appropriate actions to seek to resolve the matter. Such ~~steps may~~actions include ~~consulting~~:

- Consulting the employing organization's policies and procedures (for example, an ethics or whistle-blowing policy) regarding how such matters should be addressed internally~~, and discussing~~.
- Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the professional accountant's organization or those charged with governance~~.~~ and requesting such individuals to take appropriate action to resolve the matter. Such action may include:
    - Having the information corrected.
    - If the information has already been disclosed to the intended users, informing them of the correct information.

  In situations where the misleading information may involve a violation of a law or regulation, Section 360 provides guidance relating to non-compliance with laws and regulations.

320.7 If~~, after taking such steps,~~ the professional accountant determines that ~~corrective~~appropriate action has not been taken and continues to have reason to believe that the information is ~~still~~ misleading, the professional accountant ~~may~~, while being alert to the fundamental principle of confidentiality, shall consider one or more of the following:

- ~~Consulting legal counsel regarding the professional accountant's and the employing organization's responsibilities.~~
- Consulting with a relevant professional body.
- Consulting with the employing organization's internal and external auditor.
- Determining whether any requirements exist to communicate to third parties, including users of the information, or regulatory authorities ~~or the employing organization's external accountant.~~ .
- Consulting legal counsel.

320.8 If after exhausting all ~~possible~~feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the professional accountant shall refuse to be or to remain associated with the information. The professional accountant ~~shall~~ also may consider resigning from the employing organization.

~~320.9~~ The professional accountant is also encouraged to document the facts, the accounting principles or other relevant professional standards involved, and the communications and parties with whom these matters were discussed~~.~~, the courses of action considered, and how the professional accountant attempted to address the matter(s).

320.~~10~~9 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from financial interests, including compensation and incentive~~s~~ linked to financial reporting and decision making, the guidance in Section 340 is relevant.

320.~~11~~10 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 370 is relevant.

SECTION 370

Pressure to Breach the Fundamental Principles

370.1 This section addresses pressures that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.

370.2 A professional accountant in business may face pressure that could create threats, for example, intimidation threats, to compliance with the fundamental principles when undertaking a professional activity. Pressure may be explicit or implicit. Pressure may come from within the organization, ~~(~~for example, from a colleague or superior~~)~~, from an external individual or organization such as a vendor, customer or lender, or from meeting internal or external targets and expectations. ~~The professional accountant shall not allow such pressure to result in a breach of the fundamental principles.~~

~~370.2~~ The professional accountant shall not allow pressure from others to result in a breach of the fundamental principles. The professional accountant also shall not place pressure on others that the professional accountant knows, or has reason to believe, would result in ~~a breach of the fundamental principles.~~

~~370.3 This section addresses pressures that could result in a professional accountant taking actions that breach~~the other individuals breaching the fundamental principles. ~~It does not address routine pressures encountered in the workplace such as pressure to meet a reporting deadline.~~

370.4~~3~~ Examples of pressure that could result in a breach of the fundamental principles include:

- Pressure related to conflicts of interest:
  - Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor.

    The guidance in Section 310 is relevant.
- Pressure to influence presentation of information:
  - Pressure to report misleading financial results to meet investor, analyst or lender expectations.
  - ~~Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who may benefit from participation in compensation or incentive arrangements.~~
  - Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
  - Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.
  - Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
  - Pressure to suppress internal audit reports containing adverse findings.

    The guidance in Section 320 is relevant.

- Pressure to act without sufficient expertise or due care:
  - Pressure from superiors to inappropriately reduce the extent of work performed ~~in order to reduce costs~~.
  - Pressure from superiors to perform a task without sufficient skills or training or ~~without sufficient time~~within unrealistic deadlines.

    The guidance in Section 330 is relevant.
- Pressure related to financial interests:
  - Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who may benefit from participation in compensation or incentive arrangements.
  - ~~Implicit or explicit pressure from superiors or colleagues to present information that has been altered in order to increase their compensation.~~

    The guidance in Section 340 is relevant.
- Pressure related to inducements:
  - Pressure from others, either internal or external to the employing organization, to offer inducements to inappropriately influence the judgment or decision-making process of an individual or organization.
  - Pressure from colleagues to accept a bribe or other inducement, for example, to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

    The guidance in Section 350 is relevant.
- Pressure related to non-compliance with laws and regulations:
  - Pressure to ~~engage in activities or transactions that may violate laws or regulations~~ structure a transaction to evade tax.

    The guidance in Section 360 is relevant.

370.4~~5~~ ~~The professional accountant may wish to consider~~ In determining whether the ~~following when faced with~~ pressure ~~that~~ could result in a breach of the fundamental principles, the professional accountant may consider factors including:

- ~~The application of policies and procedures, if any, that the employing organization has established, such as an ethics policy that addresses pressure.~~
- ~~The corporate~~The intent of the individual who is exerting the pressure and the nature and significance of the pressure.
- The application of relevant laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the employing organization~~,~~ including the extent to which it emphasizes the importance of ethical behavior and the expectation that employees will act in an ethical manner. For example, a corporate culture that tolerates unethical behavior may increase the likelihood that the pressure would result in a breach of the fundamental principles.

- ~~The application of the relevant laws and regulations to the circumstances.~~

- ~~Discussion with the person who is exerting the pressure to clarify their intent~~Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

- In considering these and ~~to determine the nature~~other factors, and ~~significance of the pressure.~~

~~B~~being alert to the fundamental principle of confidentiality, the professional accountant in business may ~~also wish to~~ consult with:

- ~~Where appropriate, a~~A colleague ~~or~~, superior, human resources personnel, or another professional accountant~~.~~;

- Relevant professional or regulatory bodies~~, regulators~~ or industry associations~~.~~; or

- Legal counsel.

370.~~6~~5 If the professional accountant ~~has~~ determines~~d~~ that the pressure would result in a breach of the fundamental principles, the professional accountant may ~~wish to~~ consider ~~one or more of the following~~ actions, including:

- ~~Engage in constructive challenge~~Discussing the matter with the individual who is exerting the pressure to seek to resolve it.

- Discussing the matter with the professional accountant's supervisor, if the supervisor is not the individual exerting the pressure.

- ~~Request restructuring or segregation of certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting the pressure.~~

- Escalating~~e~~ the matter within the ~~entity~~employing organization, for example, with higher levels of management, internal or external auditors, or those charged with governance, including independent directors and, when appropriate, explaining any consequential risks to the organization.

- Requesting restructuring or segregating certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting the pressure, where doing so would eliminate the pressure to breach the fundamental principles. For example, if a professional accountant is pressured in relation to a conflict of interest, the pressure to breach the fundamental principles may be eliminated if the professional accountant avoids being associated with the matter creating the conflict.

- Disclos~~e~~ing the matter in accordance with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as ~~through the employing organization's~~ a confidential ethics hotline.

- Consulting with legal counsel.

370.6~~7~~ ~~If~~In situations where the professional accountant determines that the pressure ~~cannot be alleviated or~~to breach the fundamental principles has not been eliminated, the professional accountant shall

- ~~d~~Decline to undertake or discontinue the professional activity that would result in a breach of the fundamental principles; and. ~~The professional accountant shall also~~
- ~~c~~Consider resigning from the employing organization.

~~370.8~~ The professional accountant is also encouraged to document the facts, the communications ~~and~~, the courses of action considered, the parties with whom these matters were discussed, and how the matter was addressed.

~~370.9 Where pressure to breach the fundamental principles relates to:~~

- ~~A conflict of interest, the guidance in Section 310 is relevant.~~
- ~~Presenting information, the guidance in Section 320 is relevant.~~
- ~~Acting without sufficient expertise or due care, the guidance in Section 330 is relevant.~~
- ~~A financial interest, the guidance in Section 340 is relevant.~~
- ~~Inducements, the guidance in Section 350 is relevant.~~

SECTION 300

Introduction

300.1 This part of the Code describes how the conceptual framework contained in Part A applies in certain situations to professional accountants in business. ~~This part~~It does not describe all of the circumstances and relationships that could be encountered by a professional accountant ~~in business~~ that create or may create threats to compliance with the fundamental principles. Therefore, the professional accountant ~~in business~~ is encouraged to be alert for such circumstances and relationships.

300.2 Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of professional accountants in business. Professional accountants in business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters.

300.3 A professional accountant in business may be ~~a salaried~~an employee, ~~a~~contractor, partner, director (~~whether~~ executive or non-executive), ~~an~~ owner~~-~~-manager, or ~~a~~ volunteer~~. A professional accountant may work for one or more~~ of an employing organization~~s~~. The legal form of the relationship of the professional accountant with the employing organization~~, if any,~~ has no bearing on the ethical responsibilities incumbent on the professional accountant ~~in business.~~ .

Key Provisions

300.4 A professional accountant in business has a responsibility to further the legitimate aims of the accountant's employing organization. This Code does not seek to hinder a professional accountant in business from properly fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles may be compromised.

300.5 All professional accountants have a responsibility to act in ~~business may hold a senior position within an organization~~the public interest. The more senior the position of the professional accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and ~~decision-making.~~ actions taken by others involved with the employing organization.

A professional accountant in business is expected to encourage and promote an ethics-based culture in ~~an employing~~the organization~~. To~~, taking into account the professional accountant's position and seniority in the organization, and to the extent that the professional accountant is ~~in a position~~able to do so~~, the professional accountant shall take reasonable steps to identify, implement and oversee safeguards in the work environment to encourage or promote an ethics-based culture, including~~. Examples of actions that may be taken include the introduction, implementation and oversight of ethics education and training programs; ethics and whistle-blowing policies; and policies and procedures to prevent non-compliance with laws and regulations. ~~Ethics policies and whistle-blowing procedures that have been communicated to all employees may be useful to achieve the objective of establishing and maintaining an ethics-based culture. Such policies and procedures help to encourage ethical behavior and increase the likelihood of senior management being alerted to a problem in time to prevent serious harm.~~

300.6 A professional accountant in business shall not knowingly engage in any business, occupation, or activity that ~~a reasonable and informed third party, weighing all the specific facts and~~

~~circumstances available to the professional accountant at that time, would be likely to conclude that it~~ impairs or might impair ~~the professional accountant's~~ integrity ~~or~~, objectivity~~,~~ or the good reputation of the profession~~,~~ and as a result would be incompatible with the fundamental principles.

Threats and Safeguards

300.7 Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances and relationships. Threats fall into one or more of the following categories:

(a) Self-interest;

(b) Self-review;

(c) Advocacy;

(d) Familiarity; and

(e) Intimidation.

These threats are discussed further in Part A of this Code.

300.8 Examples of circumstances that may create self-interest threats for a professional accountant in business include:

- Holding a financial interest in, or receiving a loan or guarantee from the employing organization.
- Participating in incentive compensation arrangements offered by the employing organization.
- Inappropriate personal use of corporate assets.
- Concern over employment security.
- Commercial pressure from outside the employing organization.

300.9 An example of a circumstance that creates a self-review threat for a professional accountant in business is determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported the acquisition decision.

300.10 When furthering the legitimate goals and objectives of their employing organizations, professional accountants in business may promote the organization's position, provided any statements made are neither false nor misleading. Such actions generally would not create an advocacy threat.

300.11 Examples of circumstances that may create familiarity threats for a professional accountant in business include:

- Being responsible for the employing organization's financial reporting when an immediate or close family member employed by the entity makes decisions that affect the entity's financial reporting.
- Long association with business contacts influencing business decisions.
- Accepting a gift or preferential treatment, unless the value is trivial and inconsequential.

300.12 Examples of circumstances that may create intimidation threats for a professional accountant in business include:

- Threat of dismissal or replacement of the professional accountant in business or a close or immediate family member over a disagreement about the application of an accounting principle or the way in which financial information is to be ~~presented~~reported.
- A dominant personality attempting to influence the decision making process, for example, with regard to the awarding of contracts or the application of an accounting principle.

300.13 Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:

(a) Safeguards created by the profession, legislation or regulation; and

(b) Safeguards in the work environment.

Examples of safeguards created by the profession, legislation or regulation are detailed in paragraph 100.14 of Part A of this Code.

300.14 Safeguards in the work environment include:

- The employing organization's systems of corporate oversight or other oversight structures.
- The employing organization's ethics and conduct programs.
- Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent staff.
- Strong internal controls.
- Appropriate disciplinary processes.
- Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.
- Policies and procedures to implement and monitor the quality of employee performance.
- Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.
- Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution.
- Consultation with another appropriate professional accountant.

300.15 ~~If~~In circumstances where a professional accountant in business believes that unethical behavior or actions by others will continue to occur within the ~~work environment~~employing organization, the professional accountant in business may consider ~~first reporting such matters in accordance with the employing organization's established ethics policies and whistle-blowing procedures. Where such policies and procedures do not exist, the professional accountant may consider consulting with management or those charged with governance or a relevant professional body, or~~ obtaining legal advice. In ~~circumstances~~those extreme situations where all available ~~actions and~~ safeguards have been exhausted and it is not possible to reduce the threat to an acceptable level, a professional accountant ~~shall consider resigning~~in business may conclude that it is appropriate to resign from the employing organization.

SECTION 310

Conflicts of Interest

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310.11 A professional accountant in business may encounter other threats to compliance with the fundamental principles. This may occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the employing organization or financial, business or personal relationships that close or immediate family members of the professional accountant have with the employing organization. Guidance on managing such threats is covered by Sections 320, 340 and 370 of the Code.

SECTION 330

Acting with Sufficient Expertise

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330.4 When threats cannot be eliminated or reduced to an acceptable level, professional accountants in business shall determine whether to refuse to perform the duties in question. If the professional accountant in business determines that refusal is appropriate, the reasons for doing so shall be clearly communicated.

330.5 In cases where a professional accountant in business is pressured to act in a manner that would lead to a breach of the fundamental principle of professional competence and due care, Section 370 of this Code provides guidance.

SECTION 340

Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making

340.1 Professional accountants in business may have financial interests, including those arising from compensation or incentive arrangements, or may know of financial interests of immediate or close family members, that, in certain circumstances, may create threats to compliance with the fundamental principles. For example, self-interest or familiarity threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price-sensitive information in order to gain financially. Examples of circumstances that may create threats include situations where the professional accountant in business or an immediate or close family member:

- Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business.
- Is eligible for a profit-related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business.
- Holds, directly or indirectly, deferred bonus share entitlements or share options in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business.

- Otherwise participates in compensation arrangements which provide incentives to achieve performance targets or to support efforts to maximize the value of the employing organization's shares, for example, through participation in long-term incentive plans which are linked to certain performance conditions being met.

340.2 A professional accountant in business shall not manipulate information or use confidential information for personal gain or for the financial gain of others.

340.3 The significance of any threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining the appropriate safeguards to be applied, a professional accountant in business shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances. Examples of such safeguards include:

- Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management.
- Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies.
- Consultation, where appropriate, with superiors within the employing organization.
- Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.
- Internal and external audit procedures.
- Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.

340.4 Threats arising from compensation or incentive arrangements may be compounded by explicit or implicit pressure from superiors or colleagues in the employing organization. Section 370 addresses pressure that could lead a professional accountant to breach the fundamental principles.

Effective Date

The changes will be effective on [Date]. Early adoption is permitted.

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