

**Final Minutes of the 80<sup>th</sup> Meeting of the  
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS  
Held on November 29 – December 2 & 15, 2022 in Hybrid Format**

**Voting Members**

Present: Gabriela Figueiredo Dias (Chair)  
Caroline Lee (Deputy Chair)  
Saadiya Adam  
Mark Babington  
Vania Borgerth  
Sanjiv Chaudhary  
Laurie Endsley  
Brian Friedrich  
Hironori Fukukawa  
Richard Huesken  
Sung-Nam Kim  
Christelle Martin  
Andrew Mintzer  
Felicien Muvunyi  
Luigi Nisoli  
Jens Poll  
Channa Wijesinghe  
Yaoshu Wu

**Technical Advisors**

Keith Billing (Mr. Babington)  
David Clark (Mr. Huesken)  
Gregory Driscoll (Ms. Lee)  
Jens Engelhardt (Prof. Poll)  
Laura Friedrich (Mr. Friedrich)  
Ellen Gorla (Mr. Mintzer)  
Marta Kramerius (Mr. Nisoli)  
Ki-Tae Park (Mr. Kim)  
Andrew Pinkney (Ms. Endsley)  
Kemisha Soni (Mr. Chaudhary)  
Bruno Tesnière (Ms. Martin)  
Chris Twagirimana (Mr. Muvunyi)  
Jeanne Viljoen (Ms. Adam)  
Kristen Wydell (Mr. Wijesinghe)  
Masahiro Yamada (Mr. Fukukawa)  
Xiaoye Yuan (Ms. Wu)

**Non-Voting Observers**

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

**Public Interest Oversight Board (PIOB) Observer**

Present: Begoña Giner

**IESBA Staff**

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Geoffrey Kwan (Director), Laura Leal, Kam Leung, Carla Vijian, Szilvia Sramko, Shizuka Kaneda, Astu Tilahun, Diana Vasquez

## 1. Opening Remarks

### WELCOME AND INTRODUCTIONS

Ms. Dias welcomed all participants and public observers to the fifth and final Board meeting of 2022. She welcomed, in particular, Mr. Richard Fleck, former IESBA Deputy Chair, providing technical support to the Technology project (for the Technology session); Ms. Denise Canavan, Member of the Engagement Team – Group Audits Independence (ET-GA) Task Force (for the ET-GA session); and Mr. James Barbour, Member of the Technology Task Force (for the Technology session). In addition, she welcomed Ms. Sylvie Soulier, former IESBA Member and former Chair of the ET-GA Task Force; Ms. Liesbet Haustermans, former IESBA Member; and Ms. Tone Maren Sakshaug, former IESBA Technical Advisor, observing the meeting virtually.

Among other matters, Ms. Dias highlighted the following in her introductory briefing to the Board:

- Upcoming Board member rotations, re-appointments and new appointments.
- The activities of the Planning Committee during the quarter, which included updates on the joint IESBA-IAASB Planning Committee meeting to discuss coordination between the two Boards; consideration of an update on the Sustainability Working Group's activities; a discussion of the draft Strategy and Work Plan 2024-2027 (SWP) Consultation Paper; and planning for the November-December 2022 Board meeting.
- Outreach activities since the September 2022 IESBA meeting.

### APPROVAL OF MINUTES

The IESBA approved the minutes of the September and November 2022 public sessions as amended.

## 2. Engagement Team – Group Audits

Ms. Lee, Chair of the Engagement Team – Group Audits Independence Task Force, and Ms. Sramko, IESBA Senior Manager, presented the Task Force's updated proposals responding to comments from the September 2022 IESBA and IESBA CAG meetings. They also informed the Board about outreach activities with various key stakeholders undertaken in Q4 2022 and feedback on the Task Force's updated proposals from the International Organization of Securities Commissions' (IOSCO) Committee 1, the International Forum of Independent Audit Regulators' (IFIAR) Standards Coordination Working Group, the IFAC Small and Medium Practices (SMP) Advisory Group and the Forum of Firms. Mr. Siong also briefed the Board on the main outcomes of his discussions with the PIOB staff on the Task Force's direction of travel on select key issues in Q4.

### REMAINING ISSUES

IESBA members supported the direction of the proposed revisions and, among other matters, commented on the following areas.

#### *Independence Considerations*

Ms. Lee presented the Task Force's updated proposals regarding the independence considerations applicable to group audit team members within, or engaged by, a component auditor firm (CAF) outside the group auditor firm's (GAF) network. In particular, the Task Force proposed a revised approach to the identification of threats to independence by guiding the individuals to consider their and their immediate family members' relationships and circumstances, which is a better targeted approach compared to

requiring the individuals to consider relationships and circumstances with all the related entities and other components within the group audit client. As part of her presentation, Ms. Lee also provided an overview of the Task Force's analysis supporting its approach.

A Task Force member with a regulatory background explained that in developing its proposals, the Task Force had considered and balanced different approaches to addressing the issue, taking into consideration various stakeholders' views on the matter. She pointed out that the Task Force had maintained a focus on what is operable and which approach would be the most beneficial in ensuring consistency. She was of the view that the Task Force's proposal struck the right balance as it would meet regulators' public interest expectations while also addressing the comments raised during the public consultation regarding the practical challenges related to compliance.

IESBA members agreed with the direction of the Task Force's updated proposals. They raised, among other matters, the following comments for consideration:

- A Board member noted that his preference would be a single, very clear ethical line for all group audit team members; however, he recognized that it would not respond to all stakeholders' comments. He was of the view that the proposals set out a balanced and operable approach, reflecting the different stakeholder views. He also acknowledged that the proposal ultimately provides the group engagement partner with the decision-making regarding independence matters, which is consistent with ISA 600 (Revised).<sup>1</sup>
- Another IESBA member highlighted that the proposed approach could still lead to market concentration, as audit committees could deem the approach for group audit team members outside the GAF's network to be less stringent. He had concerns that, eventually, clients might only engage auditors from the same network. However, he also recognized that the Task Force's revised approach responded to stakeholders' concerns and he supported the better targeted approach proposed. Ms. Lee noted that the approach in the Exposure Draft (ED) regarding the same requirement for all group audit team members, irrespective of whether they are within or outside the GAF's network, could also lead to market concentration.

Mr. Hansen supported the revised approach, especially since it acknowledged the complexity of working with CAFs outside the GAF's network. He agreed that the revised proposals are in line with the public interest. Concerning the comments regarding market concentration, he noted that many factors could contribute to it and he did not believe it should be solved via independence provisions.

#### "Reason to Believe" Principle

A Board member commented that from an enforcement point of view, there is a risk that those who apply the "reason to believe" principle could interpret it as meaning that they have no obligation to understand their circumstances and relationships with the entity in question. He was of the view that the proposal in paragraph R405.7 ran the risk of creating an unenforceable requirement.

A few Board members questioned whether the Code should provide more guidance in Section 405 on how individuals should apply the "reason to believe" principle.

Ms. Lee explained that "the reason to believe" principle is already embedded in some of the requirements in the extant Code, and that it relies on applying the conceptual framework appropriately. She noted that

---

<sup>1</sup> [International Standard on Auditing \(ISA\) 600 \(Revised\), \*Special Considerations—Audits of Group Financial Statements \(Including the Work of Component Auditors\)\*](#)

the most recent "role and mindset"<sup>2</sup> revisions to the Code require professional accountants (PAs) to have an inquiring mind when applying the conceptual framework and that this would serve to also strengthen the application of the "reason to believe" principle. She explained that the proper application of this principle does not allow the PA to be ignorant of the facts. She added that on the contrary, an individual participating in the group audit needs to use judgment and identify relationships and circumstances that could present a threat to independence.

Regarding the enforceability of the "reason to believe" principle in the case of independence requirements, Mr. Siong raised for consideration that if a group audit team member at a CAF outside the GAF's network has or might have a relationship with a distant related entity or another component in the group through an immediate family member, and the group audit team member is not aware of that relationship, whether such a relationship would have any influence on the individual's judgments and decisions in the audit of the component audit client if the individual was not aware of the relationship.

Responding to Mr. Siong's remarks, a Board member pointed out that the Board should also consider independence in appearance in this context and that the proposal should not be treated as a compromise. However, he shared the view that the "reason to believe" principle should be interpreted objectively, and that it is clear what is expected of group audit team members when applying this principle. Therefore, he believed that jurisdictions should be able to enforce the independence requirements relying on the appropriate application of the "reason to believe" principle.

A Task Force member emphasized that the revised proposal does not represent any compromise regarding the independence of the group audit team members. She noted that similar to the extant Code's approach, the revised approach focused the individual's mind on what they should be looking at when determining threats to their independence. However, she explained that to support the consistent application of the better targeted approach, Section 405 would provide application material to help the individuals assess their independence even in the case of a large, complex multinational conglomerate.

Mr. Hansen believed there was a risk that users of the Code might not consider the IESBA's guidance in the Basis for Conclusions. He asked whether the terminology used for the "reason to believe" principle could be expanded upon in the Code, to ensure its robustness and to respond to concerns raised by Board members. Mr. Siong cautioned the Board against changing the terminology of the "reason to believe" principle as it might bring hindsight judgment into the Code rather than focusing on the expectations regarding the PA's behavior. He also clarified that although "reason to believe" is used as a shorthand when referring to this principle, it is in fact based on what the individual "knows or has a reason to believe." He emphasized the importance of referencing what the PA "knows." He remarked that once group audit team members know about a relationship or circumstance with the group audit client, they cannot just ignore it. Furthermore, he added that their decisions are based not only on whether the group audit team members know about such relationship or circumstance, but also on an expectation whether they have reason to believe that such relationship or circumstance exists. As a counter-proposal to amending the "reason to believe" principle, Mr. Siong suggested that the IESBA consider whether there would be merit in further clarification through application material or non-authoritative guidance to address this concern.

Regarding the requests for further guidance on the application of the "reason to believe" principle, Ms. Lee reported that the Task Force had already considered this option. However, given the Code's building-blocks approach, group audit team members also need to consider and comply with the relevant requirements in Part 1 of the Code; therefore, the Task Force concluded that it was unnecessary to repeat them in Section

---

<sup>2</sup> Revisions to the Code to promote the role and mindset expected of a professional accountant, which came into effect as of December 31, 2021.

405. Ms. Lee suggested that the Basis for Conclusions re-emphasize the concept of an inquiring mind when applying the conceptual framework and the "reason to believe" principle in this context. Furthermore, the Task Force suggested some refinements to the application material for the requirement to clarify the expectations for the group audit team members when they apply the "reason to believe" principle. IESBA members supported the Task Force's proposed amendments.

#### Provision of Non-assurance Services (NAS) by a CAF

A few IESBA members asked for clarification regarding whether a CAF for a non-PIE component audit client could provide a NAS, for example, an accounting or bookkeeping service, to any related entity that has direct or indirect control over the non-PIE component audit client if the group audit client is a PIE. A few Board members were of the view that it could create perception issues if the CAF outside the GAF's network provides accounting or bookkeeping services, especially if the component audit client is material to the group audit client. Mr. Hansen shared this view.

A Task Force member clarified that Section 405 would only require CAFs outside the GAF's network to apply Section 600 with respect to the component audit client. However, she added that the revised NAS provisions also provide an exception to the prohibitions in Section 600 for related entities that have direct or indirect control over the non-PIE component audit client if they are not subject to audit. She noted that the approach in Section 405 regarding the provision of NAS to any related entities that have direct or indirect control over the non-PIE component audit client is in line with the revised NAS provisions in Section 600.

A Board member was of the view that the provision of a NAS to a related entity that has direct or indirect control over the non-PIE component audit client by a CAF outside the GAF's network cannot create a self-review threat at the level of the CAF. He acknowledged that the NAS could raise other independence issues that the CAF needs to address, especially if the component audit client is material but not a self-review threat.

Mr. Siong suggested that IESBA Staff could provide guidance on this matter as part of the Frequently Asked Questions (FAQs) to be developed.

#### *Breach of Independence at a CAF*

IESBA members broadly supported the proposed clarifications to the guidance for a breach of independence identified at a CAF. Among other matters, the following comments were raised:

- A Board member had a reservation regarding requiring the GAF to obtain the concurrence of those charged with governance (TCWG) that the consequences of the breach at the CAF have been satisfactorily addressed and that the GAF can use the CAF's work. He pointed out that in line with the auditing standards, the group engagement partner must have complete freedom to determine how they plan and perform the audit. He was concerned that the requirement on obtaining the concurrence of TCWG could be seen as a precondition and, therefore, would contradict the principles of the acceptance of an engagement under ISA 210.<sup>3</sup> He agreed with requiring communication with TCWG of the group audit client about the breach at a CAF, but he did not believe that obtaining the concurrence of TCWG was necessary. Ms. Sramko clarified that the extant Code already includes a requirement in Section 400 for a firm to obtain the concurrence of TCWG in the case of a breach at the firm. She explained that the current proposal mirrored the extant Code's approach for group audits.

---

<sup>3</sup> ISA 210, *Agreeing the Terms of Audit Engagements*

- Regarding the written communication between the group engagement partner and TCWG of the group audit client, an IESBA member reiterated his previous comment that the Code does not need to prescribe written communication specifically between the GAF and TCWG. He was concerned that it would set a precedent for future projects. He was of the view that just because a matter would need to be communicated to TCWG, this would not mean that the communication must be in writing. Ms. Lee responded that written communication would help mitigate the risk of any misunderstanding. She explained that written communication could also be achieved by providing TCWG with the CAF's notification to the group engagement partner, including the CAF's description of the breach and actions taken to address the consequences of the breach.
- There was a question about the process to be followed if the group engagement partner becomes aware of a breach at a CAF without prior notification or communication from the CAF about the breach. It was suggested that the Code clarify whether the group engagement partner should follow the process described in paragraph R405.24. Mss. Lee and Sramko clarified that, based on the proposed requirement in paragraph R405.3, if the group engagement partner identifies a breach at the CAF, the group engagement partner would need to communicate information about the breach to the CAF. Once the CAF learns about the breach, the CAF would be required to apply the provisions in Section 405 regarding breaches and take the necessary steps to address the consequences of the breach.

#### *Effective Date*

The IESBA agreed with the Task Force's proposal that the effective date of the revisions be aligned with the effective date of ISA 600 (Revised), i.e., audits of group financial statements for periods beginning on or after December 15, 2023.

In relation to the Task Force's proposal regarding the effective date for certain consequential and conforming amendments, a few Board members raised concerns that those consequential and conforming amendments would become effective when the final pronouncement approved by the PIOB is issued. They pointed out that even though these changes are only of a consequential or conforming nature, firms would still need time to update their policies and procedures and that national standard setters would need to undergo due process to adopt the changes in their respective jurisdictions. They argued that the proposed effective date would not provide sufficient time for these actions.

Acknowledging these concerns, the IESBA determined that the consequential and conforming amendments become effective as of December 15, 2023.

#### PIOB OBSERVER'S REMARKS

Ms. Giner commended the IESBA for its efforts to find a solution that would not compromise the independence of any group audit team members. She acknowledged that the proposed requirements for group audit team members from a CAF outside the GAF's network set out a new way of dealing with the personal independence of audit team members; however, she was of the view that it provides a clear approach that also serves the public interest. She supported that this new approach would still leave the ultimate responsibility for the independence of the group audit team with the group engagement partner.

#### DUE PROCESS

Mr. Siong advised the Board that up to and including this meeting, the Board had adhered to its stated due process in developing the revisions to the Code relating to the definition of engagement team and group

audits. Ms. Lee confirmed that all significant issues discussed by the Task Force had been brought to the Board's attention and that the Task Force did not believe there was a need for further consultation on, or field testing of, the proposals. The IESBA members did not consider that there were matters raised by respondents to the ED, in addition to those summarized and reported by the Task Force, that should be discussed by the Board.

#### APPROVAL OF FINAL PRONOUNCEMENT

After agreeing the necessary changes to the document, the IESBA unanimously approved the final revisions to the Code relating to the definition of engagement team and group audits with the affirmative votes of 18 out of the 18 IESBA members present.

#### CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The IESBA assessed whether there was a need to re-expose the approved text. The IESBA agreed that the changes made to the ED were in response to the comments received from respondents and did not represent substantial changes to the ED. Therefore, the IESBA determined that re-exposure was not necessary.

#### EFFECTIVE DATE

The IESBA set the effective date for the final provisions relating to the revision to the definition of engagement team and the new provisions relating to group audits to be for audits of financial statements and group financial statements for periods beginning on or after December 15, 2023. Early adoption will be permitted.

### **3. Sustainability**

#### EXTERNAL PRESENTATIONS

##### *Update from the International Sustainability Standards Board (ISSB)*

The IESBA considered a presentation from Mr. Granville Martin, Director of Regulatory Outreach, International Financial Reporting Standards (IFRS) Foundation, who provided an update on the work being undertaken by the ISSB on sustainability reporting.

Mr. Martin noted that the ISSB had received about 1400 responses to its two exposure drafts. He indicated that while it would take time to fully digest all the comments, he was hopeful that the ISSB would be able to issue its new standards possibly as early as 2023.

Mr. Martin provided an update on the ISSB's most recent deliberations on several matters, including the simultaneous release of sustainability information, the need for digital reporting and taxonomy, the use of climate-related scenario analysis, greenhouse gas emission disclosures and estimates, simplification of terms such as "enterprise value" and "significant," and industry-specific standards. Mr. Martin also informed the Board that the ISSB is dividing its future work into two key areas: (1) successful implementation and application of its two proposed standards;<sup>4</sup> and (2) public consultation in the first half of 2023 on new areas of work that should be prioritized.

In response to queries raised by the IESBA participants, Mr. Martin noted that:

---

<sup>4</sup> The proposed IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2, *Climate-related Disclosures*

- The definition of “materiality” is the same as in the IFRS standards.
- With respect to the concept of “double materiality,” while there is a significant amount of information that is relevant to both investors and other stakeholders, the focus of the ISSB is on material information that is useful to investors in making decisions.
- With regard to the reliability of the sustainability information disclosed given its qualitative nature, the ISSB is considering a number of options, such as providing uncertain information in good faith and with a reasonable basis, as well as the use of safe harbor provisions.
- How the IESBA standards are written is an important consideration, particularly for those providers that are not from the accountancy profession.

#### *Update from the International Auditing and Assurance Standards Board (IAASB)*

The IESBA considered an update from Ms. Lyn Provost, Chair of the IAASB’s Sustainability Assurance Task Force, on the work being undertaken by the IAASB on sustainability assurance.

Among other matters, Ms. Provost informed the Board that the IAASB will develop a new standalone, profession-agnostic standard for sustainability assurance, namely the International Standard on Sustainability Assurance (ISSA) 5000. This proposed standard will be an overarching standard and will address both limited and reasonable assurance. Ms. Provost also provided an overview of the scope and general content of the proposed standard, such as provisions addressing evidence, internal controls, and the practitioner’s materiality, as well as the IAASB’s approach to leveraging existing material in ISAE 3000 (Revised).<sup>5</sup> She indicated that the IAASB intends to approve the proposed standard for exposure in September 2023 with a view to finalizing the pronouncement in December 2024/March 2025.

In response to queries raised by IESBA participants, Ms. Provost noted that:

- With regards to the term “limited assurance,” the IAASB acknowledges that it is a difficult term to understand in light of the wide spectrum of what might be considered “limited.” In addition to relying on outreach to improve stakeholders’ understanding of the term, the IAASB will also consider defining the term as clearly as possible in the proposed standard.
- The proposed standard currently refers to the Code in the same way as the other IAASB standards. However, the two Boards should continue to coordinate closely as the standard is being developed so that the linkage between the two Boards’ sustainability standards is properly explained.
- Group audits and the interaction between financial and non-financial information might be relevant issues to be addressed by future IAASB sustainability projects, but the IAASB has not yet discussed them substantively.

#### *Overview of Research from IFAC*

The IESBA considered a presentation from Mr. David Madon, Director of Sustainability, Policy & Regulatory Affairs, IFAC, on the findings of a limited research study on independence disclosures by non-PA providers (other service providers) which performed sustainability assurance engagements using ISAE 3000 (Revised). The sample dataset used for this limited study was obtained from six jurisdictions (identified in 2020 and 2021 ‘State of Play’ research) where the majority of sustainability assurance engagements were

---

<sup>5</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*



conducted by other service providers. The purpose of the study is to understand how other service providers apply ISAE 3000 (Revised) with respect to compliance with independence requirements.<sup>6</sup>

Mr. Madon noted that, according to the 2021 sample dataset:

- There is a lack of uniformity in the independence statements made by the other service providers, ranging from references to the Code and other standards, such as ISO, to assertions of different types of independence without citing any particular standards.
- Less than 10% of the sample referenced the IESBA Code compared to less than 10% referencing other ethics standards and 71% providing alternative independence information.
- Engagements in the sample dataset that were performed “in accordance with” ISAE 3000 (Revised) have a higher percentage of citation of ethics standards compared to those engagements performed “based on” ISAE 3000 (Revised).

Mr. Madon noted IFAC’s view that the accountancy profession is best placed to provide high-quality sustainability assurance, as organizations would turn to firms where there is a broader scope of sustainability disclosure, and that disclosure is connected to financial statement audits.

Among other matters, IESBA participants raised the following comments:

- In response to a query, Mr. Madon clarified that IFAC’s engagement so far has been with PAs and firms but not yet with other service providers.
- There might be issues with the enforcement of ISAE 3000 (Revised) as the sample dataset suggests that the majority of the other service providers did not meet the ethical requirement set out in ISAE 3000 (Revised) to comply with the Code or other ethical requirements that are at least as demanding. In response, Mr. Madon noted that the recently approved Corporate Sustainability Reporting Directive (CSRD) in the European Union (EU) requires mandatory third-party assurance of sustainability reporting and it is his understanding that regulatory oversight at the jurisdictional level will be strengthened.
- It would be helpful to know which regulators will be appointed to oversee compliance by the other service providers.
- On a question regarding integrated reporting, Mr. Madon explained that a comparison between the 2019 and 2020 data showed there was a 6% shift in sustainability disclosure towards integrated reporting and annual reports. His team will investigate if this trend continues in 2021.
- Regarding whether there is a link between mandatory assurance and the accountancy profession’s market share, Mr. Madon noted that the level of assurance and the PA’s market share in the four European jurisdictions in the sample (France, Germany, Italy, and Spain) seem to suggest such a link.
- Regarding the composition of the sample, Mr. Madon acknowledged that the dataset only included larger organizations that may be under pressure from markets forces, shareholders, and society to obtain assurance of sustainability disclosures. Conversely, smaller firms may not be subject to such pressures and therefore the levels of assurance of their sustainability disclosures may be lower. Mr.

---

<sup>6</sup> IFAC and AICPA-CIMA’s [State of Play in Reporting and Assurance of Sustainability Information: Update 2019-2020 Data & Analysis](#) was released in July 2021. An updated version of this report with the full analysis of the 2021 dataset is due to be released in Q1 2023. The six jurisdictions analyzed were Hong Kong S.A.R., India, Indonesia, South Korea, U.K., and U.S.A.

Madon further explained that in 2023 the IFAC team plans to scope in non-G20 jurisdictions, which could in part address the point about including smaller firms in the dataset.

Ms. Dias thanked all the presenters for their contributions to a rich discussion by the Board.

#### PROJECT PROPOSALS

Mr. Babington, Chair of the Sustainability Working Group, commenced the session by recapping the Board's decision to defer the decision on the style of presentation of the profession-agnostic ethics and independence standards for sustainability assurance until it has gathered more relevant knowledge and insight on the matter. Instead, the Board will focus first on addressing technical issues and drafting material that will give the Board maximum flexibility regarding where that material should be located. He also reminded the Board of the importance of seeking input from those outside the accountancy profession and the Board's continued close coordination with the IAASB and ISSB which will inform the IESBA's work. He also briefed the Board on the Working Group's recent outreach activities.

#### *Sustainability Project Proposal*

Mr. Babington presented the project proposal to develop profession-agnostic ethics and independence standards for use by all sustainability assurance practitioners as well as revisions to the Code to address ethics issues that might arise in sustainability reporting (the Sustainability project).

Following an overview of the ethics and independence considerations highlighted in the project proposal, Mr. Babington proposed that, given the volume of work, the Sustainability Task Force be divided into two work streams. One work stream (Work Stream 1) will focus on independence considerations relating to sustainability assurance, while the other (Work Stream 2) will focus on ethics considerations for both sustainability reporting and assurance.

IESBA members acknowledged that while there is a clear expectation from the International Organization of Securities Commissions (IOSCO) that the IESBA should develop profession-agnostic ethics and independence standards with respect to sustainability assurance engagements, it is less clear whether there is such an expectation with respect to ethics standards for sustainability reporting. IESBA participants also provided the following comments on this issue:

- As other service providers are already operating in the assurance space and will continue to do so in the future, it is important that the Board also considers how the Code can be used by these providers and whether the ethics standards being developed should also be profession-agnostic for sustainability reporting.
- The IESBA should address the issue of interoperability with other global and local standards applicable to preparers of sustainability information in other professions, such as the engineering profession. In this regard, it was also noted that the Board's term "profession-agnostic" will include not only the concept of applicability to other service providers, but also the concept of interoperability with other relevant standards as well as ease of understanding.
- The IESBA should carefully consider the ramifications of developing profession-agnostic ethics standards for sustainability reporting, such as the name of the Code itself. The IESBA should also gain a better understanding of the preparer's market before making such a determination. In addition, the IESBA should consider its capacity to deliver the outputs within the agreed timeline and not set unrealistic goals.

- The Work Streams, working closely together, will consider this issue, taking account of the Board's comments, and share their views for the Board's further deliberation in due course.

Other comments raised by IESBA participants included:

- While the IAASB is currently ahead of the IESBA in the development of its new sustainability assurance standard, the two Boards are expected to deliver their final outputs essentially at the same time.
- With regards to the global roundtables planned for Q1 2023, it would be important to include organizations outside the accountancy profession that provide assurance of sustainability information to understand the nature of their work. Special efforts should also be made to include stakeholders from those six jurisdictions as identified in the IFAC sample dataset presented by Mr. Madon where sustainability assurance engagements are largely conducted by non-PAs. The Board encouraged members from those jurisdictions to reach out to those stakeholder groups. The roundtables should also cover issues relating to both the Sustainability and Use of Expert projects.
- The Sustainability Task Force intends to obtain more responses to the [IESBA sustainability questionnaire](#) which will be shared with the Board in Q1 2023. These responses should be helpful in informing the preparation of the roundtables.
- The Sustainability Task Force should consider whether there should be one or two exposure drafts as well as the appropriate due process for profession-agnostic standards for sustainability assurance, given that the expected users will not only be individual PAs and audit firms.
- At any point where the strategic decision about how the profession-agnostic standards should be presented becomes clear, the Board should not hesitate to make that determination in order to better focus its resources going forward.

#### *Use of Experts Project Proposal*

Mr. Babington presented the project proposal to develop revisions to the Code to address specific ethics and independence issues relating to the use of experts by professional accountants in business (PAIBs) and in public practice (PAPPs) (Use of Experts project).

Among other things, Mr. Babington reminded the Board that the drivers for this project are related not only to the use of sustainability experts but also to the use of other experts as identified from other IESBA projects and work streams, including the ET-GA and Tax Planning projects, the Technology Working Group's fact-finding as well as the development of the IESBA's Strategy and Work Plan 2024-2027. Mr. Babington also reiterated the importance of internal coordination between the Use of Experts project and the two Sustainability work streams.

#### PIOB OBSERVER'S REMARKS

With regards to the Sustainability project proposal, Ms. Giner noted the importance of the IESBA considering whether to develop standards in a profession-agnostic way not only for assurers of sustainability information but also for the preparers.

With regards to the Use of Experts project proposal, Ms. Giner queried whether a separate project would be necessary since the preparers of sustainability information are usually experts. In response, Mr. Babington clarified that this project is separate from the Sustainability project since it intends to cover ethics

and independence issues not only relating to sustainability reporting and assurance but also relating to other topics.

#### APPROVAL OF THE PROJECT PROPOSALS

Following consideration of minor refinements, the IESBA unanimously approved the project proposals on Sustainability and Use of Experts.

Ms. Dias announced the composition of:

- The Sustainability Work Stream 1, which will be chaired by Mr. Babington, and Work Stream 2, which will be chaired by Ms. Martin; and
- The Use of Experts Task Force, which will be chaired by Ms. Endsley.

The Board also agreed to establish an internal coordination group (the Sustainability Coordination Committee), comprising the three Task Force/Work Stream Chairs, Ms. Dias and Mr. Siong, to oversee the coordination of the work between the two Sustainability work streams and the Use of Experts project.

Mr. Siong noted that as part of the coordination between the IESBA and IAASB, Mr. Huesken has been appointed as the IESBA liaison with Ms. Isabelle Tracq-Sengeissen as the IAASB liaison.

Mr. Siong also informed the Board about the four global roundtables being planned for early 2023. These roundtables will be held in person in Paris, Singapore, Sydney, and New York, with arrangements to be made to enable Board members, technical advisors and staff to attend virtually.

#### WAY FORWARD

The IESBA will discuss preliminary issues identified by the Sustainability and Use of Experts Task Forces at its March 2023 meeting.

#### **4. Tax Planning and Related Services**

Prof. Poll provided a brief overview of the objectives for the session, starting with a discussion of the Task Force's responses to the matters raised during the September 2022 IESBA meeting and advance comments received from the Board on an October 2022 progressed draft of the provisions. Ms. Vijian also provided an overview of the outreach activities that the Task Force undertook in Q4 2022.

The IESBA then considered the remaining issues and the proposed text. Among other matters, the following were raised:

#### ROLE OF THE PA IN ACTING IN THE PUBLIC INTEREST

- In relation to the proposed guidance in paragraph 380.4 A2, whether it would be preferable to refer to tax planning arrangements as it seems prescriptive to refer to tax minimization arrangements. Prof. Poll responded that the Task Force would consider the suggestion as it is the Task Force's intent to draw attention to the types of threats that may arise from employing a tax minimization strategy.
- Whether the phrase "assisting the client" should be replaced with "educating the client" as, ultimately, it is the client's responsibility to meet its tax obligations while the PA plays an ancillary role in that regard. Prof. Poll responded that the Task Force had drafted the sentence to convey that the PA is providing the service to assist the client in meeting its tax obligations and that this is not taking away the client's ultimate responsibility to meet those obligations.

#### ESTABLISHING A CREDIBLE BASIS

- Whether the words “affirmatively advise” are appropriate, as some jurisdictions might encounter a translation difficulty in conveying the intent of the requirement to have a credible basis.

Prof. Poll responded that the Task Force intended to express the requirement in terms of the PA only providing advice on a tax planning arrangement if the PA has assessed that there is a credible basis for it. Following the discussion, a few IESBA members suggested that the Task Force consider redrafting the requirement in terms of “recommending or otherwise advising” to better convey the IESBA’s intent.

- Consideration should be given to clarifying in paragraph 380.11 A2 that the determination of what is credible is based on current laws and regulations.
- Whether a different term, such as “reasonable” should be used instead of “credible” in describing the basis for the tax planning arrangement.

Prof. Poll noted the differences in terminology across different jurisdictions, adding that most roundtable participants had supported the term “credible basis” as it is generic and not legalistic. The term also does not imply a particular threshold that needs to be met. Prof. Poll indicated that the Task Force would explain in the explanatory memorandum to the Exposure Draft (ED) the rationale for referring to the tax planning arrangement as having a “credible basis.”

- A suggestion that the Board seek feedback from respondents to the ED regarding the guidance in paragraph 380.11 A2 emphasizing the exercise of professional judgment in the determination of whether there is a credible basis.

#### STAND-BACK TEST

- Regarding the requirement in paragraph R380.14, a suggestion to clarify whether it is the intent to signal that the PA is the decision maker in the determination of whether a tax planning arrangement has a credible basis, as it would seem to be more for the client to decide.
- Consideration should be given to clarifying the timing of the application of the stand-back test. As drafted in paragraph R380.12, it seemed that the stand-back test is performed at the same time as the determination of whether there is a credible basis.

Prof. Poll responded that conceptually, the Task Force intended the stand-back test to be performed after the establishment of a credible basis, although in practice, the Task Force recognized that it could also occur simultaneously. Mr. Siong supported Prof. Poll’s explanation as the test should be performed as part of the overall tax planning recommendation or advice.

#### MULTI-JURISDICTIONAL TAX BENEFIT

- A suggestion to clarify the intent of the paragraph, as it is common practice for entities to take advantage of tax benefits made available by jurisdictions, and the reason for the PA to make disclosure of a multi-jurisdictional tax benefit.

Prof. Poll explained that the paragraph is intended to address more the public interest perceptions around PAs being involved in a tax planning arrangement that generates multiple tax benefits across jurisdictions, especially if this were to become public.

#### DISAGREEMENTS

- An observation that a PA should communicate internally if they are unable to resolve the disagreement with the client or employing organization. As drafted, the provisions would seem to suggest that the PA should decide whether they are to communicate internally depending on their assessment of whether such communication would be appropriate.

#### PIOB OBSERVER'S REMARKS

Ms. Giner commended the Task Force's efforts and the Board in progressing the project to the ED stage. She noted the PIOB's ongoing support for the IESBA's direction in developing a principles-based ethics framework for tax planning in the public interest. She felt it is important to bring greater ethical behavior in this area.

#### APPROVAL OF EXPOSURE DRAFT

After duly considering all the necessary refinements to the proposed text, the Board approved it for exposure with 17 affirmative votes out of the 17 Board members present.

#### ED COMMENT PERIOD

The Board set a comment period of 90 days from the date of issuance of the ED.

### **5. Technology Project**

Mr. Rich Huesken, Chair of the Technology Task Force, and Ms. Leung introduced the topic by providing a brief recap of, and status update on, the Technology Project. They reminded IESBA participants that in October 2022, they received an advance draft of the proposed text, which took into account the IESBA's September 2022 input as well as feedback from the targeted stakeholder outreach undertaken in Q4. They noted that the proposed revisions now being presented reflect the IESBA's October 2022 input.

Mr. Huesken and Ms. Leung gave report-backs in relation to the:

- Key feedback arising from Q4 outreach to the IESBA CAG, IAASB Technology Consultative Group, IFIAR Standards Coordination Working Group, IOSCO Committee on Issuer Accounting, Audit and Disclosure, and the Forum of Firms; and
- Task Force's consideration of the public interest issues raised by the PIOB in its November 2022 list of public interest issues on IESBA projects.

Mr. Huesken and Ms. Leung then walked through the final proposed revisions to the Code and the Task Force's rationale for them. They also confirmed that recommendations A and B in the Technology Working Group's Phase 2 Report were addressed in the proposed revisions.

In supporting the Task Force's final proposed revisions, IESBA participants raised the following comments:

#### CONFIDENTIALITY (SUBSECTION 114)

- In the context of revised new paragraph R114.2 which sets out the circumstances in which a PA cannot use or disclose confidential information:
  - The exception set out in the paragraph should be drafted as a new requirement consistent with the drafting conventions of the Code.
  - It is unnecessary for a PA to seek authorization to use information made publicly available by a client, for example, in relation to market sensitive information.

Mr. Fleck explained that the rationale for the Task Force's approach is to avoid a PA from inadvertently disclosing more information than is publicly available (e.g., sharing certain additional nuances about the information upon disclosure). This would also avoid a chain of subsequent disclosures of such information to unknown recipients. The Board asked staff to include further elaboration on this rationale in the Basis for Conclusions.

#### IDENTIFYING THREATS (PARTS 2 AND 3)

- Advance comments had been received from a Board member in relation to the first two examples of facts and circumstances relating to the use of technology that might create self-interest threats. Specifically, it was not considered sufficiently clear how such threats are created.

In response, Mr. Fleck explained that the Task Force proposed to:

- Add the phrase "might not be" to the examples under self-interest threat.
- Include further elaboration of the rationale in the Basis for Conclusions.

In this regard, it was noted that the addition of "might not be" did not necessarily adhere to the drafting conventions of the Code. Mr. Fleck explained that the addition was necessary and appropriate because it reflects the decision that a PA has to make if they encounter circumstances where the data needed to use the technology is insufficient, or where the technology is inappropriate for the purpose for which it is to be used. That decision is about whether the PA will act in their own self-interest and knowingly proceed with insufficient data or inappropriate technology. Without the addition of the phrase "might not be," the PA would automatically breach the fundamental principle of professional competence and due care, whether deliberately out of self-interest or not, as the PA would have already utilized insufficient data and used inappropriate technology.

#### BUSINESS RELATIONSHIPS (SECTION 520)

- A suggestion that the sub-heading "Buying Goods or Services" could be expanded to include the licensing of technology. Mr. Huesken explained that the Task Force had considered the suggestion but is of the view that "buying goods or services" includes licensing of technology. The Task Force has refined the draft revisions accordingly.

In this regard, a Board member questioned whether "goods or services" also includes those sold through digital platforms. Mr. Huesken confirmed that it does and that this would be explained in the Basis for Conclusions.

#### CONFORMING AMENDMENTS

IESBA members noted the conforming amendments arising from changes to the following references in the extant Code: paragraph R114.1(d) to new R114.3; R114.1 to revised and new R114.1 to R114.3 in the Glossary definition of "Fundamental Principles;" and 120.5 A6 to revised 120.5 A9 in the Glossary definition of "Reasonable and Informed Third Party Test."

#### PIOB OBSERVER'S REMARKS

Ms. Giner noted that the revisions have addressed the PIOB's public interest comments, and that from her perspective, no re-exposure was needed. She further expressed support for the proposed effective date and noted that the Task Force should continue to keep the PIOB's Public Interest Framework in mind when finalizing the revisions.

#### DUE PROCESS

Mr. Siong advised the IESBA that up to and including this meeting, the IESBA had adhered to its stated due process in finalizing the technology-related revisions to the Code.

Mr. Huesken confirmed that all significant issues discussed by the Task Force had been brought to the IESBA's attention and that the Task Force did not believe there was a need for further consultation on, or field testing of, the proposals.

The IESBA members did not consider that there were matters raised by respondents to the ED, in addition to those summarized and reported by the Task Force, that should be discussed by the Board.

#### APPROVAL OF FINAL PRONOUNCEMENT

After agreeing the necessary refinements to the provisions to address the comments raised during the meeting, the IESBA unanimously approved the final text with the affirmative votes of 18 out of the 18 IESBA members present.

#### CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The IESBA assessed whether there was a need to re-expose the approved text. The IESBA agreed that the changes made to the ED were in response to the comments received from respondents and did not represent substantial changes to the ED. Therefore, the IESBA determined that re-exposure was not necessary.

#### EFFECTIVE DATE

The IESBA set the effective date for the final provisions to be as follows, with no transitional provision:

- Revisions to Parts 1 to 3 will be effective as of December 15, 2024.
- Revisions to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024.
- The conforming and consequential amendments to Part 4B in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after December 15, 2024; otherwise, these amendments will be effective as of December 15, 2024.

#### **6. Strategy and Work Plan 2024-2027**

Mr. Kwan updated the Board on the key comments raised by participants at the CAG and IFAC Professional Accountants in Business Advisory Group (PAIBAG) meetings held in September 2022. He also briefed the Board on the main outcomes of the joint IESBA-IAASB Planning Committee meeting held in October 2022. Mr. Hansen highlighted that the CAG discussion was focused on issues relating to monitoring and enforcement with respect to PAIBs' compliance with the Code.

Mr. Siong noted that with respect to the update on the Board's sustainability work stream at the PAIBAG meeting, a few PAIBAG members expressed concerns about the Board developing profession-agnostic standards. Mr. Siong further observed that there have been some concerns raised by both firms and the PAIB community about the pace of changes to the Code and the increasing compliance burden, which apparently might be leading some to leave the profession. In response, Board participants made the following comments, among other things:



- The perception that developing profession-agnostic standards is problematic to the profession is changing and there is a greater understanding that the lack of robust ethics and independence standards for sustainability assurance for non-PAs may in fact have a significant adverse impact on the accountancy profession in the long term, if there is not a level playing field. It is important that the Board takes its stakeholders on the journey and helps shape their thinking accordingly.
- Precision in language is important for the SWP as certain statements may be read differently by different stakeholders. In this regard, the phrase “raising the bar” may lead some to take the view that the IESBA is making the Code more stringent, while others might argue that the phrase suggests that the bar set by the Code is not sufficiently high.
- The Board should continue to “raise the bar” by ensuring that the Code continues to address new issues without “villainizing” anyone. However, this does not necessarily mean that the Code is becoming more stringent. While there will always be some initial push-back with new standards, the Board must continue to focus on the public interest when developing standards. It is that focus which will ultimately strengthen the accountancy profession.
- This is an opportunity for the IESBA to set the standards relating to sustainability reporting and assurance as the minimum or best practice requirements. If the IESBA does not take advantage of the opportunity, others will fill the gap and develop the necessary standards. Further, it will not be in the interest of the profession if it is not adhering to high ethics and independence standards as there must be public confidence in its work.
- Standard-setting is about helping the accountancy profession to build trust. While the Board has generally focused on independence in the past, recent corporate failures have impacted the profession as a whole. As such, there is a need to focus on PAIBs. The Board should also work with professional accountancy organizations (PAOs) to highlight the distinction between PAIBs who are part of a professional body subject to high professional standards, and other accountants. Further, the Board should use the SWP to deliver the message that the same high standard is expected of all PAs, irrespective of their role. The SWP provides an opportunity for the Board to communicate the importance and meaning of developing profession-agnostic standards.

Ms. Giner encouraged the Board to continue with its direction in strengthening the Code, including the consideration of profession-agnostic standards with respect to sustainability assurance.

#### PROPOSED STRATEGY 2024-2027

Mr. Kwan provided an overview of the proposed strategy, including the proposed vision, strategic drivers and themes, and actions as set out in the first read of the Consultation Paper. The Board was generally supportive of the proposed strategy.

With regards to the proposed vision, the Board agreed that it is not necessary to seek public comment on it as the vision is for the Board to determine. The Board, however, provided some editorial suggestions for the Planning Committee’s consideration, including whether the word “linchpin” should be replaced by words such as “cornerstone” that are easier to translate.

With regards to the strategic drivers, Board participants provided the following comments, among other things:

- Consideration should be given to recognizing the need for effective supervisory and enforcement regimes as a strategic driver as they ensure that the IESBA’s standards are being complied with and applied consistently across the globe.

- Consideration should also be given to highlighting the issue of greenwashing in the discussion of strategic drivers.
- There should be a thread that ties together the vision and strategic drivers and themes

With regards to the proposed theme on adoption and implementation, suggestions included:

- Incorporating the concept of integration with other standards while remaining framework-neutral.
- Adding a diagram to illustrate the role of ethics and independence standards alongside other standards within the financial and non-financial information supply chains.

#### PROPOSED WORK PLAN 2024-2027

Mr. Kwan explained to the Board the factors taken into consideration when developing the proposed Work Plan 2024-2027 as well as the factors that will impact its delivery.

#### *On-going and Pre-committed Work Streams*

With regards to the ongoing work streams in Table A of the draft Consultation Paper, Board participants made the following comments, among other things:

- The indicative timelines for the work streams on collective investment vehicles, pension funds and investment company complexes, as well as the post-implementation review (PIR) on the Non-Compliance with Laws and Regulations (NOCLAR) standard, seem too ambitious. These timelines might send the wrong message about the Board's available resources and place unreasonable expectations on staff and Board members given the priority focus on the Sustainability work streams in the next two years.
- With regards to the Sustainability work streams, it might be helpful to leave some margin for follow-up plans after the revisions to the Code in light of the ongoing evolution of sustainability reporting.

With regards to the pre-commitments in Table B of the draft Consultation Paper, Board participants made the following comments, among other things:

- While it is important that the Board plans ahead, it may be difficult to set indicative timelines for the pre-committed work streams, given the lack of visibility over such a long period. There was a view that it would be helpful to signal in the Work Plan that the work streams in Table B are only indicative areas of focus as the Board might determine to address emerging developments or issues of greater priority. It was further suggested that if the SWP could indicate whether a work stream is urgent or whether it can be delayed if there are greater priorities, this would allow the IESBA to determine how best to allocate its resources.
- There was a suggestion not to conduct the PIR on the recent revisions to the definition of public interest entity (PIE) and related provisions in the Code as it may be difficult and resource intensive to review the implementation of the revised PIE definition without also considering local PIE definitions at the jurisdictional level.

In response to the above comments:

- Ms. Dias agreed that the Work Plan should demonstrate flexibility but cautioned that it should not be perceived as the Board ignoring the pre-committed work streams.

- Mr. Siong agreed that the label of “Targeted Completion” might be too definitive. He suggested that the Planning Committee consider how best to convey that the Board’s future work plan will allow maximum flexibility to respond to emerging issues of significant public interest.

Ms. Giner noted that she was impressed with the level of discussion and the due process in developing the Board’s SWP. She further acknowledged that planning for the work streams in Table B is difficult and agreed that a certain amount of flexibility is needed. In this regard, the Board was supportive of a suggestion to conduct an informal strategic review towards the end of 2024 in order to give the Board an opportunity to review and revise its priorities as necessary.

#### *Proposed New Work Streams*

With regards to the proposed new work streams in Table C of the draft Consultation Paper, Board participants provided the following comments, among other things:

- Consideration should be given to assigning higher priority to the topic relating to the definition of “audit client” under the proposed work stream on audit firm-audit client relationship.
- With regards to the work stream on the role of chief financial officers (CFOs) and other senior PAIBs, the proposed start time for the information gathering activity might be too late in light of the strategic driver on the expanding role of PAIBs. A query was also raised about whether setting standards for CFOs and other senior PAIBs will result in behavioral change in light of the challenges relating to supervision of PAIBs, at least in some jurisdictions. In response, Ms. Lee and Messrs. Poll, Wijesinghe and Siong noted that:
  - As it is the responsibility of PAOs to monitor and enforce compliance, they rely on the Code having a robust set of ethics standards. Similarly, if regulators are looking to take further actions, the starting point needs to be standards that set a high ethical bar. It was further noted that in jurisdictions such as Australia, where PAIBs represent a high percentage of the PA population, the Code does play a significant role.
  - Recent IESBA outreach to the Organisation for Economic Co-operation and Development (OECD) has highlighted the need for the Board to demonstrate how the Code, including its fundamental principles and conceptual framework, can enhance ethical behavior in the context of corporate governance and sustainability reporting supply chain. Doing so would show that the Code is a set of best practices that can be adopted or used by others, such as the OECD.
  - The IESBA is in a unique position to be a global leader in setting high quality ethics standards. For instance, it was noted that the legal profession has considered the Code’s NOCLAR standard as it looks to developing a similarly robust ethics standard for lawyers to address the perception that legal practitioners are enablers of financial crimes.
- With regards to the work stream on the definitions and descriptions of terms, whether it should only commence after the various PIRs have been completed so it can be done as a holistic project, or whether terms and definitions are better addressed as part of other projects as those definitional issues arise.
- Whether the Board will receive additional information regarding some of the proposed work streams before deciding whether to include them in the Consultation Paper. In response, Ms. Dias and Mr. Siong clarified that:

- These topics are included based on information that the Board had received to date. While there is not sufficient information to determine that a standard-setting project should be commenced, there is sufficient information to include them in the Consultation Paper to seek further feedback from stakeholders.
- The inclusion of a topic, such as the role of CFOs and other senior PAIBs, as a new work stream is only an indication that the Board will further consider the issues identified and conduct the necessary fact-finding. There is, therefore, no certainty that the Board will embark on a standard-setting project on the topic.
- It may be helpful to further group the proposed new work streams into those that are strategic (e.g. role of CFOs and Other Senior PAIBs) and those that are more maintenance in nature (e.g., Definitions and Descriptions of Terms).

With regards to the other possible work streams set out in draft Consultation Paper, the following comments were raised by IESBA members:

- There are already a significant number of work streams for the new strategy period. While the Board should have sufficient flexibility to take on these work streams in the future, there is no need to include them in the Work Plan.
- Issues relating to documentation may be better addressed following the PIRs on how the Code has been implemented.
- Whether breaches of the Code should only be a possible work stream given the level of priority respondents have assigned to it in the April 2022 Strategy Survey.

#### *Technology Working Group (TWG) Phase 2 Report Recommendations*

Ms. Dias stressed the importance for the Board to determine whether further actions are necessary with respect to the Phase 2 recommendations, as a matter of good governance.

Messrs. Friedrich and Huesken briefly explained the report-back jointly prepared by the TWG and the technology Task Force with respect to those TWG Phase 2 recommendations that have standard-setting implications.

The Board was generally supportive of the TWG's suggestion of including the topics of data governance, including custody of data (Recommendation C in the Phase 2 Report), communication with TCWG (Recommendation E) and business relationships (Recommendation I) in the draft Consultation Paper. Among other matters, Board participants also provided the following comments:

- A suggestion that the TWG further brief the Board on these and other topics through means such as presentations from external experts and the IESBA Technology Expert Group.
- Ms. Dias and Mr. Siong emphasized that the Board will consider input from stakeholders as part of the consultation process to determine if any of these topics should be included as new work streams in the SWP and their relative priorities, recognizing that the Board may first need to commence a work stream to carry out fact-finding in order to establish an evidential basis for a standard-setting project.
- In response to a view that Recommendation C should be given high priority in light of recent high profile cyber-hacking incidents, a few Board members noted that it is unclear if data governance issues necessarily involve ethical considerations with respect to PAs. Mr. Friedrich expressed the

view that, subject to input received from stakeholders as part of the consultation process, Recommendation C may be addressed by non-authoritative material.

- A suggestion that going forward, each project should consider whether there are any technology-related issues.

#### WAY FORWARD

The Planning Committee will present the second read of the Consultation Paper at the March 2023 meeting with the view to seeking the Board's approval for issuance.

### **7. Technology Working Group**

Mr. Friedrich, Chair of the Technology Working Group, introduced the session and asked IESBA participants for their views on, or reactions to, the Working Group's proposed four-pillar approach to monitoring technology developments going forward, with a planned re-evaluation in December 2023. He reminded the Board that an overview of the approach had been presented at the September 2022 Board meeting.

The four-pillar approach consists of internal board education; environmental scanning; ad-hoc analysis of technology impacts on other workstreams as needed; and facilitating the implementation of the Technology Working Group's Phase 2 recommendations, including contributing to developing and/or reviewing non-authoritative resources.

IESBA participants supported the Working Group's proposed approach. Among other matters, the following comments or suggestions were raised:

- If the Working Group's remit going forward is to monitor technology developments, this would potentially overlap with the remit of the Emerging Issues and Outreach Committee (EIOC). Accordingly, it was questioned how the EIOC and the Working Group would interact. A Board member noted that the composition of the EIOC membership is broader than the Working Group's and that the EIOC's remit is to monitor broader jurisdictional developments that might have ethics, including independence, implications.
- A few Board members noted that the Working Group, supported by its Technology Experts Group (TEG), is well-positioned to monitor technology-specific developments, as different skill sets, diversity and knowledge are required. In this regard, it was noted that other organizations, such as the IAASB, also have specific "technology innovation" groups. In that context, having the Working Group continue to operate will enhance the IESBA's agility to assess and respond to emerging technology issues as needed.

Messrs. Siong and Friedrich agreed that the EIOC's remit would be too broad if it included the monitoring of technology developments. They were of the view that maintaining a smaller Technology Working Group, supported by the TEG, would better support the agility, capability and capacity of the IESBA to monitor and respond to emerging technology issues.

Mr. Friedrich and Ms. Borgerth, Chair of the EIOC, agreed to continue coordinating their efforts to ensure no duplication in work. Ms. Dias supported the close coordination as needed and noted that the Working Group should have a clear mandate, including how it interacts with the EIOC.

#### WAY FORWARD

An updated terms of reference for the Technology Working Group will be presented to the IESBA for approval in due course.

## **8. Rollout of “Definitions of Listed Entity and Public Interest Entity (PIE)” Revisions**

Mr. Mintzer commenced the session by providing an update on the rollout activities since the September 2022 Board meeting. The rollout activities are intended to raise awareness and promote the adoption and effective implementation of the revisions to the definitions of listed entity and PIE and related provisions in the Code (the [IESBA PIE Revisions](#)).

Mr. Mintzer briefed the Board on the two global panel discussions held in October 2022, one co-hosted by IFAC and the ASEAN Federation of Accountants (AFA) for the Asia-Pacific region, and the other by the Pan African Federation of Accountants (PAFA) for the Africa region. Mr. Mintzer highlighted some of the questions raised by participants and stressed the importance of having these discussions with local bodies responsible for adopting the IESBA standards. Mr. Mintzer also briefed the Board on the September 2022 outreach meeting with representatives of Accountancy Europe’s Professional Ethics and Competences Working Party.

With regards to the other upcoming rollout activities:

- Messrs. Mintzer and Kwan indicated that the jurisdictional PIE definitions database would be made publicly available on the IESBA’s website.
- Mr. Kwan noted that the updated draft staff-prepared Questions and Answers (Q&A) publication has been expanded to incorporate the Board’s previous feedback, including consideration of jurisdictions, such as the European Union, that already have a legal definition of PIE. Mr. Kwan further noted that the Working Group is considering adding a question with respect to review engagements, subject to the outcome of the Board’s discussion at its January 2023 virtual meeting.

Mr. Mintzer then provided an update on Track 1 of the [IAASB’s PIE project](#). He noted that the IAASB has asked whether the IESBA would consider, ahead of the March 2023 IAASB meeting, the matter of whether the scope of the transparency requirement set out in paragraph R400.20 of the IESBA PIE Revisions should be limited to audit engagements only and, therefore, exclude review engagements. Mr. Mintzer noted that the Working Group is recommending a separate virtual Board meeting in late January 2023 to properly consider this issue.

Mr. Mintzer further noted that, at its December 2022 meeting, the IAASB had shown general support for the IAASB Task Force’s proposals with respect to Track 2 of the IAASB’s PIE project. These proposals are aligned with the IESBA PIE Revisions.

### **PIOB OBSERVER’S REMARKS**

Ms. Giner complimented the efforts of the IESBA and IAASB to align their approaches regarding their respective PIE projects.

### **WAY FORWARD**

The IESBA agreed to hold a virtual Board meeting in January 2023 to decide whether any changes should be made to the scope of the transparency requirement in the IESBA PIE Revisions. A meeting date was set for January 27, 2023.

## **9. Closing Remarks**

Ms. Dias thanked the Board for a productive meeting. At Ms. Dias's invitation, Mr. Siong gave brief updates to the Board on the upcoming March 2023 Board meeting in Abu Dhabi, UAE; the expected timeline for the PIOB's approval of the ET-GA pronouncement; and the tentative dates for the global sustainability roundtables which will be held in Paris, Sydney, Singapore and New York.

Ms. Dias commended the Board on a successful Board meeting full of accomplishments as a result of the commitment and collaborative work of IESBA members, technical advisors and staff throughout 2022. She also praised the Board on its flexibility to hold additional meetings; organizing roundtables at short notice; engaging robustly and extensively with stakeholders; and the approval of two final projects, an ED and two project plans, all of which serve the public interest. She acknowledged the progress the Board has made in terms of communications, especially with social media, but most of all its progress on establishing a culture of timeliness, transparency and trust.

Additionally Ms. Dias thanked the Board for making her feel welcome and supported over the past 12 months, especially during the transition to the new Foundation.

Lastly she thanked retiring IESBA Deputy Chair, Ms. Lee, and IESBA member, Mr. Fukukawa, for their significant contributions to the Board's work throughout their terms of service. She also thanked the retiring technical advisor, Mr. Driscoll, for his contributions.

Finally Ms. Dias thanked the IESBA participants for their contributions, conveyed her best wishes for the holiday season and the New Year, and closed the meeting.

#### **10. Next Meetings**

The next Board meetings are scheduled for:

- February 10, 2023 in virtual format (originally scheduled for January 27, 2023); and
- March 13-17, 2023, to be held in person in Abu Dhabi, UAE.