

Proposed Revisions to Parts 1 to 3 of the Code (Mark-Up) (WS2)

Proposed Text – Second Read

Note to IESBA

The proposed marked-up changes in **Agenda Item 5-D** are to the 2024 version of the Code (i.e., the extant Code including all revisions to the Code which become effective by the end of 2024).

Changes made to the version posted for the IESBA September 2023 meeting are highlighted in yellow. Reasons for proposed revisions to the September 2023 version are set out in grey boxes within the document.

PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

SECTION 100

COMPLYING WITH THE CODE

Introduction

- 100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.
- 100.2 Confidence in the accountancy profession is a reason why businesses, governments and other organizations involve professional accountants in a broad range of areas, including financial, non-financial and corporate reporting, assurance and other professional activities. Accountants understand and acknowledge that such confidence is based on the skills and values that accountants bring to the professional activities they undertake, including:
- (a) Adherence to ethical principles and professional standards;
 - (b) Use of business acumen;
 - (c) Application of expertise on technical and other matters; and
 - (d) Exercise of professional judgment.
- The application of these skills and values enables accountants to provide advice or other output that meets the purpose for which it was provided, and which can be relied upon by the intended users of such output.
- 100.3 The Code sets out high quality standards of ethical behavior expected of professional accountants for adoption by professional accountancy organizations which are members of the International Federation of Accountants (IFAC), or for use by such members as a basis for their codes of ethics. The Code may also be used or adopted by those responsible for setting ethics and independence standards for professional accountants in particular sectors or jurisdictions and by firms in developing their ethics and independence policies.

Change to paragraph 100.3

Proposal to change "(including independence)" to "and independence" for consistency with other references in the extant Code and Part 5.

100.4 The Code establishes five fundamental principles to be complied with by all professional accountants. It also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and, for audits and other assurance engagements, threats to independence. The Code also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that accountants might encounter, whether in business or in public practice.

(....)

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PART 2 - PROFESSIONAL ACCOUNTANTS IN BUSINESS

SECTION 200

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN BUSINESS

Introduction

- 200.1 This Part of the Code sets out requirements and application material for professional accountants in business when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships, that could be encountered by professional accountants in business, which create or might create threats to compliance with the fundamental principles. Therefore, the conceptual framework requires professional accountants in business to be alert for such facts and circumstances.
- 200.2 Investors, creditors, employing organizations and other sectors of the business community, as well as governments and the general public, might rely on the work of professional accountants in business. Professional accountants in business might be solely or jointly responsible for the preparation and reporting of financial and ~~non-financial~~ other information, including sustainability information, on which both their employing organizations and third parties might rely. They might also be responsible for providing effective financial management and competent advice on a variety of business-related matters.
- 200.3 A professional accountant in business might 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 accountant with the employing organization has no bearing on the ethical responsibilities placed on the accountant.

(....)

Identifying Threats

- 200.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories that might create threats for a professional accountant when undertaking a professional activity:
- (a) Self-interest Threats
- A professional accountant holding a financial interest in, or receiving a loan or guarantee from, the employing organization.
 - A professional accountant participating in incentive compensation arrangements offered by the employing organization.
 - A professional accountant holding a financial interest in a supplier of the employing organization and that supplier is impacted by the employing organization's sustainability targets or practices.
 - A professional accountant having access to corporate assets for personal use.
 - A professional accountant being offered a gift or special treatment from a supplier of the employing organization.
- (b) Self-review Threats

- A professional accountant determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision.
 - A professional accountant determining the appropriate methodology to calculate emission reductions after performing the feasibility study supporting a capital project to reduce emissions.
- (c) Advocacy Threats
- A professional accountant having the opportunity to manipulate information in a prospectus, including in relation to a sustainability or sustainability-linked bond, in order to obtain favorable financing.
- (d) Familiarity Threats
- A professional accountant being responsible for the financial or non-financial, including sustainability, reporting of the employing organization when an immediate or close family member employed by the organization makes decisions that affect the financial or non-financial reporting of the organization.
 - A professional accountant having a long association with individuals influencing business decisions.
- (e) Intimidation Threats
- A professional accountant or immediate or close family member facing the threat of dismissal or replacement over a disagreement about:
 - The application of an accounting principle or a sustainability reporting principle.
 - The determination of measurement methods, metrics, targets, estimation criteria or assumptions for sustainability information.
 - The way in which financial or non-financial information is to be reported.
 - An individual attempting to influence the decision-making process of the professional accountant, for example with regard to the awarding of contracts or the application of an accounting principle or a sustainability reporting principle.

Changes to paragraph 200.6 A1(e)

Proposal to change references to "sustainability reporting standard" to "a sustainability reporting principle" as a narrower term that is consistent with the reference to "accounting principle". As examples, ISSB, ESRS and GRI all refer to "principles" within the respective standards.

Identifying Threats Associated with the Use of Technology

200.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a professional accountant when undertaking a professional activity:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.

- The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

(Ref: Para. 230.2).

- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgment of the accountant or employing organization.

(....)

Communicating with Those Charged with Governance

R200.9 When communicating with those charged with governance in accordance with the Code, a professional accountant shall determine the appropriate individual(s) within the employing organization's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

200.9 A1 In determining with whom to communicate, a professional accountant might consider:

- (a) The nature and importance of the circumstances; and
- (b) The matter to be communicated.

200.9 A2 Examples of a subgroup of those charged with governance include an audit committee, or another committee tasked with oversight of sustainability information, or an individual member of those charged with governance.

R200.10 If a professional accountant communicates with individuals who have management responsibilities as well as governance responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.

200.10 A1 In some circumstances, all of those charged with governance are involved in managing the employing organization, for example, a small business where a single owner manages the organization and no one else has a governance role. In these cases, if matters are communicated with individual(s) with management responsibilities, and those individual(s) also have governance responsibilities, the professional accountant has satisfied the requirement to communicate with those charged with governance.

SECTION 210

CONFLICTS OF INTEREST

(....)

Requirements and Application Material

General

R210.4 A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.

210.4 A1 Examples of circumstances that might create a conflict of interest include:

- Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the professional accountant to the advantage or disadvantage of the other organization.
- Undertaking a professional activity for each of two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership.
- Preparing financial or non-financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out.
- Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction.
- Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member.

Conflict Identification

R210.5 A professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:

- (a) The nature of the relevant interests and relationships between the parties involved; and
- (b) The activity and its implication for relevant parties.

(....)

SECTION 220

PREPARATION AND PRESENTATION OF INFORMATION

Introduction

- 220.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 220.2 Preparing or presenting information might create a self-interest, intimidation or other threats to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

220.3 A1 Professional accountants at all levels in an employing organization are involved in the preparation or presentation of information both within and outside the organization.

220.3 A2 Stakeholders to whom, or for whom, such information is prepared or presented, include:

- Management and those charged with governance.
- Investors and lenders or other creditors.
- Regulatory bodies.

This information might assist stakeholders in understanding and evaluating aspects of the employing organization's operations and state of affairs and in making decisions concerning the organization. Information can include financial and non-financial information that might 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.
- Sustainability information, including information provided to the sustainability assurance practitioner.
- Risk and impact analyses.
- General and special purpose financial statements.
- Tax returns.
- Reports filed with regulatory bodies for legal and compliance purposes.

Changes to paragraph 220.3 A2

An IESBA participant commented at the September meeting - *The sentence after the bullets does not mention anything about the organization's services/products and we are now dealing with sustainability information which is much broader. Suggest "stand back" and make sure this section is broad enough to capture sustainability.*

Whilst "state of affairs" in a general sense relates to a set of relevant circumstances, which would incorporate

services/products, it also has a financial connotation. Accordingly, WS2 proposes adding "operations and" to broaden the context.

Proposal to delete "such" before "information".

220.3 A3 For the purposes of this section, preparing or presenting information includes collecting, recording, measuring, maintaining and approving information.

R220.4 When preparing or presenting information, a professional accountant shall:

- (a) Prepare or present the information in accordance with a relevant reporting framework, where applicable;
- (b) Prepare or present the information in a manner that is intended neither to mislead others nor to influence contractual or regulatory outcomes inappropriately;
- (c) Exercise professional judgment to:
 - (i) Represent the facts accurately and completely in all material respects;
 - (ii) Describe clearly the true nature and impacts of business transactions or activities; and
 - (iii) Collect, Classify, and record or measure information in a timely and proper manner;
- (d) Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately;
- (e) Avoid undue influence of, or undue reliance on, individuals, organizations or technology; and
- (f) Be aware of the risk of bias.

Changes to paragraph R220.4

Proposal to change "and" to "or" after "record" in paragraph R220.4(c)(iii) following an IESBA advance comment.

Proposal to delete "to others", which was previously added after "misleading", in paragraph R220.4(d) following an IESBA advance comment.

220.4 A1 An example of preparing or presenting the information in a manner that is intended to mislead others is deliberately giving a false impression in sustainability information about how well an organization or an investment is aligned with or achieving its sustainability goals through practices such as:

- Omitting relevant information to misrepresent the nature and impacts of business activities;
- Including false information;
- Inappropriately applying or reporting metrics; or
- Placing excessive emphasis on certain information while understating other information.

IESBA participants' comments at the September 2023 meeting in italics on proposed paragraph 220.4 A1:

Consider incorporating within the examples ethical considerations relating to "greenhushing" when an entity is incentivized to keep quiet about its non-sustainable practices which customers would not want to be associated with.

In certain markets, highlighting green initiatives increases "greenwashing" accusations so entities choose not to promote such initiatives.

Some entities are shying away from investing in carbon markets assets and initiatives, as seen as being associated with emissions. Whereas companies that are high emitters feel there is an opportunity to purchase credits from low emission regions to abate their own emissions.

Important to focus on transparency and discourage those that are ill willed, but not to discourage those that are undertaking good sustainability practices from being transparent.

WS2 response:

The example in 220.4 A1 includes where an entity gives a false impression about how it is tracking against sustainability goals by omitting relevant information or by understating certain information. “Greenhushing” is where an entity avoids disclosure about its sustainability practices or efforts to avoid scrutiny or possible accusations of “greenwashing”.

“Greenhushing” might be “non-reporting” and if the entity is not subject to mandatory sustainability reporting, then Section 220 might not apply as there is no preparation or presentation of information. However, if the entity is subject to mandatory sustainability reporting, not reporting sustainability information required under the relevant reporting framework goes beyond ethics and would be a breach of laws or regulations.

If an entity voluntarily reports under a reporting framework and does not report relevant sustainability information this would likely result in an inappropriate exercise of discretion. Also if disclosures only highlight risks/opportunities at a superficial level or certain details are withheld, it would also likely be an improper exercise of professional judgment or omitting information with the intention to mislead. Accordingly, WS2 believes the additional proposed amendments to paragraph 220.4 A1 and the examples in 220.5 A1 adequately cover “greenhushing”.

In relation to over or under emphasizing information - whether this example relates to inappropriately combining or summarizing information or aggregating/disaggregating because sometimes aggregating or disaggregating makes information more accurate.

WS2 response:

The part of the example “*placing excessive emphasis on certain information while understating others*” does not intend to relate to aggregating/disaggregating information which is more of an accounting concept. Instead, the example focuses on the narrative of sustainability disclosures emphasizing the “good” sustainability practices whilst understating “bad” sustainability practices. Accordingly, WS2 does not recommend any change.

Consider situations of mis-selling ESG funds (examples referred to are below) where information misleads others by intentionally giving false information about ESG investments or failing to adhere to policies and procedures for selecting ESG investments and whether the activities to intentionally mislead currently listed in proposed paragraph 220.4 A1 explicitly capture this type of activity.

[SEC.gov | SEC Charges Goldman Sachs Asset Management for Failing to Follow its Policies and Procedures Involving ESG Investments](#) – misconduct related to ESG funds offered to clients, where the compliance policy stated that investment analysts would screen investments, which was not always done.
[23-215MR ASIC commences greenwashing case against Active Super | ASIC](#) – alleged misleading conduct and misrepresentations relating to the fund claiming it was ethical and responsible.

WS2 response:

This example is not intended to be all inclusive in accordance with the Code’s principles-based approach and it is not possible to cover all possible examples. However, including three specific ways that the misleading reporting could be undertaken might be interpreted as a set list. WS2 recommends including “through practices such as” before the list of activities to make it clear it is not an exhaustive list, changing it to a bullet point list

and adding an additional activity "including false information" to capture the additional examples provided by the IESBA participant.

Consider incorporating within the examples where an entity greenwashes to obtain a customer or secure a contract.

WS2 response:

This example relates to "misleading others" which is broad enough to capture where an entity misleads to obtain a customer or contract. Accordingly, WS2 do not recommend making this example more specific or adding an extra more specific example.

WS2 responses to advance comments

Proposal to change "An example of misleading others is intentionally" to "An example of preparing or presenting the information in a manner that is intended to mislead others is deliberately" to align to the wording in the requirement in paragraph R220.4(b), following an IESBA advance comment.

WS2 considered changing the list to an alpha list but propose a bullet list for consistency with Code drafting convention for lists of examples, following an IESBA advance comment.

WS2 considered including "true nature and impacts of business activities" but propose to include the wording "the nature and impacts of business activities" following an IESBA advance comment.

Other proposed changes to paragraph 220.4 A1

In addition to the above changes, other proposals include:

- Adding "in sustainability information" in the lead in for context.
- Deleting "by" in the lead in, before the list.
- Adding further context on omitting information (first bullet point).
- Changing "others" to "other information" (last bullet point).

220.4 A²⁴ 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 for a financial institution.

220.4 A3 An example of placing undue reliance on an organization is using the data provided by a large supplier within the entity's value chain to prepare and present the entity's sustainability information, without considering the source, relevance and sufficiency of that supplier's data.

IESBA participant comments at the September 2023 meeting on proposed paragraph 220.4 A3:

Consider whether the second part of the sentence "without assessing whether there are deficiencies in the quality and accuracy of that supplier's data" is appropriate application guidance as undue reliance is an undefined amorphous concept. Suggest either stopping after sustainability information, or using "without any assessment" or consider whether an example of undue reliance is required.

As worded now it might be one step too far in terms of what is required, need to consider what is reasonable to expect of the PA to have a basis to rely on that data.

Consider whether this example should include a link to professional skepticism.

Whether undue reliance and the level of due diligence expected is adequately explained in the Code and the importance of not taking information at face value. Believes the Code should define due care/due reliance and that these concepts need to go further within context of sustainability reporting.

WS2 response:

WS2 agrees the wording "*without assessing whether there are deficiencies in the quality and accuracy of that supplier's data*" could potentially be perceived to create an unrealistic threshold or expectation on the PA. However, the quality and accuracy of information from the value chain in preparing sustainability information should be considered with an inquiring mind and through the exercise of professional judgment.

PAs are required to comply with the fundamental principle of objectivity which includes not being compromised by "undue reliance", which is not defined in the Code. However, WS2 believes the provisions in R120.5 to 120.5 A3 on "*Having an Inquiring Mind*" and R220.7 and 220.7 A1 on "*Using the Work of Others*" are particularly relevant to this proposed example.

Paragraph 120.5 A1 states that having an inquiring mind is a prerequisite to obtaining an understanding of known facts and circumstances and involves considering the source, relevance and sufficiency of information obtained, taking into account the nature, scope and outputs of the activity. Paragraph 120.5 A2 sets out matters that might be considered when considering the source, relevance and sufficiency.

Paragraph R220.7 requires a PA who intends to use the work of others, including other external organizations (which would likely include value chain entities), to exercise professional judgment to determine the appropriate steps to take to fulfill the responsibilities in R220.4 (which includes avoiding undue reliance on organizations). Paragraph 220.7 A1 sets out factors to consider when a PA intends to use the work of others.

Accordingly, WS2 does not believe "undue reliance" needs to be defined as the Code already provides adequate guidance for PAs to undertake such an assessment. WS2 suggest changing the wording in this example from "*without assessing whether there are deficiencies in the quality and accuracy of that supplier's data*" to "*without considering the source, relevance and sufficiency of that supplier's data*".

Use of Discretion in Preparing or Presenting Information

R220.5 Preparing or presenting information might require the exercise of discretion in making professional judgments. The professional accountant shall not exercise such discretion with the intention of misleading others or influencing contractual or regulatory outcomes inappropriately.

Paragraph R220.5

An IESBA participant commented – *Consider whether the examples capture the need for skepticism when reporting information, in relation to an example where the majority of spending on a social program goes to the promotion of the entity undertaking this work rather than the program itself.*

Professional skepticism does not apply to reporting as it is a concept that applies to audit, review and other assurance. Irrespective, WS2 believes the examples require PAs to have an inquiring mind as set out in paragraphs R120.5 to 120.5 A3. Further, paragraph R220.9 requires PAs to take appropriate steps when they know or have reason to believe that the information is misleading. Accordingly, WS2 does not recommend any changes.

An IESBA participant commented – *On slide 18 prefer taking "professional judgement" out as professional judgement is also required to make appropriate decisions.*

The reference to the professional judgment on slide 18 of the September meeting presentation did not form part of an example, however, it is part of the extant requirement in R220.5. WS2 does not recommend any changes.

220.5 A1 Examples of ways in which discretion might be misused to achieve inappropriate outcomes include:

- 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.
- Selecting or changing measurement methods among two or more alternatives permitted under the applicable sustainability reporting framework in order to misrepresent information.
- Performing a materiality assessment on opportunities, risks or impacts in order to misrepresent or omit sustainability information.
- 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 timing of disclosures of sustainability information to achieve a more favorable presentation or better apparent outcome 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 sustainability or operating risk in order to mislead.
- Preparing forward-looking information by relying on assumptions that are unrealistic or inconsistent with management's decisions or objectives in order to mislead.

Proposed amendments to the examples in paragraph 220.5 A1:

Third bullet point:

- Proposal to delete "material" and "regarding opportunities, risks or impacts" as these aspects are covered in the example in the fourth bullet point.

Fourth bullet point:

- Proposal to delete "Inappropriately" from before "performing" as it is already apparent from the lead in sentence, following an advance IESBA comment.
- Proposal to add "in order" and remove "with the intent to mislead" from the end of the sentence to address an IESBA participant's comment at the September 2023 meeting regarding consistency of bullet points.
- Proposal to add "or omit" to broaden the application of this example.

Sixth bullet point:

- Proposal to add "apparent" following an IESBA advance comment.
- Proposal to add "in order to mislead" to address an IESBA participant's comment at the September 2023 meeting regarding consistency of bullet points.

Eighth bullet point:

- Proposal to delete the example replicated below, which was included as the third bullet point at the September 2023 meeting, as it is duplicated in this eighth bullet point, following an IESBA advance comment and to maintain the balance of examples:

Selectively using disclosures from a sustainability reporting framework, or from multiple sustainability reporting frameworks, in order to misrepresent that an organization is aligned to or achieving its sustainability goals.

IESBA participants' comments at the September 2023 meeting in italics on the example on forward-looking information in the ninth bullet point of 220.5 A1:

Consider removing "intent" as it is difficult to assess management's intent and whether this could be replaced with plans.

WS2 response:

This example was drafted to relate to decisions or the intentions of an organization, however, WS2 agrees it could be interpreted to relate to management's underlying thought processes. Accordingly, WS2 recommend changing "intent" to "objectives".

As forward-looking information is fundamental to sustainability reporting, consider whether this example is enough or to include more granularity in the example in respect of what is unrealistic or inconsistent in a sustainability context.

WS2 response:

This example was intentionally developed for broader application as forward-looking information is also relevant to financial information. If further granularity is added or the example is made more specific to sustainability it could be interpreted that sustainability is more problematic when determining if forward-looking information is reasonable or not or that forward-looking information considerations are not relevant to financial information. Accordingly, WS2 does not recommend any change.

Whether this example also needs to be included in Part 3 of the extant Code for a PAPP and how it would be addressed via the application of the conceptual framework, professional judgment and professional skepticism.

WS2 response:

Paragraph R300.5 requires PAPPs performing professional activities pursuant to their relationship with the firm to comply with Part 2. Paragraph 300.5 A1 lists examples of situations in which the provisions in Part 2 apply to the PAPP which includes preparing or presenting information for the accountant's client or firm. Accordingly, the proposed example on forward-looking information would be equally applicable to a PAPP and WS2 does not recommend any change.

This example is drafted differently to the other examples in this paragraph and need to be clear whether this is intentional, because if an error it is not an example to include here. Other participants also made the following comments:

- *Suggested using "are" instead of "may be" to clarify this point.*
- *The purpose is included in the lead in sentence to the paragraph which uses "misuse".*
- *A PA can be doing the wrong thing if they're not doing their job, by not exercising professional skepticism, so the proposed wording is appropriate (misusing discretion).*

WS2 response:

The requirement in R220.5 is to not exercise discretion with the intention of misleading others or influencing contractual or regulatory outcomes inappropriately and 220.5 A1 sets out examples in which discretion might be misused to achieve inappropriate outcomes. Accordingly, the examples must relate to an "intention to

mislead". WS2 recommend changing "may be" to "are" to make it clear that the PA knows the assumptions are unrealistic or inconsistent and to add "in order to mislead" to be clear it is intentional misuse.

In addition, the following changes were also made to the ninth bullet point of 220.5 A:

- Proposal to change "determining" to "preparing" for greater clarity.
- WS2 considered including "others" after "mislead" but proposes not to include this for consistency with other examples following IESBA advance comments.

R220.6 When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall exercise professional judgment to identify and consider:

- (a) The purpose for which the information is to be used;
- (b) The context within which it is given; and
- (c) The audience to whom it is addressed.

220.6 A1 For example, when preparing or presenting [sustainability information or](#) pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.

220.6 A2 The professional accountant might also consider clarifying the intended audience, context and purpose of the information to be presented.

Using the Work of Others

R220.7 A professional accountant who intends to use the work of others, whether internal or external to the employing organization, or other organizations, shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

[220.7 A1](#) [For the purposes of this section, the work of others excludes the work of an external expert. When a professional accountant intends to use the work of an external expert, the requirements and application material set out in Section 290 apply.](#)

220.7 A2⁴ Factors to consider when a professional accountant intends to use the work of others include:

- The reputation and [expertisecompetence](#) of, and resources available to, the other individual or organization.
- Whether the other individual is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the other individual or organization.

Revisions to paragraphs R220.7 to 220.7 A2 are those proposed by the Use of Experts Task Force for the December 2023 Board meeting – please provide comments under Agenda Item 4.

Using the Output of Technology

R220.8 A professional accountant who intends to use the output of technology, whether that technology was developed internally or provided by third parties, shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

220.8 A1 Factors to consider when a professional accountant intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or has access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The employing organization's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorizing user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

Addressing Information that Is or Might be Misleading

R220.9 When the professional accountant knows or has reason to believe that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.

220.9 A1 Actions that might be appropriate include:

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

220.9 A2 The professional accountant might determine that the employing organization has not taken appropriate action. If the accountant continues to have reason to believe that the information is misleading, the following further actions might be appropriate provided that the accountant remains alert to the principle of confidentiality:

- Consulting with:
 - A relevant professional body.
 - The internal or external auditor [or sustainability assurance practitioner](#) of the employing organization.
 - Legal counsel.
- Determining whether any requirements exist to communicate to:

- Third parties, including users of the information.
- Regulatory and oversight authorities.

R220.10 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 accountant shall refuse to be or to remain associated with the information.

220.10 A1 In such circumstances, it might be appropriate for a professional accountant to resign from the employing organization.

Documentation

220.11 A1 The professional accountant is encouraged to document:

- The facts.
- The accounting and reporting principles or other relevant professional standards involved.
- The communications and parties with whom matters were discussed.
- The accountant's analysis, assumptions, courses of action considered, and judgments and decisions made in preparing or presenting the information.
- How the accountant attempted to address the matter(s).

Proposals to amend paragraph 220.11 A1:

- First bullet point - remove "and assumptions" and add it to the fourth bullet point.
- Second bullet point - change "*accounting principles, sustainability reporting standards or framework*" to "*accounting and reporting principles*" for consistency with extant drafting.
- Fourth bullet point - incorporate the proposed third bullet point at the September 2023 meeting "*The accountant's analysis, courses of action considered, or judgments and decisions made in preparing and presenting the information*" and change "preparing and presenting" to "preparing or presenting" for consistency with R220.4 following an IESBA advance comment.

WS2 notes the proposals for the fourth bullet point broadens the range of information to be documented for all professional accountants in business from just "courses of actions considered". However, this is only an encouragement, includes matters that seem reasonable to document and not all those matters will be applicable to all types of services (e.g., assumptions). The proposed changes are also consistent with the wording used in the draft paragraph 380.26 A1 fourth bullet proposed by the Tax Planning Task Force.

Other Considerations

220.12 A1 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from a financial interest, including compensation and incentives linked to financial or non-financial, including sustainability, reporting and decision making, the requirements and application material set out in Section 240 apply.

220.12 A2 Where the misleading information might involve non-compliance with laws and regulations, the requirements and application material set out in Section 260 apply.

220.12 A3 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from pressure, the requirements and application material set out in Section 270 apply.

220.12 A4 When a professional accountant is considering using the work of others or the output of technology, a consideration is whether the accountant is in a position within the employing organization to obtain information in relation to the factors necessary to determine whether such use is appropriate.

SECTION 240

FINANCIAL INTERESTS, COMPENSATION AND INCENTIVES LINKED TO FINANCIAL OR NON-FINANCIAL REPORTING AND DECISION MAKING

....

Requirements and Application Material

General

- R240.3** A professional accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.
- 240.3 A1 Professional accountants might have financial interests or might know of financial interests of immediate or close family members that, in certain circumstances, might create threats to compliance with the fundamental principles. Financial interests include those arising from compensation or incentive arrangements linked to financial or non-financial, including sustainability, reporting and decision making.
- 240.3 A2 Examples of circumstances that might create a self-interest threat include situations in which the professional accountant or an immediate or close family member:
- Has a motive and opportunity to manipulate price-sensitive information in order to gain financially.
 - Holds a direct or indirect financial interest in the employing organization and the value of that financial interest might be directly affected by decisions made by the accountant.
 - Is eligible for a ~~profit-related~~ bonus or incentive based on financial or non-financial performance goals and the value of that bonus or incentive might be directly affected by decisions made by the accountant.
 - Holds, directly or indirectly, deferred bonus share rights or share options in the employing organization, the value of which might be affected by decisions made by the accountant.
 - Participates in compensation arrangements which provide incentives to achieve targets or to support efforts to maximize the value of the employing organization's shares. An example of such an arrangement might be through participation in incentive plans which are linked to certain financial or non-financial performance conditions being met.
- 240.3 A3 Factors that are relevant in evaluating the level of such a threat include:
- The significance of the financial interest. What constitutes a significant financial interest will depend on personal circumstances and the materiality of the financial interest to the individual.
 - Policies and procedures for a committee independent of management to determine the level or form of senior management remuneration.
 - In accordance with any internal policies, disclosure to those charged with governance of:
 - All relevant interests.
 - Any plans to exercise entitlements or trade in relevant shares.
 - Internal and external audit procedures that are specific to address issues that give rise to the financial interest.

240.3 A4 Threats created by compensation or incentive arrangements might be compounded by explicit or implicit pressure from superiors or colleagues. See Section 270, *Pressure to Breach the Fundamental Principles*.

SECTION 270

PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

Introduction

- 270.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 270.2 Pressure exerted on, or by, a professional accountant might create an intimidation or other threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

R270.3 A professional accountant shall not:

- (a) Allow pressure from others to result in a breach of compliance with the fundamental principles;
or
- (b) Place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

270.3 A1 A professional accountant might face pressure that creates threats to compliance with the fundamental principles, for example an intimidation threat, when undertaking a professional activity. Pressure might be explicit or implicit and might come from:

- Within the employing organization, for example, from a colleague or superior.
- An external individual or organization such as a vendor, customer or lender.
- Internal or external targets and expectations.

270.3 A2 Examples of pressure that might result in threats to compliance with 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 the family member over another prospective vendor.See also Section 210, *Conflicts of Interest*.
- Pressure to influence preparation or presentation of information:
 - Pressure to report misleading financial or non-financial results to meet investor, analyst, ~~or~~ lender or other stakeholder expectations.
 - Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
 - Pressure to misrepresent, through labelling or otherwise, how certain programs, projects or products are aligned to or achieving sustainability goals.
 - Pressure from colleagues to misstate income, expenditure, ~~or~~ rates of return or sustainability information 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.

See also Section 220, *Preparation and Presentation of Information*.

- 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.
 - Pressure from superiors to prepare sustainability information with insufficient data or deficiencies in the quality and accuracy of data available.

See also Section 230, *Acting with Sufficient Expertise*.

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

See also Section 240, *Financial Interests, Compensation and Incentives Linked to Financial or Non-Financial Reporting and Decision Making*.

- Pressure related to inducements:
 - Pressure from others, either internal or external to the employing organization, to offer inducements to influence inappropriately 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.

See also Section 250, *Inducements, Including Gifts and Hospitality*.

- Pressure related to non-compliance with laws and regulations:
 - Pressure to structure a transaction to evade tax.
 - Pressure to manipulate sustainability information to avoid fines for breaches of environmental laws and regulations.

See also Section 260, *Responding to Non-compliance with Laws and Regulations*.

- Pressure related to level of fees:
 - Pressure exerted by a professional accountant on another professional accountant to provide professional services at a fee level that does not allow for sufficient and appropriate resources (including human, technological and intellectual resources) to perform the services in accordance with technical and professional standards.

See also Section 330, *Fees and Other Types of Remuneration*

270.3 A3 Factors that are relevant in evaluating the level of threats created by pressure include:

- The intent of the individual who is exerting the pressure and the nature and extent of the pressure.

- The application of laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the employing organization including the extent to which they reflect or emphasize the importance of ethical behavior and the expectation that employees will act ethically. For example, a corporate culture that tolerates unethical behavior might increase the likelihood that the pressure would result in a threat to compliance with the fundamental principles.
- Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

270.3 A4 Discussing the circumstances creating the pressure and consulting with others about those circumstances might assist the professional accountant to evaluate the level of the threat. Such discussion and consultation, which requires being alert to the principle of confidentiality, might include:

- Discussing the matter with the individual who is exerting the pressure to seek to resolve it.
- Discussing the matter with the accountant's superior, if the superior is not the individual exerting the pressure.
- Escalating the matter within the employing organization, including when appropriate, explaining any consequential risks to the organization, for example with:
 - Higher levels of management.
 - Internal or external auditors or the sustainability assurance practitioner.
 - Those charged with governance.
- Disclosing the matter in line with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.
- Consulting with:
 - A colleague, superior, human resources personnel, or another professional accountant;
 - Relevant professional or regulatory bodies or industry associations; or
 - Legal counsel.

Change to paragraph 270.3 A4

Proposal to delete "*performing a sustainability assurance engagement that meets the scope set out in paragraph [placeholder]*" after "practitioner" for consistency with paragraph 220.9 A2.

270.3 A5 An example of an action that might eliminate threats created by pressure is the professional accountant's request for a restructure of, or segregation of, certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure.

Documentation

270.4 A1 The professional accountant is encouraged to document:

- The facts.
- The communications and parties with whom these matters were discussed.
- The courses of action considered.
- How the matter was addressed.

PART 3 - PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

SECTION 300

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

(....)

Requirements and Application Material

General

R300.4 A professional accountant shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.

R300.5 When dealing with an ethics issue, the professional accountant shall consider the context in which the issue has arisen or might arise. Where an individual who is a professional accountant in public practice is performing professional activities pursuant to the accountant's relationship with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.

300.5 A1 Examples of situations in which the provisions in Part 2 apply to a professional accountant in public practice include:

- Facing a conflict of interest when being responsible for selecting a vendor for the firm when an immediate family member of the accountant might benefit financially from the contract. The requirements and application material set out in Section 210 apply in these circumstances.
- Preparing or presenting financial or non-financial information, including sustainability information, for the accountant's client or firm. The requirements and application material set out in Section 220 apply in these circumstances.
- Being offered an inducement such as being regularly offered complimentary tickets to attend sporting events by a supplier of the firm. The requirements and application material set out in Section 250 apply in these circumstances.
- Facing pressure from an engagement partner to report chargeable hours inaccurately for a client engagement. The requirements and application material set out in Section 270 apply in these circumstances.

300.5 A2 The more senior the position of a 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 firm. To the extent that they are able to do so, taking into account their position and seniority in the firm, accountants are expected to encourage and promote an ethics-based culture in the firm and exhibit ethical behavior in dealings with individuals with whom, and entities with which, the accountant or the firm has a professional or business relationship in accordance with paragraph 120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Firm processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations.

Identifying Threats

300.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a professional accountant when undertaking a professional service:

(a) Self-interest Threats

- A professional accountant having a direct financial interest in a client.
- A professional accountant quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.
- A professional accountant having a close business relationship with a client.
- A professional accountant having access to confidential information that might be used for personal gain.
- A professional accountant discovering a significant error when evaluating the results of a previous professional service performed by a member of the accountant's firm.
- A professional accountant having incentives linked to the outcome of a professional service to prepare sustainability information.

(b) Self-review Threats

- A professional accountant issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.
- A professional accountant having contributed to the preparation of the original data used to generate records that are the subject matter of the assurance engagement.

Change to paragraph 300.6 A1(b)

Proposal for consistency with the equivalent example in Part 5.

(c) Advocacy Threats

- A professional accountant promoting the interests of, or shares in, a client.
- A professional accountant acting as an advocate on behalf of a client in litigation or disputes with third parties.
- A professional accountant lobbying in favor of legislation on behalf of a client.
- A professional accountant promoting a particular sustainability-related initiative, product or service on behalf of a client.

(d) Familiarity Threats

- A professional accountant having a close or immediate family member who is a director or officer of the client.
- A director or officer of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the engagement partner.

- An audit team member having a long association with the audit client.
 - An individual who is being considered to serve as an appropriate reviewer, as a safeguard to address a threat, having a close relationship with an individual who performed the work.
- (e) Intimidation Threats
- A professional accountant being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter.
 - A professional accountant feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question.
 - A professional accountant being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment [or sustainability-related analysis](#).
 - A professional accountant having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.

Identifying Threats Associated with the Use of Technology

300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a professional accountant when undertaking a professional activity:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.(Ref: Para. 230.2).
- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgment of the accountant or firm.

Evaluating Threats

(....)

The Client and its Operating Environment

(....)

300.7 A4 The corporate governance structure, including the leadership of a client might promote compliance with the fundamental principles. Accordingly, a professional accountant's evaluation of the level of a threat might also be impacted by a client's operating environment. For example:

- The client requires appropriate individuals other than management to ratify or approve the appointment of a firm to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.

- The client has implemented internal procedures that facilitate objective choices in tendering non-assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.

300.7 A4a When preparing or presenting sustainability information, the professional accountant's evaluation of the level of a threat to compliance with the fundamental principles might be impacted by the quantitative and qualitative characteristics of a client's value chain. For example, a threat to compliance with the principle of professional competence and due care might be created if the sustainability information relevant to the service comes from multiple suppliers that are geographically dispersed or is prepared in accordance with different reporting frameworks.

Changes to paragraph 300.7 A4a

Proposals to:

- Change "performing a sustainability reporting service" which is not defined to "preparing or presenting sustainability information".
- Delete "such as the client's customers and suppliers" after "value chain" since this excerpt is now included in the new proposed definition of value chain.
- Change "diverse" to "different".

IESBA participants commented at the September meeting (in relation to Part 5 but equally applicable to extant):

Not clear how geographically dispersed would impact professional competence and due care as this is the case already with audits - may need further explanation in explanatory memorandum or BfC.

The issues is more that different jurisdictions are using different frameworks, consider deleting geographical dispersion reference and focus instead on different frameworks which define the value chain differently.

Cultural differences can impact the information so the spread is beyond reporting frameworks so would caution against removing geographical locations.

On balance, WS2 does not propose to change this example, except for the changes listed above comment box and to include an explanation in the Explanatory Memorandum and Basis for Conclusions.

The Firm and its Operating Environment

- 300.7 A5 A professional accountant's evaluation of the level of a threat might be impacted by the work environment within the accountant's firm and its operating environment. For example:
- Leadership of the firm that promotes compliance with the fundamental principles and establishes the expectation that assurance team members will act in the public interest.
 - Policies or procedures for establishing and monitoring compliance with the fundamental principles by all personnel.
 - Compensation, performance appraisal and disciplinary policies and procedures that promote compliance with the fundamental principles.
 - Management of the reliance on revenue received from a single client.

- The engagement partner having authority within the firm for decisions concerning compliance with the fundamental principles, including any decisions about accepting or providing services to a client.
- Educational, training and experience requirements.
- Processes to facilitate and address internal and external concerns or complaints.

(....)

Regarding paragraph 300.8 A2

An IESBA participant commented at the September meeting – *Consider whether there are specific safeguards for sustainability reporting.*

Para 300.8 A2 sets out examples of safeguards which are equally applicable to sustainability reporting undertaken by a PAPP. All the safeguards (except one which relates to assurance), could be applied in any professional service provided by a PAPP. Accordingly, WS2 does not recommend adding any specific safeguards for sustainability reporting.

Communicating with Those Charged with Governance

R300.9 When communicating with those charged with governance in accordance with the Code, a professional accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

300.9 A1 In determining with whom to communicate, a professional accountant might consider:

- (a) The nature and importance of the circumstances; and
- (b) The matter to be communicated.

300.9 A2 Examples of a subgroup of those charged with governance include an audit committee, or another committee tasked with oversight of sustainability information, or an individual member of those charged with governance.

R300.10 If a professional accountant communicates with individuals who have management responsibilities as well as governance responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.

300.10 A1 In some circumstances, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated to individual(s) with management responsibilities, and those individual(s) also have governance responsibilities, the professional accountant has satisfied the requirement to communicate with those charged with governance.

SECTION 310

CONFLICTS OF INTEREST

(....)

Requirements and Application Material

General

R310.4 A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.

310.4 A1 Examples of circumstances that might create a conflict of interest include:

- Providing a transaction advisory service to a client seeking to acquire an audit client, where the firm has obtained confidential information during the course of the audit that might be relevant to the transaction.
- Providing advice to two clients at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties' competitive positions.
- Providing services to a seller and a buyer in relation to the same transaction.
- Preparing valuations of assets for two parties who are in an adversarial position with respect to the assets.
- Representing two clients in the same matter who are in a legal dispute with each other, such as during divorce proceedings, or the dissolution of a partnership.
- In relation to a license agreement, providing an assurance report for a licensor on the royalties due while advising the licensee on the amounts payable.
- Advising a client to invest in a business in which, for example, the spouse of the professional accountant has a financial interest.
- Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client.
- Advising a client on acquiring a business which the firm is also interested in acquiring.
- Advising a client on buying a product or service while having a royalty or commission agreement with a potential seller of that product or service.
- Preparing or presenting sustainability information for a client while also being a board member of a sustainability advocacy group that publicly challenges the client's sustainability targets or practices.

Change to paragraph 310.4 A1 last bullet point

Proposal to change "Providing sustainability reporting services to" which is not defined to "Preparing or presenting sustainability information for".

Conflict Identification

General

(....)

SECTION 320

PROFESSIONAL APPOINTMENTS

(....)

Requirements and Application Material

Client and Engagement Acceptance

General

- 320.3 A1 Threats to compliance with the principles of integrity or professional behavior might be created, for example, from questionable issues associated with the client (its owners, management or activities). Issues that, if known, might create such a threat include client involvement in illegal activities, dishonesty, questionable financial or non-financial, including sustainability, reporting practices or other unethical behavior.
- 320.3 A2 Factors that are relevant in evaluating the level of such a threat include:
- Knowledge and understanding of the client, its owners, management and those charged with governance and business activities.
 - The client's commitment to address the questionable issues, for example, through improving corporate governance practices or internal controls.
- 320.3 A3 A self-interest threat to compliance with the principle of professional competence and due care is created if the team does not possess, or cannot acquire, the competencies to perform the professional services.
- 320.3 A4 Factors that are relevant in evaluating the level of such a threat include:
- An appropriate understanding of:
 - The nature of the client's business;
 - The complexity of its operations;
 - The quantitative and qualitative characteristics of the client's value chain, where applicable;
 - The requirements of the engagement; and
 - The purpose, nature and scope of the work to be performed.
 - Knowledge of relevant industries or subject matter.
 - Experience with relevant regulatory or reporting requirements.
 - Policies and procedures that the firm has implemented, as part of a system of quality management in accordance with quality management standards such as ISQM 1, that respond to quality risks relating to the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.
 - The level of fees and the extent to which they have regard to the resources required, taking into account the professional accountant's commercial and market priorities.

Change to paragraph 320.3 A4

Proposal to delete "*such as the client's customers and suppliers*" after "value chain" since this excerpt is now included in the proposed new definition of value chain.

320.3 A5 Examples of actions that might be safeguards to address a self-interest threat include:

- Assigning sufficient engagement personnel with the necessary competencies.
- Agreeing on a realistic time frame for the performance of the engagement.
- Using experts where necessary.

(....)

Client and Engagement Continuance

R320.9 For a recurring client engagement, a professional accountant shall periodically review whether to continue with the engagement.

320.9 A1 Potential threats to compliance with the fundamental principles might be created after acceptance which, had they been known earlier, would have caused the professional accountant to decline the engagement. For example, a self-interest threat to compliance with the principle of integrity might be created by improper earnings management, ~~or~~ balance sheet valuations ~~or~~ **sustainability materiality assessments**.

Change to paragraph 320.9 A1

Proposal to change "sustainability reporting" which is quite broad to "sustainability materiality assessments", which is narrower as per the financial examples.

Using the Work of an Expert

~~**R320.10** When a professional accountant intends to use the work of an expert in the course of undertaking a professional activity, the accountant shall determine whether the use is appropriate for the intended purpose.~~

~~320.10 A1 Factors to consider when a professional accountant intends to use the work of an expert include:~~

- ~~• The reputation and expertise of, and the resources available to, the expert.~~
- ~~• Whether the expert is subject to applicable professional and ethics standards.~~

~~Such information might be gained from prior association with, or from consulting others about, the expert.~~

The deletion of paragraphs R320.10 and 320.10 A1 are proposed by the Use of Experts Task Force for the December 2023 Board meeting – please provide comments under Agenda Item 4.

Using the Output of Technology

(....)

SECTION 330

FEES AND OTHER TYPES OF REMUNERATION

(....)

Contingent Fees

330.4 A1 Contingent fees are used for certain types of non-assurance services. However, contingent fees might create threats to compliance with the fundamental principles, particularly a self-interest threat to compliance with the principle of objectivity, in certain circumstances.

330.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The nature of the engagement.
- The range of possible fee amounts.
- The basis [or metrics](#) for determining the fee.
- Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration.
- Quality management policies and procedures.
- Whether an independent third party is to review the outcome or result of the transaction.
- Whether the level of the fee is set by an independent third party such as a regulatory body.

330.4 A3 Examples of actions that might be safeguards to address such a self-interest threat include:

- Having an appropriate reviewer who was not involved in performing the non-assurance service review the work performed by the professional accountant.
- Obtaining an advance written agreement with the client on the basis of remuneration.

(....)