

## Part C Phase 1 – Mapping Table of Comparison

[Proposed Part B Restructured is marked from March 2016 IESBA Discussion]

Paragraphs highlighted in gray may be subject to conforming changes as a result of the Safeguard's project.			
PROPOSED SECTION 200			
Para ref. to Extant Code	Part C, Phase 1 Close-off Document	Proposed Part B Restructured	Task Force Comments/ Matters for IESBA Consideration
Introduction		<b>Application of the Conceptual Framework for Professional Accountants in Business Introduction</b>	
300.1	This Part of the Code describes how the conceptual framework contained in Part A applies in certain situations to professional accountants in business. It does not describe all of the circumstances and relationships that could be encountered by a professional accountant that create or may create threats to compliance with the fundamental principles. Therefore, the professional accountant is encouraged to be alert for such circumstances and relationships.	200.1 This Part of the Code describes considerations for professional accountants in business <sup>1</sup> in the application of the conceptual framework set out in Section 120. This Part does not describe all of the facts and circumstances, including interests and relationships that could be encountered by accountants that create or might create threats to compliance with the fundamental principles. Therefore, accountants are encouraged to be alert for such facts and circumstances.	Board members are asked for their views on:  1) Whether the revised footnote adequately clarifies that the terms “professional accountant” and “accountant” refer to a Professional Accountant in Business (PAIB) in Part B, but may also be applicable to a Professional Accountant in Public Practice (PAPP).

<sup>1</sup> In Part B, the terms “professional accountant” and “accountant” refer to:

a) ~~A professional accountants in business; and~~

a)b) ~~Professional accountants in public practice when performing professional activities pursuant to the accountant's employment or ownership relationship with their firm. -employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.~~

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300.2	Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of professional accountants in business. Professional accountants in business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters.	200.2 Investors, creditors, employers and other sectors of the business community, as well as governments and the public <del>at large</del> , might rely on the work of professional accountants. Accountants may be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and 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.	Board members are asked to note the deletion of the phrase “at large” from paragraph 200.2 in order to streamline the guidance.
300.3	A professional accountant in business may be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the professional accountant with the employing organization has no bearing on the ethical responsibilities incumbent on the professional accountant.	200.3 A professional accountant may be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the accountant with the employing organization has no bearing on the ethical responsibilities placed on the accountant.	

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Key Provisions		Requirements and Application Material	
300.4	A professional accountant in business has a responsibility to further the legitimate aims of the accountant's employing organization. This Code does not seek to hinder a professional accountant in business from properly fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles may be compromised.	200.4 A1 A professional accountant has a responsibility to further the legitimate aims of the accountant's employing organization. The Code does not seek to hinder accountants from fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles might be compromised.	
300.5	All professional accountants have a responsibility to act in the public interest. The more senior the position of the professional accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization.  A professional accountant in business is expected to encourage and promote an ethics-based culture in the organization,	200.4 A3 All professional accountants have a responsibility to act in the public interest. The more senior the position of the accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. To the extent that they are able to do so, <u>taking into account their position and seniority in the organization</u> , accountants are expected to encourage and promote an ethics-based culture in the organization, <del>taking into account their</del>	Board members are asked to note the editorial change made to paragraph 200.4 A3.

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	taking into account the professional accountant's position and seniority in the organization, and to the extent that the professional accountant is able to do so. Examples of actions that may be taken include the introduction, implementation and oversight of ethics education and training programs; ethics and whistle-blowing policies; and policies and procedures to prevent non-compliance with laws and regulations.	<del>position and seniority in the organization.</del> Examples of actions that may be taken include the introduction, implementation and oversight of: <ul style="list-style-type: none"> <li>• Ethics education and training programs.</li> <li>• Ethics and whistle-blowing policies.</li> <li>• Policies and procedures to prevent non-compliance with laws and regulations.</li> </ul>	
300.6	A professional accountant in business shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.	<b>R200.4</b> A professional accountant shall comply with each of the fundamental principles and apply the conceptual framework set out in Section 120 to eliminate threats to compliance with those fundamental principles or to reduce them to an acceptable level.	

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Threats and Safeguards		Identifying Threats	
300.7	<p>Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances and relationships. Threats fall into one or more of the following categories:</p> <ul style="list-style-type: none"> <li>(a) Self-interest;</li> <li>(b) Self-review;</li> <li>(c) Advocacy;</li> <li>(d) Familiarity; and</li> <li>(e) Intimidation.</li> </ul> <p>These threats are discussed further in Part A of this Code.</p>	<p>200.5 A1 Compliance with the fundamental principles might be threatened by a broad range of facts and circumstances. The following are categories of threats, and examples of facts and circumstances that might create those threats for a professional accountant when undertaking a professional activity:</p>	
300.8	<p>Examples of circumstances that may create self-interest threats for a professional accountant in business include:</p> <ul style="list-style-type: none"> <li>• Holding a financial interest in, or receiving a loan or guarantee from the employing organization.</li> </ul>	<p>(a) Self-interest Threats</p> <ul style="list-style-type: none"> <li>• Holding a financial interest in, or receiving a loan or guarantee from, the employing organization.</li> <li>• Participating in incentive compensation arrangements offered by the organization.</li> </ul>	

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	<ul style="list-style-type: none"> <li>Participating in incentive compensation arrangements offered by the employing organization.</li> <li>Inappropriate personal use of corporate assets.</li> <li>Concern over employment security.</li> <li>Commercial pressure from outside the employing organization.</li> </ul>	<ul style="list-style-type: none"> <li>Inappropriate personal use of corporate assets.</li> <li>Concern over employment security.</li> <li>Commercial pressure from outside the organization.</li> </ul>	
300.9	An example of a circumstance that creates a self-review threat for a professional accountant in business is determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported the acquisition decision.	(b) Self-review Threats <ul style="list-style-type: none"> <li>Determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported the purchase decision.</li> </ul>	
		(c) Advocacy Threats	
300.10	When furthering the legitimate goals and objectives of their employing organizations, professional accountants in business may promote the organization's position, provided any statements made are neither false nor misleading. Such	200.4 A2 Professional accountants may promote the position of the employing organization when furthering the legitimate goals and objectives of their employing organization, provided any statements made are neither false nor	

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	actions generally would not create an advocacy threat.	misleading. Such actions generally would not create an advocacy threat.	
300.11	<p>Examples of circumstances that may create familiarity threats for a professional accountant in business include:</p> <ul style="list-style-type: none"> <li>• Being responsible for the employing organization's financial reporting when an immediate or close family member employed by the entity makes decisions that affect the entity's financial reporting.</li> <li>• Long association with business contacts influencing business decisions.</li> <li>• Accepting a gift or preferential treatment, unless the value is trivial and inconsequential.</li> </ul>	<p>(d) Familiarity Threats</p> <ul style="list-style-type: none"> <li>• Being responsible for the financial reporting of the employing organization when an immediate or close family member employed by the entity makes decisions that affect the financial reporting of the entity.</li> <li>• Long association with business contacts influencing business decisions.</li> <li>• Accepting a gift or special treatment, unless the value is trivial and inconsequential.</li> </ul>	
300.12	<p>Examples of circumstances that may create intimidation threats for a professional accountant in business include:</p> <ul style="list-style-type: none"> <li>• Threat of dismissal or replacement of the professional accountant in</li> </ul>	<p>(e) Intimidation Threats</p> <ul style="list-style-type: none"> <li>• Threat of dismissal or replacement of the professional accountant or a close or immediate family member over a disagreement about the application of an accounting</li> </ul>	

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	<p>business or a close or immediate family member over a disagreement about the application of an accounting principle or the way in which financial information is to be reported.</p> <ul style="list-style-type: none"> <li>A dominant personality attempting to influence the decision making process, for example with regard to the awarding of contracts or the application of an accounting principle.</li> </ul>	<p>principle or the way in which financial information is to be reported.</p> <ul style="list-style-type: none"> <li>A dominant personality attempting to influence the decision making process, for example with regard to the awarding of contracts or the application of an accounting principle.</li> </ul> <p>The categories of threats are also discussed in Section 120.</p>	
		<b>Evaluating Addressing Threats</b>	
300.13	<p>Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:</p> <p>(a) Safeguards created by the profession, legislation or regulation; and</p> <p>(b) Safeguards in the work environment.</p> <p>Examples of safeguards created by the profession, legislation or regulation are</p>	<p>200.5 A2 Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:</p> <p>(a) Safeguards created by the profession, legislation or regulation; and</p> <p>(b) Safeguards in the work environment.</p> <p>Examples of safeguards created by the profession, legislation or regulation are detailed in paragraph 100.14 of Part A of this Code.</p>	



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	detailed in paragraph 100.14 of Part A of this Code.		
300.14	<p>Safeguards in the work environment include:</p> <ul style="list-style-type: none"> <li>The employing organization's systems of corporate oversight or other oversight structures.</li> <li>The employing organization's ethics and conduct programs.</li> <li>Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent staff.</li> <li>Strong internal controls.</li> <li>Appropriate disciplinary processes.</li> <li>Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.</li> <li>Policies and procedures to implement and monitor the quality of employee performance.</li> </ul>	<p>200.5 A3 Safeguards in the work environment include:</p> <ul style="list-style-type: none"> <li>The employing organization's systems of corporate oversight or other oversight structures.</li> <li>The employing organization's ethics and conduct programs.</li> <li>Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent personnel.</li> <li>Strong internal controls.</li> <li>Appropriate disciplinary processes.</li> <li>Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.</li> <li>Policies and procedures to implement and monitor the quality of employee performance.</li> </ul>	

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	<ul style="list-style-type: none"> <li>Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.</li> <li>Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution.</li> <li>Consultation with another appropriate professional accountant.</li> </ul>	<ul style="list-style-type: none"> <li>Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.</li> <li>Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution.</li> <li>Consultation with another appropriate professional accountant.</li> </ul>	

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300.15	In circumstances where a professional accountant in business believes that unethical behavior or actions by others will continue to occur within the employing organization, the professional accountant in business may consider obtaining legal advice. In those extreme situations where all available safeguards have been exhausted and it is not possible to reduce the threat to an acceptable level, a professional accountant in business may conclude that it is appropriate to resign from the employing organization.	<p>200.45 A114 Professional accountants may consider obtaining legal advice where they believe that unethical behavior or actions by others will continue to occur within the employing organization.</p> <p>200.4 A12 In extreme situations an accountant might determine that it is appropriate to resign from the employing organization when all safeguards have been exhausted and it is not possible to reduce the threat to an acceptable level.</p>	Board members are asked to note the decision to divide the extant paragraph 300.15 into two separate application paragraphs to assist usability.
100.25	<p><i>Communicating with Those Charged with Governance</i></p> <p>When communicating with those charged with governance in accordance with the provisions of this Code, the professional accountant or firm shall determine, having regard to the nature and importance of the particular circumstances and matter to be communicated, the appropriate person(s) within the entity's governance structure with whom to communicate. If the</p>	<p><i>Those Charged with Governance</i></p> <p><b>R200.56</b> When communicating with those charged with governance in accordance with the Code, the 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</p>	

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	professional accountant or firm communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, the professional accountant or firm shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.	<p>whether communication with all of those charged with governance is also necessary.</p> <p>200.<del>56</del> A1 In determining with whom to communicate, the professional accountant might consider:</p> <ul style="list-style-type: none"> <li>a) The nature and importance of the circumstances; and</li> <li>b) The matter to be communicated.</li> </ul> <p>200.<del>56</del> A2 If a professional accountant communicates with a subgroup of those charged with governance, for example, an audit committee or an individual, communication with all of those charged with governance might also be necessary to ensure they are adequately informed.</p>	

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**PROPOSED SECTION 210 Conflicts of Interest**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
		210.1 Section 210 sets out requirements and application material when applying the conceptual framework to conflicts of interest.	
310.1	A professional accountant in business may be faced with a conflict of interest when undertaking a professional activity. A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles.	210.2 Professional accountants might face circumstances that create a conflict of interest. A conflict of interest creates a threat to objectivity and might create threats to compliance with the other fundamental principles.	

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	<p>Such threats may be created when:</p> <ul style="list-style-type: none"> <li>The professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or</li> <li>The interests of the professional accountant with respect to a particular matter and the interests of a party for whom the professional accountant undertakes a professional activity related to that matter are in conflict.</li> </ul> <p>A party may include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.</p>	<p>210.3 Such threats might be created when:</p> <ul style="list-style-type: none"> <li>a) The professional accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or</li> <li>b) The interest of the accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.</li> </ul> <p>A party may include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.</p>	
	<p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p>	<p><b>R210.5</b> A professional accountant shall apply the conceptual framework set out in Section 120 and shall not allow a conflict of interest to compromise professional or business judgment.</p>	

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310.2	<p>Examples of situations in which conflicts of interest may arise include:</p> <ul style="list-style-type: none"> <li>Serving in a management or governance position for two employing organizations and acquiring confidential information from one employing organization that could be used by the professional accountant to the advantage or disadvantage of the other employing organization.</li> <li>Undertaking a professional activity for each of two parties in a partnership employing the professional accountant to assist them to dissolve their partnership.</li> <li>Preparing financial information for certain members of management of the entity employing the professional accountant who are seeking to undertake a management buy-out.</li> </ul>	<p>210.4 Examples of circumstances that might create a conflict of interest include:</p> <ul style="list-style-type: none"> <li>Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that could be used by the professional accountant to the advantage or disadvantage of the other organization.</li> <li>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.</li> <li>Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out.</li> <li>Being responsible for selecting a vendor for the employing</li> </ul>	

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	<ul style="list-style-type: none"> <li>Being responsible for selecting a vendor for the accountant's employing organization when an immediate family member of the professional accountant could benefit financially from the transaction.</li> <li>Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those specific investments will increase the value of the personal investment portfolio of the professional accountant or an immediate family member.</li> </ul>	<p>organization when an immediate family member of the accountant could benefit financially from the transaction.</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	
310.3	When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing safeguards, when necessary, to eliminate or reduce any threat to compliance with the fundamental principles to an acceptable level, a	<p><i>Conflict Identification</i></p> <p><b>R210.6</b> In identifying whether a conflict of interest exists or might be created, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, including identifying:</p>	



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	professional accountant in business shall exercise professional judgment and be alert to all interests and relationships that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude might compromise compliance with the fundamental principles.	<ul style="list-style-type: none"> <li>The nature of the relevant interests and relationships between the parties involved; and</li> <li>The activity and its implication for relevant parties.</li> </ul> <p>210.8 A1 In applying the conceptual framework when evaluating a threat created by a conflict of interest, factors to consider include the significance of:</p> <ul style="list-style-type: none"> <li>The interests or relationships; and</li> <li>The threats created by performing the professional activity.</li> </ul>	
310.4	When addressing a conflict of interest, a professional accountant in business is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another professional accountant. When making disclosures or sharing information within the employing organization and	210.10 A1 When addressing a conflict of interest, the <u>professional accountant</u> , is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another professional accountant. <u>When making disclosures or sharing information within the employing organization and seeking guidance of</u>	Board members are asked to note that the requirement to consider the fundamental principle of confidentiality has been removed.  Board members are asked for their views on:

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	seeking guidance of third parties, the professional accountant shall remain alert to the fundamental principle of confidentiality.	<p><u>third parties, the fundamental principle of confidentiality applies.</u></p> <p><b>R210.10</b> A professional accountant shall remain alert to the fundamental principle of confidentiality including when making disclosures or sharing information within the employing organization and seeking guidance of third parties.</p>	<p>2) Whether the revised restructuring correctly conveys the focus of the guidance in extant paragraph 310.4, which is to encourage a PAIB to seek guidance when addressing a conflict of interest and not to require the PAIB to consider the fundamental principle of confidentiality when making disclosures.</p> <p>Board members are also asked to note that consideration was given to whether the revised restructured paragraph 210.10 A1 should be divided into two application paragraphs to assist usability. The Task Force was of the view that the guidance in 210.10 A1 is interrelated and thus should remain as one paragraph to ensure it is considered in its entirety.</p>
310.5	If the threat created by a conflict of interest is not at an acceptable level, the professional accountant in business shall apply safeguards to eliminate the threat or	<b>R210.5</b> A professional accountant shall apply the conceptual framework set out in Section 120 and shall not allow a conflict of interest to compromise professional or business judgment.	

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	reduce it to an acceptable level. If safeguards cannot reduce the threat to an acceptable level, the professional accountant shall decline to undertake or discontinue the professional activity that would result in the conflict of interest; or shall terminate the relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.		
310.6	<p>In identifying whether a conflict of interest exists or may be created, a professional accountant in business shall take reasonable steps to determine:</p> <ul style="list-style-type: none"> <li>• The nature of the relevant interests and relationships between the parties involved; and</li> <li>• The nature of the activity and its implication for relevant parties.</li> </ul>	<p><b>R210.6</b> In identifying whether a conflict of interest exists or might be created, a professional accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, including identifying:</p> <ul style="list-style-type: none"> <li>• The nature of the relevant interests and relationships between the parties involved; and</li> <li>• The activity and its implication for relevant parties.</li> </ul>	

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**PROPOSED SECTION 210 Conflicts of Interest**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
	The nature of the activities and the relevant interests and relationships may change over time. The professional accountant shall remain alert to such changes for the purposes of identifying circumstances that might create a conflict of interest.	<p><b>R210.7</b> A professional accountant shall remain alert to changes in the circumstances that might create a conflict of interest.</p> <p>210.7 A1 The nature of the activities, <del>might change and the</del> interests and relationships might change over time.</p>	Board members are asked to note the editorial amendment made to 210.7 A1.
310.7	<p>If a conflict of interest is identified, the professional accountant in business shall evaluate:</p> <ul style="list-style-type: none"> <li>• The significance of relevant interests or relationships; and</li> <li>• The significance of the threats created by undertaking the professional activity or activities. In general, the more direct the connection between the professional activity and the matter on which the parties' interests are in conflict, the more significant the threat to objectivity and compliance with the other fundamental principles will be.</li> </ul>	<p><i>Applying the Conceptual Framework to Conflicts of Interest</i></p> <p>210.8 A1 In applying the conceptual framework when evaluating a threat created by a conflict of interest, factors to consider include the significance of:</p> <ul style="list-style-type: none"> <li>• The interests or relationships; and</li> <li>• The threats created by performing the professional activity.</li> </ul> <p>210.8 A2 In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more significant the threat to objectivity and</p>	

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**PROPOSED SECTION 210 Conflicts of Interest**

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		compliance with the other fundamental principles will be.	
310.8	<p>The professional accountant in business shall apply safeguards, when necessary, to eliminate the threats to compliance with the fundamental principles created by the conflict of interest or reduce them to an acceptable level. Depending on the circumstances giving rise to the conflict of interest, application of one or more of the following safeguards may be appropriate:</p> <ul style="list-style-type: none"> <li>• Restructuring or segregating certain responsibilities and duties.</li> <li>• Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.</li> <li>• Withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.</li> </ul>	<p>210.8 A3 The professional accountant shall apply safeguards, when necessary, to eliminate the threats to compliance with the fundamental principles created by the conflict of interest or reduce them to an acceptable level. Depending on the circumstances giving rise to the conflict of interest, application of one or more of the following safeguards may be appropriate:</p> <ul style="list-style-type: none"> <li>• Restructuring or segregating certain responsibilities and duties.</li> <li>• Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.</li> <li>• Withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.</li> </ul>	

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**PROPOSED SECTION 210 Conflicts of Interest**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
	<ul style="list-style-type: none"> <li>Consulting with third parties, such as a professional body, legal counsel or another professional accountant.</li> </ul>	<ul style="list-style-type: none"> <li>Consulting with third parties, such as a professional body, legal counsel or another professional accountant.</li> </ul>	
310.9	In addition, it is generally necessary to disclose the nature of the conflict to the relevant parties, including to the appropriate levels within the employing organization and, when safeguards are required to reduce the threat to an acceptable level, to obtain their consent to the professional accountant in business undertaking the professional activity.	<p><i>Disclosure and Consent</i></p> <p>210.9 A1 It is generally necessary:</p> <ul style="list-style-type: none"> <li>To disclose the nature of the conflict to the relevant parties, including to the appropriate levels within the employing organization and,</li> <li>When safeguards are required to reduce the threat to an acceptable level, to obtain their consent to the professional accountant undertaking the professional activity.</li> </ul>	

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**PROPOSED SECTION 210 Conflicts of Interest**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
	In certain circumstances, consent may be implied by a party's conduct where the professional accountant has sufficient evidence to conclude that parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.	210.9 A2 Consent might be implied by a party's conduct in circumstances where the professional accountant has sufficient evidence to conclude that parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.	
310.10	When disclosure is verbal, or consent is verbal or implied, the professional accountant in business is encouraged to document the nature of the circumstances giving rise to the conflict of interest, the safeguards applied to reduce the threats to an acceptable level and the consent obtained.	210.9 A3 If disclosure or consent is not in writing, the professional accountant is encouraged to document: <ul style="list-style-type: none"> <li>The nature of the circumstances giving rise to the conflict of interest;</li> <li>The safeguards applied to reduce the threats to an acceptable level; and</li> <li>The consent obtained.</li> </ul>	
310.11	A professional accountant in business may encounter other threats to compliance with the fundamental principles. This may	<i>Other Guidance</i> 210.11 A1 A professional accountant may encounter other threats to compliance with the	

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**PROPOSED SECTION 210 Conflicts of Interest**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
	occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the employing organization or financial, business or personal relationships that close or immediate family members of the professional accountant have with the employing organization. Guidance on managing such threats is covered by Sections 320, 340 and 370 of the Code.	fundamental principles. This may occur, for example, when preparing or reporting financial information as a result of undue pressure from others within the employing organization or financial, business or personal relationships that close or immediate family members of the professional accountant have with the employing organization. Guidance on managing such threats is covered by Sections 220, 240 and 270 of the Code.	



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**PROPOSED SECTION 220 Preparation and Presentation of Information**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
		220.1 Section 220 sets out requirements and application material when preparing and presenting information.	
320.1	Professional accountants in business at all levels in an employing organization are involved in the preparation and presentation of information both within and outside the employing organization.	220.2 Professional accountants at all levels in an employing organization are involved in the preparation and presentation of information both within and outside the organization.	
	Stakeholders to whom, or for whom, such information is prepared or presented, include: <ul style="list-style-type: none"> <li>• Management and those charged with governance.</li> <li>• Investors, lenders and other creditors.</li> <li>• Regulators.</li> </ul> This information may assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. This includes financial and	220.3 Stakeholders to whom, or for whom, such information is prepared or presented, include: <ul style="list-style-type: none"> <li>• Management and those charged with governance.</li> <li>• Investors, lenders and other creditors.</li> <li>• Regulators.</li> </ul> This information might assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. Information can include financial and non-	

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	<p>non-financial information that may be made public or used for internal purposes.                      Examples include:</p> <ul style="list-style-type: none"> <li>• Operating and performance reports.</li> <li>• Decision support analyses.</li> <li>• Budgets and forecasts.</li> <li>• Information provided to the internal and external auditors.</li> <li>• Risk analyses.</li> <li>• General and special purpose financial statements.</li> <li>• Tax returns.</li> <li>• Reports filed with regulators for legal and compliance purposes.</li> </ul>	<p>financial information that might be made public or used for internal purposes.                      Examples include:</p> <ul style="list-style-type: none"> <li>• Operating and performance reports.</li> <li>• Decision support analyses.</li> <li>• Budgets and forecasts.</li> <li>• Information provided to the internal and external auditors.</li> <li>• Risk analyses.</li> <li>• General and special purpose financial statements.</li> <li>• Tax returns.</li> <li>• Reports filed with regulators for legal and compliance purposes.</li> </ul>	
320.2	Professional accountants in business who are responsible for recording, maintaining, preparing, approving or presenting information shall do so in accordance with the fundamental principles.	<p>220.4 For the purposes of this section, preparing or presenting information includes recording, maintaining and approving information.</p> <p><b>R220.5</b> A professional accountant <u>who is responsible for preparing or presenting information</u> shall comply with each of the fundamental principles <del>when preparing or presenting information.</del></p>	<p>Board members are asked for their views on:</p> <p>3) Whether the amendment to R220.5 clarifies the scope of the guidance as per the extant 320.2.</p>

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	<p>This includes:</p> <ul style="list-style-type: none"> <li>• Presenting the information in accordance with a relevant reporting framework, where applicable.</li> <li>• Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately.</li> <li>• Not omitting information with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.</li> </ul> <p>An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.</p>	<p><u>220.5 A1</u> Complying with the fundamental principles when preparing or presenting information includes:</p> <ul style="list-style-type: none"> <li>• Presenting the information in accordance with a relevant reporting framework, where applicable.</li> <li>• Preparing or presenting it in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately.</li> </ul> <p>Not omitting information with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.</p> <p><u>220.5 A2</u> An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.</p>	
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	<p>This responsibility involves using professional judgment to:</p> <ul style="list-style-type: none"> <li>• Represent the facts accurately and completely in all material respects.</li> <li>• Describe clearly the true nature of business transactions or activities.</li> <li>• Classify and record information in a timely and proper manner.</li> </ul>	<p>220.5 A32 Complying with the fundamental principles when preparing or presenting information also involves using professional judgment to:</p> <ul style="list-style-type: none"> <li>• Represent the facts accurately and completely in all material respects.</li> <li>• Describe clearly the true nature of business transactions or activities.</li> <li>• Classify and record information in a timely and proper manner.</li> </ul>	
320.3	<p>Preparing or presenting information may require the exercise of discretion in making professional judgments. Preparing or presenting such information in accordance with the fundamental principles requires the professional accountant not to exercise such discretion with the intention of misleading or influencing contractual or regulatory outcomes inappropriately. This includes not using discretion to achieve inappropriate outcomes in one or more of the following ways:</p> <ul style="list-style-type: none"> <li>• Determining estimates. For example, determining fair value estimates in order to misrepresent profit or loss.</li> </ul>	<p><i>Use of discretion in Preparing or Presenting Information</i></p> <p><b>R220.6</b> <u>Preparing or presenting information might require the exercise of discretion in making professional judgments.</u> The professional accountant shall not <u>exercise such discretion</u> <del>prepare or present information</del> with the intention of misleading or influencing contractual or regulatory outcomes inappropriately.</p> <p>220.6 A1 <del>Preparing or presenting information might require the exercise of discretion in making professional judgments.</del> Examples of ways in which discretion might be misused to achieve inappropriate outcomes includes:</p>	<p>Board members are asked for their views on:</p> <p>4) Whether the revised restructuring clarifies the context of the requirement of the extant 320.3?</p>

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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Determining the timing of transactions. For example, timing the sale of an asset near the end of the fiscal year in order to mislead.</li> <li>• Determining the structuring of transactions. For example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.</li> <li>• Selecting disclosures. For example, omitting or obscuring information relating to financial or operating risk in order to mislead.</li> </ul>	<ul style="list-style-type: none"> <li>• Determining estimates, for example, determining fair value estimates in order to misrepresent profit or loss.</li> <li>• 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.</li> <li>• Determining the timing of transactions, for example, timing the sale of an asset near the end of the fiscal year in order to mislead.</li> <li>• Determining the structuring of transactions, for example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.</li> <li>• Selecting disclosures, for example, omitting or obscuring information relating to financial</li> </ul>	
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		or operating risk in order to mislead.	
320.4	When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall use professional judgment to identify and take into account the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed.	<b>R220.7</b> When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall use professional judgment to identify and consider: <ul style="list-style-type: none"> <li>a) The purpose for which the information is to be used;</li> <li>b) The context in which it is given; and</li> <li>c) The audience to whom it is addressed.</li> </ul>	
	For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who may rely on such information to form their own judgments.	220.7 A1 For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.	
	The professional accountant in business may also consider clarifying the intended audience, context and purpose of the information presented.	220.7 A2 The accountant might also consider clarifying the intended audience, context and purpose of the information to be presented.	
320.5	A professional accountant who intends to rely on the work of others, either internal or	<i>Relying on the Work of Others</i>	

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	<p>external to the organization, shall use professional judgment to determine what steps to take, if any, to ensure that the obligations set out in paragraph 320.2 are fulfilled.</p> <p>Factors to consider in determining whether reliance on others is reasonable include: reputation, expertise, resources available to the individual or organization and whether the other individual is subject to applicable professional and ethical standards.</p> <p>Such information may be gained from prior association with, or from consulting others about, the individual or the organization.</p>	<p><b>R220.8</b> A professional accountant who intends to rely on the work of others, either internal or external to the organization, shall use professional judgment to determine what steps to take, if any, to ensure that the obligations set out in paragraph R220.4 are fulfilled.</p> <p>220.8 A1 Factors to consider in determining whether reliance on others is reasonable include:</p> <ul style="list-style-type: none"> <li>• Reputation, expertise, resources available to the individual or organization; and</li> <li>• Whether the other individual is subject to applicable professional and ethical standards.</li> </ul> <p>Such information might be gained from prior association with, or from consulting others about, the individual or the organization.</p>	
320.6	<p>If the professional accountant knows or has reason to believe that the information with which the professional accountant is associated is misleading, the professional accountant shall take appropriate actions to seek to resolve the matter. Such actions include:</p> <ul style="list-style-type: none"> <li>• Consulting the employing organization's policies and procedures (for example, an ethics or</li> </ul>	<p><i>Addressing Information that might be Misleading</i></p> <p><b>R220.9</b> If the professional accountant becomes aware that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.</p> <p>220.9 A1 Possible actions include:</p> <ul style="list-style-type: none"> <li>• Consulting the employing organization's policies and procedures (for example, an</li> </ul>	

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	<p>whistle-blowing policy) regarding how such matters should be addressed internally.</p> <ul style="list-style-type: none"> <li>• Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the professional accountant's organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter. Such action may include:                             <ul style="list-style-type: none"> <li>○ Having the information corrected.</li> <li>○ If the information has already been disclosed to the intended users, informing them of the correct information.</li> </ul> </li> </ul> <p>In situations where the misleading information may involve a violation of a law or regulation, Section 360 provides guidance relating to non-compliance with laws and regulations.</p>	<p>ethics or whistle-blowing policy) regarding how such matters should be addressed internally.</p> <ul style="list-style-type: none"> <li>• Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the accountant's organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter. Such action may include:                             <ul style="list-style-type: none"> <li>○ Having the information corrected.</li> <li>○ If the information has already been disclosed to the intended users, informing them of the correct information.</li> </ul> </li> </ul> <p>In situations where the misleading information may involve a violation of a law or regulation, Section 260 provides guidance relating to non-compliance with law and regulations.</p>	
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320.7	<p>If the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the professional accountant, while being alert to the fundamental principle of confidentiality, shall consider one or more of the following:</p> <ul style="list-style-type: none"> <li>• Consulting with a relevant professional body.</li> <li>• Consulting with the employing organization's internal and external auditor.</li> <li>• Determining whether any requirements exist to communicate to third parties, including users of the information, or regulatory authorities.</li> <li>• Consulting legal counsel.</li> </ul>	<p><b>R220.10</b> If the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the accountant shall consider one or more of the following:</p> <ul style="list-style-type: none"> <li>• Consulting with a relevant professional body.</li> <li>• Consulting with the employing organization's internal and external auditor.</li> <li>• Consulting legal counsel.</li> <li>• Determining whether any requirements exist to communicate to third parties, including users of the information, or regulatory authorities.</li> </ul> <p>220.10 A1 The fundamental principle of confidentiality applies in communications with external parties.</p>	
320.8	<p>If after exhausting all feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the professional accountant shall refuse to be</p>	<p><b>R220.11</b> 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.</p>	

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	or to remain associated with the information.		
	The professional accountant also may consider resigning from the employing organization.	220.11 A1 The professional accountant might consider resigning from the employing organization.	
	The professional accountant is also encouraged to document the facts, the accounting principles or other relevant professional standards involved, and the communications and parties with whom these matters were discussed, the courses of action considered, and how the professional accountant attempted to address the matter(s).	220.11 A2 The professional accountant is also encouraged to document: <ul style="list-style-type: none"> <li>• The facts.</li> <li>• The accounting principles or other relevant professional standards involved.</li> <li>• The communications and parties with whom these matters were discussed.</li> <li>• The courses of action considered.</li> <li>• How the accountant attempted to address the matter(s).</li> </ul>	
320.9	Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from financial interests, including compensation and incentive linked to	<i>Other Guidance</i> 220.1 <del>24</del> A1 <del>3</del> Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from a financial interest, including compensation and incentive linked to financial reporting and	

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	financial reporting and decision making, the guidance in Section 340 is relevant.	decision making, the guidance in Section 240 is relevant.	
320.10	Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 370 is relevant.	220.1 <del>2</del> <sup>4</sup> A <del>2</del> <sup>4</sup> Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the guidance in Section 26 <del>7</del> <sup>0</sup> is relevant.	

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**PROPOSED SECTION 230 Acting with Sufficient Expertise**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
		230.1 Section 230 sets out requirements and application material on applying the conceptual framework in relation to acting with sufficient expertise.	
330.1	The fundamental principle of professional competence and due care requires that a professional accountant in business only undertake significant tasks for which the professional accountant in business has, or can obtain, sufficient specific training or experience.	230.2 The fundamental principle of professional competence and due care requires that a professional accountant only undertake significant tasks for which the accountants has, or can obtain, sufficient training or experience.	
	A professional accountant in business shall not intentionally mislead an employer as to the level of expertise or experience possessed, nor shall a professional accountant in business fail to seek appropriate expert advice and assistance when required.	<b>R230.4</b> A professional accountant shall not intentionally mislead an employer as to the level of expertise or experience possessed. An accountant shall also seek appropriate expert advice and assistance when required.	
		<b>R230.3</b> A professional accountant shall apply the conceptual framework set out in Section 120 in relation to acting with sufficient expertise.	

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**PROPOSED SECTION 230 Acting with Sufficient Expertise**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
330.2	<p>Circumstances that create a threat to a professional accountant in business performing duties with the appropriate degree of professional competence and due care include having:</p> <ul style="list-style-type: none"> <li>• Insufficient time for properly performing or completing the relevant duties.</li> <li>• Incomplete, restricted or otherwise inadequate information for performing the duties properly.</li> <li>• Insufficient experience, training and/or education.</li> <li>• Inadequate resources for the proper performance of the duties.</li> </ul>	<p>230.45 A1 A threat <del>to</del> of professional competence and due care might be created if a professional accountant has:</p> <ul style="list-style-type: none"> <li>• Insufficient time for performing or completing the relevant duties.</li> <li>• Incomplete, restricted or otherwise inadequate information for performing the duties.</li> <li>• Insufficient experience, training and/or education.</li> <li>• Inadequate resources for the performance of the duties.</li> </ul>	
330.3	<p>The significance of the threat will depend on factors such as the extent to which the professional accountant in business is working with others, relative seniority in the business, and the level of supervision and review applied to the work. The significance of the threat shall be evaluated and</p>	<p>230.4 A2 The significance of the threat will depend on factors such as the extent to which the professional accountant is working with others, relative seniority in the business, and the level of supervision and review applied to the work. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate</p>	

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**PROPOSED SECTION 230 Acting with Sufficient Expertise**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
	<p>safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> <li>• Obtaining additional advice or training.</li> <li>• Ensuring that there is adequate time available for performing the relevant duties.</li> <li>• Obtaining assistance from someone with the necessary expertise.</li> <li>• Consulting, where appropriate, with:                             <ul style="list-style-type: none"> <li>○ Superiors within the employing organization;</li> <li>○ Independent experts; or</li> <li>○ A relevant professional body.</li> </ul> </li> </ul>	<p>the threat or reduce it to an acceptable level. Examples of such safeguards include:</p> <ul style="list-style-type: none"> <li>• Obtaining additional advice or training.</li> <li>• Ensuring that there is adequate time available for performing the relevant duties.</li> <li>• Obtaining assistance from someone with the necessary expertise.</li> <li>• Consulting, where appropriate, with:                             <ul style="list-style-type: none"> <li>○ Superiors within the employing organization;</li> <li>○ Independent experts; or</li> <li>○ A relevant professional body.</li> </ul> </li> </ul>	
330.4	<p>When threats cannot be eliminated or reduced to an acceptable level, professional accountants in business shall determine whether to refuse to perform the duties in question. If the professional accountant in business determines that</p>	<p>230.4 A3 When threats cannot be eliminated or reduced to an acceptable level, professional accountants shall determine whether to refuse to perform the duties in question. If the professional accountant determines that refusal is appropriate,</p>	

Part C Phase 1 – Mapping Table of Comparison  
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**PROPOSED SECTION 230 Acting with Sufficient Expertise**

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	refusal is appropriate, the reasons for doing so shall be clearly communicated.	the reasons for doing so shall be clearly communicated.	
330.5	In cases where a professional accountant in business is pressured to act in a manner that would lead to a breach of the fundamental principle of professional competence and due care, Section 370 of this Code provides guidance.	<i>Other Guidance</i> 230.54 A44 Where a professional accountant is pressured to act in a manner that would lead to a breach of the fundamental principle of professional competence and due care, Section 2670 provides guidance.	

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**PROPOSED SECTION 240 Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
		240.1 Section 240 sets out requirements and application material on applying the conceptual framework in relation to financial interests, compensation and incentives linked to financial reporting and decision making.	
340.1	Professional accountants in business may have financial interests, including those arising from compensation or incentive arrangements, or may know of financial interests of immediate or close family members, that, in certain circumstances, may create threats to compliance with the fundamental principles.	240.2 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.	Board members are asked to note that consideration was given to deleting the phrase “in order to gain financially” from the extant text. However the Task Force considered that deletion would constitute redrafting.
	For example, self-interest or familiarity threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price-sensitive information in order to gain financially.	240.4 A1 Self-interest or familiarity threats to objectivity or confidentiality might, for example, be created where there is a motive or an opportunity to manipulate price-sensitive information.	
	Examples of circumstances that may create threats include situations where the	240.4 A2 Examples of circumstances that might create threats include situations in which the	



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	<p>professional accountant in business or an immediate or close family member:</p> <ul style="list-style-type: none"> <li>• Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business.</li> <li>• Is eligible for a profit-related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business.</li> <li>• Holds, directly or indirectly, deferred bonus share entitlements or share options in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business.</li> <li>• Otherwise participates in compensation arrangements which provide incentives to achieve</li> </ul>	<p>accountant or an immediate or close family member:</p> <ul style="list-style-type: none"> <li>• Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the accountant.</li> <li>• Is eligible for a profit related bonus and the value of that bonus could be directly affected by decisions made by the accountant.</li> <li>• Holds, directly or indirectly, deferred bonus share rights or share options in the organization, the value of which could be affected by decisions made by the accountant.</li> <li>• Otherwise participates in compensation arrangements which provide incentives to achieve targets or to support</li> </ul>	

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**PROPOSED SECTION 240 Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making**

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	performance targets or to support efforts to maximize the value of the employing organization's shares, for example, through participation in long-term incentive plans which are linked to certain performance conditions being met.	efforts to maximize the value of the organization's shares, for example, through participation in incentive plans which are linked to certain performance conditions being met.	
		<b>R240.3</b> A professional accountant shall apply the conceptual framework set out in Section 120 in relation to financial interests, compensation and incentives linked to financial reporting and decision making.	
340.2	A professional accountant in business shall not manipulate information or use confidential information for personal gain or for the financial gain of others.	<b>R240.4</b> A professional accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.	
340.3	The significance of any threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when	240.4 A3 The significance of any threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining the appropriate	

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**PROPOSED SECTION 240 Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making**

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	necessary, determining the appropriate safeguards to be applied, a professional accountant in business shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances	safeguards to be applied, a professional accountant shall evaluate the nature of the interest. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances.	
340.3	<p>Examples of such safeguards include:</p> <ul style="list-style-type: none"> <li>• Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management.</li> <li>• Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies.</li> </ul>	<p>240.4 A4 Examples of such safeguards include:</p> <ul style="list-style-type: none"> <li>• Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management.</li> <li>• Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies.</li> <li>• Consultation, where appropriate, with superiors within the employing organization.</li> </ul>	

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**PROPOSED SECTION 240 Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making**

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	<ul style="list-style-type: none"> <li>• Consultation, where appropriate, with superiors within the employing organization.</li> <li>• Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.</li> <li>• Internal and external audit procedures.</li> <li>• Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.</li> <li>• Internal and external audit procedures.</li> <li>• Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.</li> </ul>	
340.4	Threats arising from compensation or incentive arrangements may be compounded by explicit or implicit pressure from superiors or colleagues in the employing organization. Section 370 addresses pressure that could lead a professional accountant to breach the fundamental principles.	240.4 A5 Threats arising from compensation or incentive arrangements may be compounded by explicit or implicit pressure from superiors or colleagues in the employing organization. Section 270 addresses pressure that could lead a professional accountant to breach the fundamental principles.	

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**PROPOSED SECTION 2670 Pressure to Breach the Fundamental Principles**

Para ref. to Extant Code	Part C, Phase 1 - As Approved at the Nov/Dec 2015 IESBA Meeting	Proposed Part B Restructured	Comments/ Matter for IESBA Consideration
370.1	This section addresses pressures that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.	2670.1 Section 2670 sets out requirements and application material when addressing pressure that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.	
370.2	A professional accountant in business may face pressure that could create threats, for example, intimidation threats, to compliance with the fundamental principles when undertaking a professional activity. Pressure may be explicit or implicit. Pressure may come from within the organization, for example, from a colleague or superior, from an external individual or organization such as a vendor, customer or lender, or from meeting internal or external targets and expectations.	2670.2 A professional accountant might face pressure that could create threats, for example, intimidation threats, to compliance with the fundamental principles when undertaking a professional activity. Pressure might be explicit or implicit and might come from: <ul style="list-style-type: none"> <li>• Within the organization, for example, from a colleague or superior.</li> <li>• An external individual or organization such as a vendor, customer or lender.</li> <li>• Internal or external targets and expectations.</li> </ul>	

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**PROPOSED SECTION ~~26~~70 Pressure to Breach the Fundamental Principles**

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	The professional accountant shall not allow pressure from others to result in a breach of the fundamental principles. The professional accountant also shall not place pressure on others that the professional accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.	<b>Requirements and Application Material</b> <b>R<del>26</del>70.3</b> A professional accountant shall not allow pressure from others to result in a breach of the fundamental principles. The accountant also shall not place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.	
370.3	Examples of pressure that could result in a breach of the fundamental principles include: <ul style="list-style-type: none"> <li>Pressure related to conflicts of interest: <ul style="list-style-type: none"> <li>Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor.</li> </ul> </li> </ul> <p>The guidance in Section 310 is relevant.</p>	<del>26</del> 70.3 A1 Examples of pressure that could result in a breach of the fundamental principles include: <ul style="list-style-type: none"> <li>Pressure related to conflicts of interest: <ul style="list-style-type: none"> <li>Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor.</li> </ul> <p>See also Section 210.</p> </li> <li>Pressure to influence presentation of information:</li> </ul>	

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	<ul style="list-style-type: none"> <li>• Pressure to influence presentation of information:                             <ul style="list-style-type: none"> <li>○ Pressure to report misleading financial results to meet investor, analyst or lender expectations.</li> <li>○ Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.</li> <li>○ Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.</li> <li>○ Pressure from superiors to approve or process expenditures that are not legitimate business expenses.</li> <li>○ Pressure to suppress internal audit reports containing adverse findings.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ Pressure to report misleading financial results to meet investor, analyst or lender expectations.</li> <li>○ Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.</li> <li>○ Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.</li> <li>○ Pressure from superiors to approve or process expenditures that are not legitimate business expenses.</li> <li>○ Pressure to suppress internal audit reports containing adverse findings. See also Section 220.</li> <li>• Pressure to act without sufficient expertise or due care:                             <ul style="list-style-type: none"> <li>○ Pressure from superiors to inappropriately reduce the extent of work performed.</li> </ul> </li> </ul>	



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	<p>The guidance in Section 320 is relevant.</p> <ul style="list-style-type: none"> <li>• Pressure to act without sufficient expertise or due care:                             <ul style="list-style-type: none"> <li>○ Pressure from superiors to inappropriately reduce the extent of work performed.</li> <li>○ Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.</li> </ul> </li> </ul> <p>The guidance in Section 330 is relevant.</p> <ul style="list-style-type: none"> <li>• Pressure related to financial interests:                             <ul style="list-style-type: none"> <li>○ Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who may benefit from participation in compensation or incentive arrangements.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.</li> </ul> <p>See also Section 230.</p> <ul style="list-style-type: none"> <li>• Pressure related to financial interests:                             <ul style="list-style-type: none"> <li>○ Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements.</li> </ul> </li> </ul> <p>See also Section 240.</p> <ul style="list-style-type: none"> <li>• Pressure related to inducements:                             <ul style="list-style-type: none"> <li>○ Pressure from others, either internal or external to the organization, to offer inducements to influence inappropriately the judgment or decision making process of an individual or organization.</li> <li>○ Pressure from colleagues to accept a bribe or other inducement, for</li> </ul> </li> </ul>	

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	<p>The guidance in Section 340 is relevant.</p> <ul style="list-style-type: none"> <li>• Pressure related to inducements:                             <ul style="list-style-type: none"> <li>○ Pressure from others, either internal or external to the employing organization, to offer inducements to inappropriately influence the judgment or decision-making process of an individual or organization.</li> <li>○ 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.</li> </ul> <p>The guidance in Section 350 is relevant.</p> </li> <li>• Pressure related to non-compliance with laws and regulations:</li> </ul>	<p>example to accept inappropriate gifts or entertainment from potential vendors in a bidding process.</p> <p>See also Section 250.</p> <ul style="list-style-type: none"> <li>• Pressure related to non-compliance with laws and regulations:                             <ul style="list-style-type: none"> <li>○ Pressure to structure a transaction to evade tax.</li> </ul> <p>See also Section <u>315260</u>.</p> </li> </ul>	

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	<ul style="list-style-type: none"> <li>○ Pressure to structure a transaction to evade tax.</li> </ul> <p>The guidance in Section 360 is relevant.</p>		
370.4	<p>In determining whether the pressure could result in a breach of the fundamental principles, the professional accountant may consider factors including:</p> <ul style="list-style-type: none"> <li>• The intent of the individual who is exerting the pressure and the nature and significance of the pressure.</li> <li>• The application of relevant laws, regulations, and professional standards to the circumstances.</li> <li>• The culture and leadership of the employing organization including the extent to which it emphasizes the importance of ethical behavior and the expectation that employees will act in an ethical manner. For example, a corporate culture that tolerates unethical behavior may</li> </ul>	<p><del>2670.3</del> A2 In determining whether the pressure could result in a breach of the fundamental principles, the professional accountant may consider factors including:</p> <ul style="list-style-type: none"> <li>• The intent of the individual who is exerting the pressure and the nature and significance of the pressure.</li> <li>• The application of relevant laws, regulations, and professional standards to the circumstances.</li> <li>• 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</li> </ul>	

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	<p>increase the likelihood that the pressure would result in a breach of the fundamental principles.</p> <ul style="list-style-type: none"> <li>• Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.</li> </ul> <p>In considering these and other factors, and being alert to the fundamental principle of confidentiality, the professional accountant in business may consult with:</p> <ul style="list-style-type: none"> <li>• A colleague, superior, human resources personnel, or another professional accountant;</li> <li>• Relevant professional or regulatory bodies or industry associations; or</li> <li>• Legal counsel.</li> </ul>	<p>would result in a breach of compliance with the fundamental principles.</p> <ul style="list-style-type: none"> <li>• Policies and procedures, if any, that the organization has established, such as ethics or human resources policies that address pressure.</li> </ul> <p>In considering these and other factors the accountant may consult with:</p> <ul style="list-style-type: none"> <li>• A colleague, superior, human resources personnel, or another professional accountant;</li> <li>• Relevant professional or regulatory bodies or industry associations; or</li> <li>• Legal counsel.</li> </ul> <p>The fundamental principle of confidentiality applies in communications with external parties.</p>	
370.5	If the professional accountant determines that the pressure would result in a breach of the fundamental principles, the	<del>2670.3</del> A3 If the professional accountant determines that the pressure would result in a breach of the fundamental principles, the accountant may consider actions, including:	

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	<p>professional accountant may consider actions, including:</p> <ul style="list-style-type: none"> <li>• Discussing the matter with the individual who is exerting the pressure to seek to resolve it.</li> <li>• Discussing the matter with the professional accountant's supervisor, if the supervisor is not the individual exerting the pressure.</li> <li>• Escalating the matter within the employing organization, for example, with higher levels of management, internal or external auditors, or those charged with governance, including independent directors and, when appropriate, explaining any consequential risks to the organization.</li> <li>• Requesting restructuring or segregating certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting</li> </ul>	<ul style="list-style-type: none"> <li>• Discussing the matter with the individual who is exerting the pressure to seek to resolve the matter.</li> <li>• Discussing the matter with the accountant's supervisor, if the supervisor is not the individual exerting the pressure.</li> <li>• Escalating the matter within the employing organization, for example with:               <ul style="list-style-type: none"> <li>○ Higher levels of management;</li> <li>○ Internal or external auditors; or</li> <li>○ Those charged with governance;</li> </ul>               And, when appropriate, explaining any consequential risks to the organization.             </li> <li>• Requesting restructuring of, or segregating, certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure. This would be appropriate where doing so would eliminate the pressure to breach the fundamental principles. For example, if an accountant is pressured in</li> </ul>	

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	<p>the pressure, where doing so would eliminate the pressure to breach the fundamental principles. For example, if a professional accountant is pressured in relation to a conflict of interest, the pressure to breach the fundamental principles may be eliminated if the professional accountant avoids being associated with the matter creating the conflict.</p> <ul style="list-style-type: none"> <li>• Disclosing the matter in accordance with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.</li> <li>• Consulting with legal counsel.</li> </ul>	<p>relation to a conflict of interest, the pressure to breach the fundamental principles might be eliminated when the accountant avoids being associated with the matter creating the conflict.</p> <ul style="list-style-type: none"> <li>• Disclosing the matter in line with the organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.</li> <li>• Consulting with legal counsel.</li> </ul>	

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370.6	In situations where the professional accountant determines that the pressure to breach the fundamental principles has not been eliminated, the professional accountant shall: <ul style="list-style-type: none"> <li>Decline to undertake or discontinue the professional activity that would result in a breach of the fundamental principles; and</li> <li>Consider resigning from the employing organization.</li> </ul>	<b>R<del>26</del>70.4</b> If the professional accountant determines that the pressure to breach the fundamental principles has not been eliminated, the accountant shall take action, including: <ul style="list-style-type: none"> <li>Declining to undertake or discontinue the professional activity that would result in a breach of the fundamental principles.</li> <li>Considering resigning from the employing organization.</li> </ul>	
	The professional accountant is also encouraged to document the facts, the communications, the courses of action considered, the parties with whom these matters were discussed, and how the matter was addressed.	<b>2<del>6</del>70.4 A1</b> The professional accountant is also encouraged to document: <ul style="list-style-type: none"> <li>The facts.</li> <li>The communications.</li> <li>The courses of action considered.</li> <li>The parties with whom these matters were discussed.</li> <li>How the matter was addressed.</li> </ul>	