Draft Minutes of the Public Session of the Meeting of the

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS CONSULATIVE ADVISORY GROUP (CAG)

Held Virtually on March 7 & 31, 2022

PRESENT	**Member Organizations**
Gaylen Hansen (Chair)	National Association of State Boards of Accountancy (NASBA)
Hilde Blomme	Accountancy Europe (AE)
Juan Carlos Serrano-Machorro[1]	World Bank (WB)
Prof. Hysen Cela	European Federation of Accountants and Auditors for SMEs (EFAA)
Robert Choromanski	International Organization of Securities Commissions (IOSCO)
James Dalkin	International Organization of Supreme Audit Institutions (INTOSAI)
Jazmin Gamboa	Financial Executives International (FEI)
Harrison Greene	Basel Committee on Banking Supervision (Basel Committee) (March 31 only)
Akihito Ishiwata	IOSCO
Natasha Landell-Mills	International Corporate Governance Network (ICGN)
Dr. Bello Lawal Danbatta	Islamic Financial Services Board (IFSB)
Dr. Conchita Manabat	International Association of Financial Executives Institutes (IAFEI)
Wei Meng	World Federation of Exchanges (WFE)
Asha Mubarak	Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)
Dr. Claes Norberg	Business Europe (BE)
Dr. Christian Orth	AE
Daniel Sarmiento Pavas	Inter-American Accounting Association (IAA)
Sanders Shaffer	International Association of Insurance Supervisors (IAIS)
Paul Sobel	Institute of Internal Auditors (IIA)
Paul Thompson	EFAA
Huseyin Yurdakul	IOSCO
	Observer Organizations
Dawn McGeachy-Colby	IFAC Small and Medium Practices (SMP) Advisory Group (SMPAG)

[1] Mr. Serrano-Machorro attended on behalf of Ms. Morel as the Representative for IMF.

Barbara Vanich[2]	U.S. Public Company Accounting Oversight Board (PCAOB) (March 31 only)
George Kabwe	International Money Fund
Public Interest Oversight Board (PIOB)	
Dave Sullivan	
External Presenters	
Josina Kamerling	CFA Institute
Anita Chan	US Securities and Exchange Commission (SEC)
IESBA Members and Staff	
Gabriela Figueiredo Dias	IESBA Chair
Caroline Lee	IESBA Deputy Chair
Rich Huesken	IESBA Member and Technology Task Force Chair (March 7 only)
Prof. Jens Poll	IESBA Member and Tax Planning Task Force Chair (March 7 only)
Vania Borgerth	IESBA Member and EIOC Chair (March 31 only)
Laura Friedrich	IESBA Technical Advisor and Benchmarking Working Group Chair (March 31 only)
James Gunn	Managing Director, Professional Standards
Ken Siong	IESBA Program and Senior Technical Director
Diane Jules	IESBA Director
Geoffrey Kwan	IESBA Director
Kam Leung	IESBA Principal
Carla Vijian	IESBA Principal
Szilvia Sramko	IESBA Senior Manager
APOLOGY	**Member Organization**
Paul Munter	IOSCO

[2] Views expressed by the PCAOB Representative represent her views and do not necessarily reflect the views of the PCAOB Board or other Board members or staff.

A. Opening Remarks

Mr. Hansen welcomed all participants to the meeting. He specially welcomed Ms. Gabriela Figueiredo Dias as the newly appointed IESBA Chair since January 2022, and Mr. Dave Sullivan as the PIOB observer.

Mr. Hansen also welcomed Mr. Harrison Greene who replaced Mr. Robert De Tullio as the new representative for the Basel Committee; Ms. Barbara Vanich, replacing Me. Lillian Ceynowa as the US PCAOB observer; and Mr. Robert Choromanski from the US SEC, who represented IOSCO for this meeting.

Mr. Hansen bid farewell to Ms. Xiomara Morel from the World Bank, Mr. Robert De Tullio from the Basel Committee, and Ms. Mohini Singh from CFA Institute. He thanked them for their contributions to the CAG over the years.

Approval of Minutes

The CAG approved the minutes of the September 2021 public session as amended, and the minutes of the joint September 2021 International Auditing and Assurance Standards Board (IAASB)-IESBA CAG meeting as presented.

B. Tax Planning and Related Services

Prof. Poll, Chair of the Tax Planning Task Force (TPTF), introduced the topic, informing CAG Representatives of the session's objectives. He then recapped the highlights of the CAG discussion in September 2021 where the Tax Planning Working Group presented the final report and the project proposal.

Prof. Poll provided a brief overview of the agenda for the session, starting with a discussion of professional accountants' (PAs) role in providing Tax Planning (TP) services and the objective of the project, which is to respond to the public interest concerns about perceived improper TP being carried out by PAs. Among other matters, the following were raised during Prof. Poll's presentation:

Context

- Mr. Hansen noted the reference to the interests of a jurisdiction's treasury in Prof. Poll's explanation of the context. He queried if the role of PAs in providing TP services is to serve the public interest in a broader sense or whether it is to adhere to the tax regime.

  Prof. Poll noted that a PA's role has been described as having a clear line of communication with the tax authorities in acting in the client's best interests. He added that there is a perception that the PA has to be aware that he is not only acting in the client's interests but also cognizant of the impact of the tax advice on the overall public at large, He noted that this is a factor that the TPTF wanted to highlight in the Code.

- Dr. Norberg supported the TPTF's direction. He noted that the key feature of the proposed framework relates to distinguishing between uncertain and improper TP arrangements. He recommended that the Task Force provide further clarification to enable PAs, to the best of their abilities, to assist clients in navigating what is considered uncertain versus improper. He also noted that the Task Force's approach to understanding uncertain or improper TP indicators is better than trying to describe what is aggressive TP.

- Ms. Blomme also noted her support for the project, adding that PAs should not be involved in TP arrangements that are artificial or contrived, and contrary to the legislature's intent. In this regard, she noted that AE shares the same objective as the IESBA. She commented that while TP arrangements can vary from jurisdiction to jurisdiction in how they are structured, the objective of such arrangements should not be to avoid paying taxes. She wondered, though, how the proposed framework would be operationalized. In this regard, she noted that the TPTF's global roundtables planned for April 2022 would assist the TPTF in obtaining feedback from stakeholders on this question. She echoed Dr. Norberg's comments about operationalizing the gray zone, making clear that it exists and that it is acceptable. She hoped the lessons learned from the non-compliance with laws and regulations (NOCLAR) project would be useful to this project, as the NOCLAR project was not an easy undertaking for the Board.

  Prof. Poll thanked Ms. Blomme for her comments, acknowledging the issues of clarity. He noted that the TPTF will progress with drafting of the provisions following the April 2022 global roundtables. He hoped that the roundtables would provide good stakeholder feedback as to how the proposed framework would work in different jurisdictions.

- Mr. Ishiwata noted that Prof. Poll's presentation helped him understand the key issues and matters raised by the Task Force. He advised the Task Force to be conscious of the precedents in different jurisdictions and suggested that the Task Force prepare notes about those precedents. Mr. Ishiwata further suggested that as part of its deliberations, the Task Force consider other categories of indicators of the gray zone, which may extend to inconsistent or incomplete documentation from the client.

  Prof. Poll thanked Mr. Ishiwata for his advice and noted that the TPTF will consider them when it moves to the drafting stage.

- Ms. McGeachy-Colby noted the Task Force's progress on the project. She requested the Task Force to clarify the point about the interest of a jurisdiction's treasury. She believes that this is mainly dependent on the role of the PA in the ecosystem. She also expressed her concerns about the project. She believes that the Code currently provides a robust framework and will withstand scrutiny in leading PAs down the ethical path when carrying out TP services. Ms. McGeachy-Colby commented that this project may inadvertently cause PAs to adhere to more stringent requirements, including deeming a TP arrangement as aggressive when it is not so. She also had practical concerns about requirements that could cause conflicts with jurisdictional laws and deter jurisdictions from adopting the proposed framework.

  Prof. Poll noted that the TPTF is aware of different tax legislations with respect to the provision of TP services. He explained that the TPTF believes it is possible for the Code to work with different national legal regimes. He clarified that as a global standard-setter, the IESBA will not put in place requirements that will interfere with local jurisdictional requirements. However, the TPTF will seek to understand from the global roundtables where there might be conflicts with respect to cross-border transactions and develop a practical response.

- Ms. Landell-Mills echoed the importance of the project and supported the TPTF's proposal to address several challenges noted in the project. From the investor perspective, she reiterated that companies should be doing the right thing when implementing tax strategies as this is in their best long-term interests. She added that without a doubt, the gray zone is a critical area of concern. She was of the view that PAs should apply the principles of the Code, ensuring that companies are adhering to the spirit and not just the letter of the law. Ms. Landell-Mills advised the TPTF to refer to

the work carried out by the Fair Tax Initiative in the UK as an essential reference point. The initiative encourages responsible tax behavior, which, when thinking about what investors would regard as sustainable TP, comes down to having a disclosure mindset. This includes making sure that the auditor is making appropriate disclosure of the issue to the shareholders through key audit matters in the auditor's report.

With specific reference to the longer-term outlook on the Environmental, Social, and Governance (ESG) movement, Ms. Landell-Mills noted greater disclosure of companies' tax strategies. She noted the importance of PAs being transparent about the tax strategies undertaken, especially if it verges on the gray zone.

- Prof. Cela expressed support for the project and agreed with the focus on identifying the fundamental principles impacted. He wondered how the provisions would be differentiated between public interest entities (PIEs) and non-PIEs, although the issues are broadly the same.

  Prof. Poll responded that the Task Force is aware that the PA's response might be different in different jurisdictions insofar as the distinction between PIEs and non-PIEs is concerned, for example, potentially with more disclosure in the former case.

- Mr. Yurdakul commented on the TPTF's excellent and clear presentation and supported the project. He also noted the gray zone as the most important area for the TPTF to focus on – how the FPs can be impacted and the level of threats PAs face when constantly dealing with the changes in tax legislation. For PAs operating in the gray zone, he saw the role of the Code as assisting them in navigating around the uncertainties, acting ethically and carefully, and applying the conceptual framework per the Code. Mr. Yurdakul also queried if the TPTF would be making a differentiation between PIEs and non-PIEs as he views scalability as an important factor to consider.

  Prof. Poll explained that the TPTF is aware of the different reactions in jurisdictions with more regulations and disclosure rules for PIEs versus non-PIEs. He shared that the TPTF will consider the matter around scalability.

- Mr. Dalkin noted the importance of having criteria to determine when the PA is in the gray zone. He advised that the TPTF should be flexible in thinking about these criteria as the indicators can be jurisdiction specific.

  Prof. Poll agreed that the criteria need to be flexible. While the Code is able to cover this area in terms of the fundamental principles, it is important for the profession to demonstrate to stakeholders that it is able to handle the uncertainties of TP in an ethical manner. Also, the topic is not currently visible in the Code and is dealt with in a rather abstract way. Accordingly, it is in the public interest that the Code addresses it more explicitly, especially in view of today's changed environment.

- Dr. Manabat welcomed the initiative and noted its importance. She echoed the observation of others supporting principles-based provisions. She advised the TPTF to discern and consider the various jurisdictional laws and regulations and not pursue a 'one size fits all' strategy.

  Prof. Poll noted that with this project, the TPTF is seeking to address stakeholder concerns and criticism that PAs have a role in promoting unethical TP behavior. The TPTF is of the view that the extant Code is silent around guiding PAs to navigate the uncertainties in providing TP services.

- Ms. Landell-Mills expressed the view that one of the circularities is that the gray zone exists because of TP carried out by PAs. Clients then exploit those uncertainties and PAs are now asked to resolve those uncertainties. She was of the view that this will be a challenge for the IESBA. She added that

a question that should be addressed at a high level is when a PA should disclose the existence of a gray zone to the relevant tax authorities. Such transparency would then break the link between PAs creating the TP scheme and alerting the tax authorities about it through calling it out.

Prof. Poll noted that the TPTF will have intensive discussions with stakeholders as to what the expectations are in different jurisdictions. For example, in some jurisdictions, there may be a requirement for PAs to disclose. Prof. Poll observed, however, that from a Code perspective, there is the issue of confidentiality.

RESPONSE FRAMEWORK

- Ms. Blomme observed that the discussion on the response framework is at the initial stage. What would be important to clarify is how the framework would be operationalized in terms of the conceptual framework of the Code.

  Prof. Poll responded that the TPTF is aware that the proposed framework is currently at a high level and drafting is yet to come. He added that from a global perspective, it is important to understand the challenges and constraints at the jurisdictional level.

- Mr. Pavas noted the importance and sensitivity of TP and requested clarification regarding the applicability of the proposed framework across all jurisdictions. He wondered about the public interest expectations of PAs' when providing TP services compared with the expectations when they carry out work in the assurance area.

  Prof. Poll responded that TP is in the advisory context and not the assurance context. He explained that the notion of the public interest is different in the former context than in the latter context. Nonetheless, he noted that the Code applies to all types of services. PAs' ethical conduct is also governed by their duty to act in the public interest.

- Ms. Landell-Mills advised the TPTF to explore requirements for PAs to disclose instances of resignation from clients to relevant parties to the extent permitted by law. She believed that this is a material piece of information that the shareholders, investors, and the public, in general, would find relevant.

  Prof. Poll responded that the TPTF would consider the suggestion, subject to further outreach activities planned to gather stakeholder input.

- Mr. Hansen expressed support for the project, noting that it has an ambitious timeline. He added that in the U.S., there have been headlines about firms selling tax shelters to clients and large companies not paying any taxes. Accordingly, there are reputational issues at stake.

PIOB OBSERVER'S REMARKS

Mr. Sullivan commented that he was impressed by the in-depth discussion during the meeting. He pointed out that the PIOB supports the initiative and welcomes the excellent direction taken by the TPTF, especially in the area of transparency, which is important in relation to sustainability. He noted that the PIOB does not underestimate the complexity in the project because of the many diverse global and jurisdictional issues. Mr. Sullivan expressed support for the series of global roundtables to gather input from stakeholders. As TP is of great public interest significance and affects society at large, he encouraged the TPTF to set a high but achievable bar for ethical behavior expected of the profession in providing TP services.

WAY FORWARD

Prof. Poll thanked the Representatives for their valuable input and informed the CAG that the IESBA will consider the CAG's feedback at its March 2022 meeting.

C. Strategy and Work Plan 2024-2027

Ms. Figueiredo Dias and Mr. Siong introduced the session by providing a high-level status update on the ongoing and pre-committed work streams within the IESBA's current strategy period which is due to finish in 2023. They also provided an overview of the due process in developing the IESBA's next strategy and work plan for 2024 – 2027 (SWP), with the first step being a strategy survey to collect initial feedback from stakeholders on potential key strategic areas of focus and potential future standard-setting-related initiatives. In this regard, Ms. Figueiredo Dias emphasized the importance of receiving CAG member organizations' input to the strategy survey.

POTENTIAL STRATEGIC FOCUS AREAS

Mr. Siong provided an overview of the potential areas of focus that may be used to guide the IESBA's strategic direction and priorities:

- Enhancing the robustness and relevance of the International Independence Standards (IIS) for assurance engagements on environmental, social and governance (ESG)-related information given the rapid growth in ESG disclosures driven by investors' demand. Mr. Siong pointed out that the IESBA might also explore the merits of expanding the scope of the Code to assurance providers who are not PAs in public practices (PAPPs) as there are no equivalent global ethics (including independence) standards for non-PAs providing these services.
- Raising the bar of ethical behavior for PAs in business (PAIBs), particularly with respect to ESG reporting and integration with financial reporting, taking into account the significant role PAIBs already play in the non-financial information supply chain.
- Strengthening the IIS for audit engagements given the continued focus on the role of auditors in the recent collapses of large public companies in some major jurisdictions and the heightened regulatory attention on auditor performance and independence.
- Promoting timely adoption and effective implementation of the Code. Mr. Siong highlighted the IESBA's ongoing efforts to facilitate adoption and implementation of the Code, and the upcoming post-implementation reviews on a number of key revisions to the Code.

CAG Representatives expressed support for the potential strategic focus relating to ESG reporting and assurance. In addition, the following comments were raised, amongst others:

- Mr. Thompson expressed the view that sustainability reporting and assurance will likely be as important as financial reporting and assurance going forward. He also observed that many PAPPs who are not auditors are carrying out ESG assurance activities. With regards to the strategy survey, he queried if the IESBA should focus on the term "sustainability" instead of "ESG." Both Messrs. Thompson and Ishiwata suggested that the survey should pose more questions on the focus on ESG assurance such as an open question about what activities the IESBA should pursue under that focus.
- Ms. Landell-Mills pointed out that the need to link ESG information to financial reporting is an aspect that large institutional investors have been drawing attention to, particularly with respect to climate

change. She also noted that more clarity is needed on how such non-financial information should be reported in the financial statements and how it should be audited. With regards to ESG assurance, she noted that it is important to first agree on the governance with respect to ESG reporting,, i.e., who the intended recipients of the assurance would be. In this regard, Ms. Blomme expressed the view that the beneficiaries should be expanded from shareholders to stakeholders.

In response, Mr. Siong noted that the IESBA will consider whether, within the governance framework of ESG reporting, there is a responsibility to report to the broader community.

- Ms. Gamboa observed that preparers in multinational companies recognize the need for appropriate assurance standards to complement the development of ESG reporting standards. Referring to the involvement of “boutique firms” in ESG assurance, she also agreed that the IESBA should explore the merit of expanding the scope of the Code to assurance providers that are not PAs as this would provide some much-needed consistency in the field.
- Mr. Sobel stressed that there are many different players, such as internal auditors and PAIBs, who can play an important role across the whole ESG reporting and assurance supply chain. He noted that COSO has a project on internal control on sustainability reporting, with guidance expected later this year.

  In agreeing with Mr. Sobel's comment, Mr. Siong added that internal and external experts also play an important role.
- Ms. Blomme noted that the EU regulatory developments on ESG assurance aim to level the playing field and allowing to non-PAs to provide such services. This includes measures relating not only to ethics and independence but also to other matters such as the practitioners' qualifications and oversight.
- Mr. Dalkin suggested that independence issues may arise in the circumstances where ESG information prepared by one party is assured by another party from the same firm.

  In response, Mr. Siong noted that the IESBA might consider any potential self-review threat issue under those circumstances.
- Mr. Pavas expressed the view that ESG reporting and assurance are an important topic in the Latin-American region and suggested that more guidance to the profession would be helpful.

With regards to the other proposed strategic areas of focus, the following comments were raised, amongst other matters:

- Ms. Landell-Mills noted that auditor independence continues to be of concern from a long-term investor’s perspective in the context of ongoing questions about aggressive accounting and audit quality.
- Ms. Blomme expressed AE's continual support for the Code and its desire to see more EU member states fully adopting the Code. She also recommended that the IESBA consider collecting additional information about challenges faced by jurisdictions in adopting the Code and any new revisions.
- Ms. Meng and Mr. Norberg suggested that there should be more clarity about how the proposed strategic areas of focus in Section B of the draft strategy survey relate to the list of potential future standard-setting-related initiatives in Section C.

  In response, Mr. Siong noted that the IESBA will identify the proposed work streams under each strategic focus area when it develops the SWP consultation paper.

- Mr. Norberg suggested that it would be helpful for stakeholders to have an indication of the resources available relative to the range of topics that could be included in the SWP when assessing priorities in responding to the strategy survey.

  In response, Mr. Siong noted that strategy survey is intended to give the IESBA a sense of what it should focus on in the SWP and that it will make the necessary determination of what is achievable and how the work streams should be prioritized taking into consideration the available capacity.

- With respect to adoption and implementation (A&I) of the Code, Ms. Blomme remarked that there has been a decreasing focus on A&I in the EU over the years. She was of the view that there would be merit in probing deeper into why A&I is not going as far as desired and what tools might be needed to increase A&I.

POTENTIAL FUTURE STANDARD-SETTING RELATED INITIATIVES

Mr. Siong provided an overview of the list of potential future standard-setting-related initiatives set out in Section C of the draft strategy survey. He explained that these had been identified through various sources, including ongoing and recently completed work streams, and the previous consultation on the current SWP He also noted that these initiatives will be assessed and prioritized by the IESBA based on a set of criteria as part of the SWP development process.

Amongst other matters, the following comments were raised:

- Ms. Landell-Mills suggested that an issue that might be considered is transparency about the audit industry's policy outreach, such as lobbying and secondments to regulators. She observed that if firms are pursuing lobbying, investors would be interested in knowing the nature of the lobbying and how this serves the public interest.

  Mr. Siong acknowledged the suggestion, noting that it will be considered by the IESBA.

- Ms. Landell-Mills also observed that there is a high degree of variation across jurisdictions on the disclosure of key audit matters in the auditor's report. She suggested that there should be a higher bar for disclosure in key audit matters internationally to promote accountability and greater levels of engagement with shareholders.

  In response, Mr. Siong noted that issues relating to key audit matters are more appropriately addressed by the IAASB.

- Ms. Blomme suggested that the topic on the independence of external experts may be a useful initiative given its connection with ESG reporting and assurance. However, she was of the view that many of the other listed topics do not appear to be worth pursuing. She also mentioned that the recent IESBA pronouncements on non-assurance services (NAS) and Fees are challenging to implement and, therefore, additional guidance material would be helpful.

  In response, Mr. Siong noted that IESBA Staff recently released a set of Frequently Asked Questions (FAQs) on the Fees pronouncement. He added that the NAS FAQs are due to be released shortly.

- Mr. Hansen queried if the IESBA intends to further explore the concept of "materiality" in the context of ESG reporting and assurance.

  In response, Mr. Siong agreed that it will be an open question for the IESBA to consider in due course.

Ms. Figueiredo Dias pointed out that the IESBA will be flexible with its forward plan in a rapidly changing environment and will review the prioritization of its activities as necessary.

WAY FORWARD

Mr. Sullivan noted that the PIOB is supportive of the strategy survey and looked forward to the analysis of the feedback from stakeholders in due course.

D. Report-Backs

CAG Representatives received report-backs on the September 2021 CAG discussions relating to the following projects and initiatives:

- Definitions of Listed Entity and Public Interest Entity
- Technology project
- Engagement Team–Group Audits Independence
- Long Association Post-Implementation Review Phase 1

The CAG noted the report-backs and had no comments.

E. Sustainability/ESG Developments

The CAG received a presentation on sustainability regulatory status and developments from Ms. Josina Kamerling, Head, Regulatory Outreach EMEA, CFA Institute. Among other matters, Ms. Kamerling briefed the CAG on:

- The CFA Institute's reports on ESG since 2016.
- ESG integration reports.
- The CFA Institute's ESG disclosure standards and their usefulness to the EU.
- The Edelman Trust Survey 2021.
- Some drivers for change from the CFA Institute report on the future of sustainability in investment management.
- The investment firm of the future.
- The CFA Institute's certificate in ESG investing.

The CAG also received a presentation on the US SEC's climate-related disclosure proposals from Ms. Anita Chan, Professional Accounting Fellow, Office of the Chief Accountant.

Following each presentation, there was a Questions & Answers (Q&A) session during which CAG Representatives had the opportunity to raise questions and seek clarification regarding matters covered in the presentations.

The Emerging Issues and Outreach Committee (EIOC) Chair, Ms. Borgerth, then provided an update regarding the recent global and jurisdictional developments on reporting and assurance of Environmental, Social and Governance (ESG) information. She also briefed CAG Representatives about the IESBA's way forward concerning the topic of sustainability, including establishing the new Sustainability Working Group and approving its mandate. She informed the CAG that the Board determined that the focus of the initiative would be cover a broad range of sustainability-related topics.

CAG Representatives generally supported the IESBA's sustainability workstream. Among other matters, the following were raised:

- Mr. Orth pointed out that standard setters need to collaborate with each other and coordinate their work on sustainability assurance as applicable to both PAs and other service providers who are not PAs. He then summarized the EU developments that he believed that the IESBA and IAASB should take into consideration.

  Ms. Borgerth agreed on the importance of having collaboration between standard setters and indicated that the Working Group is already taking into account global and national developments, including the EU's corporate sustainability reporting proposals.

- Mr. Ishiwata appreciated that the IESBA would focus not only on sustainability assurance but also on sustainability reporting. He suggested that the IESBA consider all relevant sustainability standard-setting developments, including the recently published proposals of the International Sustainability Standards Board, and initiate timely dialogue with a broad range of stakeholder groups. Given the diverse views on sustainability matters, he suggested that the Working Group consist of members from different stakeholder groups and jurisdictions. He emphasized the importance of close coordination with the IAASB's sustainability workstream to ensure consistency between the IAASB's standards and the Code.

- Ms. Gamboa highlighted that the recent sustainability-related proposals by the EC and the US SEC both require assurance on sustainability disclosures. Pointing to the recently developed SEC proposals, she noted that there will be some overlap between the sustainability-related information reported (and which might be subject to assurance engagements conducted by professionals who are not PAs) and the financial statements (which are subject to audit engagements conducted by audit firms). Therefore, she was of the view that the ethical requirements that apply to sustainability assurance providers and auditors of financial statements should be the same. In the US context, she pointed out that both sets of reported information (financial and sustainability-related information) will be part of the same regulatory filing submitted by public companies.

  Ms. Borgerth noted that the Working Group will consider the US SEC's proposal.

- Prof. Cela encouraged the IESBA to provide a timely response to ethics and independence-related challenges arising from sustainability reporting and assurance in this rapidly changing environment. By way of example, he pointed out that the EU is exploring whether auditors of financial statements should be prohibited from providing assurance on the sustainability-related information of their audit clients.

- Dr. Manabat expressed concerns about enlarging the scope of the Code to non-PAs and wondered about the practical implications of doing so.

  Ms. Borgerth explained that the IESBA is at the exploratory stage and has not yet committed to a project addressing a potential enlargement of the scope of the Code to service providers who are non-PAs. Ms. Figueiredo Dias reiterated that the IESBA is intentionally keeping an open mind to a potential expansion of the scope of the Code, but is mindful of the uncertainties and practical concerns that have been raised, including by some IESBA members. She emphasized that the Board is committed to first understanding whether it is in the public interest that PAs and other service providers who are not PAs be subject to the same ethical requirements in this area. She noted that the focus would be more on the service provided than on the service provider. She

explained that the IESBA is planning to undertake extensive consultation with stakeholders on this matter in developing its future SWP.

F. Benchmarking of the International Independence Standards (IIS)

The Benchmarking Working Group (WG) Chair, Ms. Friedrich, briefed CAG Representatives on the key outcomes of Phase 1 of the Benchmarking Initiative. This phase involved comparing the Code's independence provisions applicable to the audit of PIEs to the independence rules of the US SEC and PCAOB. Ms. Friedrich highlighted the IESBA Staff's and WG's commentary regarding the key differences and the similarities between the two frameworks. She then invited Ms. Sramko to summarize the comments from participants at the March 2022 IESBA meeting. In addition, Ms. Jules briefed the CAG on next steps, including plans for rolling out and promoting the reports. Ms Jules also outlined the potential benefits and challenges of committing to further benchmarking phases.

CAG Representatives generally supported the outcome of Phase 1 of the Benchmarking Initiative and the IESBA's decision regarding the next steps. They raised the following matters for consideration before the WG finalizes the reports:

- Mr. Hansen pointed out that the outcome of the benchmarking would respond to stakeholders' frequent questions regarding the comparability of the global Code against national independence frameworks. He expressed support for, and emphasized the importance of, keeping the benchmarking reports evergreen. Ms. Meng agreed, noting that the final report is insightful and that it should be kept relevant.
- Ms. Landell-Mills questioned whether the benchmarking initiative would focus on other national developments regarding auditor independence, such as the significant reforms in the EU and the UK. In particular, she commented that investors feel audit firm rotation is needed, not only in audit partner rotation. She observed that there are not many examples where a change in the engagement partner in an audit engagement brought on significant changes in terms of the approach to, or areas of focus on, the audit. She believed that rotating audit partners within the same firm does not address independence issues arising from long association on the ground that it is unlikely that partners in the same firm would challenge their colleagues' work. She pointed out that some national frameworks, such as the EU independence framework, already require firm rotation. She believed that such a regime is a more effective way of safeguarding auditor independence from an investor perspective. Mr. Hansen noted that the issue of firm rotation has been previously discussed at the CAG. In his view, the IESBA and national standard setters, for example, in the US, have already considered the topic.

  In addition, Ms. Landell-Mills pointed to the general requirement for firms to be independent of their audit clients, noting that accountability is the flip side of independence. She suggested that the IESBA consider putting in place an expectation that firms be accountable to the shareholders of the audited entities. In her view, it is in the public interest that such a consideration be part of the independence frameworks. Ms. Friedrich noted the various points raised and clarified that considerations related to enhancing the Code's independence framework were not part of the scope of the benchmarking initiative.
- Ms. Blomme questioned whether the published reports would provide information about who was involved in their development and the overall benchmarking process. Ms. Friedrich explained that the final reports would be accompanied by a brief communique that would provide information about the objective and methodology of the benchmarking study.

- Ms. Blomme noted the IESBA Staff's concerns that comparing two sets of standards is a time-consuming and complex exercise. She agreed with the recommendation to defer future benchmarking phases, noting AE's labor-intensive experience some years ago in undertaking a benchmarking exercise against the EU audit legislation. She pointed out that it would not be an appropriate time to benchmark the Code against the EU independence framework, given the potential changes to it as a result of the current review of the EU legislation. Ms. Friedrich responded that the Board took into consideration such factors when discussing the possibility of future phases.
- Dr. Manabat questioned whether the IESBA planned to launch a project on potential harmonization of the Code with national standards based on the outcome of Phase 1, or whether the final reports would serve as educational material on the similarities and key differences. Ms. Friedrich reiterated the objectives of the initiative and noted that a key aim is to encourage the adoption and use of the Code. She also explained that the Board might consider potential enhancements to the Code based on a more thorough analysis of the key differences between the two frameworks. Ms. Jules added that the reports are intended to respond to long-standing questions from stakeholders about how the Code's provisions compare with the standards of a recognized national framework (i.e., the US SEC/PCAOB independence rules). She explained that the outcome of the benchmarking could provide an informed response regarding questions about the similarities and key differences. Furthermore, she highlighted that the outcome of the initiative demonstrates the robustness of the Code's framework and could help further promote its global adoption.

Mr. Siong remarked that the value of this exercise lies in how jurisdictions will utilize the reports. He highlighted that the initiative had two main goals: to help jurisdictions in their assessments as they consider adopting the Code, and to enable the Board to advocate for the endorsement of the Code, especially when engaging with regulators such as IOSCO. He commented that the report would be helpful to the regulatory community in facilitating analyses and conclusions regarding the robustness of the Code, especially taking into consideration the recent enhancements (e.g., the revised NAS and fee-related provisions). Ms. Figueiredo Dias agreed and reiterated that the outcome of the benchmarking initiative will help address stakeholder perceptions around the Code's robustness. Noting that the IESBA is not able to commit to further benchmarking phases at this time, she added that there is benefit in having an up-to-date comparison of the Code's provisions against those of the most recognized national independence framework.

PIOB OBSERVER'S REMARKS

Mr. Sullivan expressed support for the planned communication strategy to promote awareness of the benchmarking reports. He agreed that the final reports will be beneficial to many stakeholders, especially those that are in a position to endorse, or encourage endorsement of the Code. He also pointed out that the reports might help identify areas in the Code that the IESBA might consider for potential enhancement.

G. PIOB Observer's Remarks

Mr. Sullivan thanked the CAG for the opportunity to participate in the meeting and for the good level of discussions, which he found to be responsive to the public interest. He was supportive of the work on the strategy survey and reiterated the need to reach out to the wider stakeholder community for input. He also observed that the post-implementation reviews will be important in understanding the effectiveness of implementation of the related standards.

H. Closing Remarks

Mr. Hansen thanked the CAG participants for their contributions and closed the meeting.