

Meeting: IESBA
Meeting Location: New York
Meeting Date: December 2 - 6, 2024

Agenda Item 7

Mid-Cycle Strategy Review

Objectives of Agenda Item

1. To consider an update on:
 - Progress of commitments in the [IESBA Strategy and Work Plan \(SWP\) 2024-2027](#).
 - November 2024 Stakeholders Advisory Council (SAC) discussion
2. To consider and agree on the IESBA Work Plan for 2025-2027, with a focus on 2025.

Ongoing Work Streams for 2025

Rollout - Sustainability and Use of External Experts Standards

3. At its December 2024 meeting, the IESBA will consider revised drafts of the proposed Sustainability and Using the Work of an External Expert (Experts) Standards with a view to approving the final pronouncements. Subject to IESBA approval, the two final pronouncements are expected to be certified by the Public Interest Oversight Board (PIOB) in mid-January 2025.
4. In December, the IESBA will also be asked to consider and approve the Adoption and Implementation (A&I) Working Group's (A&I WG) Terms of Reference and action plan. The A&I WG was established to develop a strategic approach to support A&I and capacity building for IESBA's standards, with an initial focus on the Sustainability and Experts standards.
5. The Sustainability/Experts project teams will initially develop fact sheets and associated guidance materials to support the launch of the new Standards in January 2025. Additional A&I materials, including implementation guide(s), will be progressively published during 2025 along with other rollout and outreach activities.
6. It is anticipated that the demand on resources will be particularly high in the first half of 2025.

Firm Culture and Governance (FCG)

7. At its [September 2024 meeting](#), the IESBA considered the [Firm Culture and Governance Working Group Preliminary Report](#) and was generally supportive of the FCG Working Group's (FCGWG) recommendations, which include:
 - (a) A standard-setting project to develop provisions to address firm culture and governance
 - (b) The development of non-authoritative material (NAM)
8. At its December 2024 meeting, the IESBA will consider the FCGWG's draft Final Report and Project Proposal. Subject to the IESBA's acceptance of the report and recommendations as well as approval

of the project proposal, two new work streams (standard-setting and NAM development) will commence in Q1 of 2025. The PC also proposes that the FCG project operate under the staff-driven model.

9. It is anticipated that the demand on resources will be high in 2025.

Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes

10. Since the approval of Terms of Reference at the [December 2023 IESBA meeting](#), the CIV Project Team has researched the topic across various jurisdictions to gain a comprehensive understanding of CIVs, pension funds and investment company complexes globally, focusing on their interactions with third parties such as trustees, managers, and advisors not captured as related entities under the Code.
11. In [September 2024](#), the IESBA approved the development of a consultation paper to gather additional perspectives from stakeholders about applying the Code in addressing independence concerning third parties that are not captured under the related entity definition. The IESBA will consider, with a view to approval, the draft consultation paper at its March 2025 meeting. Following the consultation process, the CIV Project Team will present its findings and recommendations to the IESBA by Q4 of 2025.
12. It is anticipated that demand on resources will be medium to high in 2025.

Other Ongoing Activities

13. The IESBA will continue with the following activities in 2025:
- Emerging Issues & Outreach Committee
 - Technology Working Group
 - Outreach
 - Development of NAMs

Work Streams Due to Commence in 2025

14. In accordance with the SWP's Illustrative IESBA Work Plan 2024-2027, the IESBA was scheduled to commence the following four (4) work streams in 2025:¹
- (a) Exploring extending the impact of the Code to all preparers of sustainability information (**Sustainability Preparers**), and
 - (b) Developing independence standards for sustainability assurance engagements not within the scope of the IIS in Part 5 of the Code (**Sustainability Independence**); and
 - (c) The role of chief financial officers (CFOs) and other senior professional accountants in business (PAIBs) (**CFO**)
 - (d) Post-implementation review (PIR) – Non-Compliance with Laws and Regulations (**NOCLAR**)
15. Refer to the [SWP](#) for more information about the above work streams.

¹ Refer to the [SWP](#) for more information about the above work streams.

Prioritization of Work Streams

16. The PC is of the view that the IESBA **will not** have sufficient resources to commence all four new work streams in 2025 for the following reasons:
- No new work streams should commence before Q2:
 - The ongoing work streams will already place a high demand on staff and Board resources in Q1 and Q2.
 - The IESBA should give a high priority to the rollout and A&I activities for the Sustainability and Experts Standards in Q1 and Q2.
 - The two proposed FCG work streams, also to be initiated in 2025, will require additional staff resources for 2025 than initially anticipated, as the Board completes the transition to the staff-driven model pursuant to the Monitoring Group recommendations.
17. In light of the above, and based on the rationale set out in paragraph 17, the PC recommends that:
- The following work streams commence in 2025 and operate under the staff-driven model:
 - Firm Culture and Governance (Q1 – two new work streams)
 - NOCLAR PIR (Q3)
 - Sustainability Independence (Q3)
 - CFO (Q3)
 - The Sustainability Preparer work stream be postponed to 2026
18. In reaching the above recommendation, the PC has also taken into account the following factors:

NOCLAR PIR

- The NOCLAR Standard was released in July 2016 and became effective from July 2017. It would have been almost 8 years by Q3 2025 since the Standard's effective date. The NOCLAR, Restructured Code and Long Association Phase 2 Reviews were initially scheduled for 2023. The PC is of the view that the **NOCLAR PIR** should be a priority for 2025, particularly in light of the discussion at the November 2024 Stakeholder Advisory Council (SAC) meeting.
- It is anticipated that the demand on resource will be medium in 2025.

Sustainability Independence outside Part 5 Scope

- As noted in the SWP, the IESBA determined that it would be in the public interest to explore extending the impact of the Code to non-professional accountants (non-PAs) as a strategic priority. The IESBA agreed to take a phased approach, focusing first on sustainability information, particularly given its current Sustainability project. The IESBA also agreed to include the Sustainability Independence and Sustainability Preparer work streams in the SWP.
- Under the **Sustainability Independence work stream**, the IESBA will consider how the Code should be enhanced, whether through revision of the extant Part 4B or the development of a Part 4B-equivalent in the new Part 5, to ensure that **all** independence standards for sustainability assurance engagements are addressed in the Code in a profession-agnostic manner.

Therefore, this work stream will enable the IESBA to meet its commitment to developing profession-agnostic standards for all sustainability assurance engagements. The PC is of the view that this work stream should remain a priority for 2025.

- It is anticipated that the demand on resource will be medium in 2025.

All Preparers of Sustainability Information

- The **Sustainability Preparer work stream** is another work stream under the strategic focus on the extending the Code's impact. Whilst acknowledging that there was no regulatory call for profession-agnostic standards for sustainability reporting, the IESBA recognized the important role of preparers of sustainability information in tackling issues such as greenwashing and in protecting the integrity of the information reported.
- Under this work stream, the IESBA will consider issues such as the role of the Code in light of corporate governance and other relevant regimes, monitoring and enforcement, as well as relevant jurisdictional developments. Given the nature of the topic, the IESBA will need to conduct extensive outreach to a broad range of stakeholders, including regulators, oversight bodies, preparers, the corporate governance community, investors, NSS and academia.
- Given the significant expansion of the Sustainability Standards to non-PA sustainability assurance practitioners, it might be helpful to use the initial 12 months observing stakeholders' general reaction before the IESBA formally commences any new work streams relating to another group of non-PAs. Also, the CFO work stream may collect information that may be relevant to this work stream as CFOs will invariably be involved in the preparation and presentation of sustainability information, whether they are PAs or non-PAs. The PC is of the view that this work stream should be *postponed* to 2026.

Role of CFO and Other Senior PAIBs

- Under **CFO work stream**, the IESBA will gather information on the evolving roles of CFOs, including those in equivalent positions within the public sector, and other PAIBs in senior roles, including identifying and understanding the ethics issues and challenges these PAIBs may face due to their changing roles and responsibilities. The IESBA will take into account existing provisions relating to senior PAIBs such as those within the Responding to Non-Compliance with Laws and Regulations (NOCLAR) Standard as well as those issues addressed under the Sustainability and Use of External Experts projects.
- In developing the SWP, the IESBA agreed that the focus of this work stream should be on PAIBs, whilst anticipating that information collected, including feedback from stakeholders, will be relevant to the new work stream on exploring extending the impact of the Code to all preparers of sustainability information (i.e., both PAs and non-PAs).
- The PC is of the view that this work stream should remain a priority for 2025.
- As part of its discussion on the prioritization of work streams in 2025, the PC has considered if the scope of the CFO work stream during the initial information gathering should be broadened to include CFOs and other finance executives who are not PAIBs. A broader scope would give the IESBA a more comprehensive understanding of the key ethics issues faced by CFOs at a global level given that many professionals in these roles may not be PAIBs in their jurisdictions.

Therefore, the PC would like to seek the IESBA's view on whether the scope of this work stream should be broadened to include all CFOs during the initial information gathering stage.

- It is anticipated that the demand on resource will be med to high. However, if the scope is broadened to include information gathering on all CFOs, the level of demand needed will be higher.

Work Streams Due to Commence in 2026 and 2027

19. Other work streams in SWP due to commence in 2026 and 2027 are:²

- Business relationships
- Audit firm – Audit Client Relationship
- PIR – Long Association Phase 2, Restructured Code, Non-assurance services (NAS), Fees, Definitions of Listed Entity and Public Interest Entity (PIE), Engagement Team – Group Audit (ET-GA)

20. The PC is of the view that the priority of these work streams does not need to be revised.

Action Requested

21. IESBA members are asked to:

- (a) Consider the SWP progress update included in **Agenda Item 7A**.
- (b) Share views on the PC's proposed Work Plan for 2025 – 2027, and especially for 2025, as noted above and **Agenda Item 7B**, including whether to broaden the scope of the CFO work stream to include information gathering on all CFOs irrespective of whether they are PAIBs.

Material Presented

Agenda Item 7A	Mid-Cycle Strategy Review – Status Report
Agenda Item 7B	Mid-Cycle Strategy Review – Work Plan 2025-2027

² Refer to the [SWP](#) for more information about the above work streams