

Draft Minutes of the 90th Meeting of the INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

Held on December 2-6, 2024 in New York, USA

Voting Members

Present: Gabriela Figueiredo Dias (Chair)
Laurie Endsley (Vice Chair)
Saadiya Adam
Mark Babington
Vania Borgerth
Richard Huesken
Tomoyo Imura
Sung-Nam Kim
Héctor Lehuedé
Rania Uwaydah Mardini
Christelle Martin
Andrew Mintzer
Paul Muthaura
Luigi Nisoli
Amarjeet Singh (Days 2-5)
Channa Wijesinghe
David Wray

Apologies:

Technical Advisors

Deepa Agarwal (Mr. Singh)
Keith Billing (Mr. Babington)
David Clark (Mr. Huesken)
Ellen Gorla (Mr. Mintzer)
Marta Kramerius (Mr. Nisoli)
Ki-Tae Park (Mr. Kim)
Andrew Pinkney (Ms. Endsley)
Natashia Soopal (Ms. Adam)
Bruno Tesnière (Ms. Martin)
Kristen Wydell (Mr. Wijesinghe)
Masahiro Yamada (Mss. Borgerth and Imura)

Charles Luo (Mr. Muthaura)

Non-Voting Observers

Present: Yohei Ito, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer

Present: Begoña Giner

IESBA and IFAC Staff

Present: James Gunn (Managing Director, Professional Standards), Ken Siong (Program and Senior Director), Linda Biek (Director), Geoffrey Kwan (Director), Laura Leal, Kam Leung, Jon Reid, Szilvia Sramko, Carla Vijian, Joanna Bernard, Joanne Holt, Jeanne Viljoen, Astu Tilahun, Diana Vasquez
David Johnson (IFAC Communications)

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Ms. Dias welcomed all participants and public observers to the fifth IESBA Board meeting of 2024. She extended a special welcome to Prof. Jens Poll, member of the Sustainability Task Force and former IESBA member, and Mr. Richard Fleck, Consultant to the Firm Culture and Governance and Collective Investment Vehicles (CIVs) work streams and former IESBA Deputy Chair, who joined in person and virtually, respectively. She also welcomed Mss. Caroline Lee and Liesbet Haustermans, former IESBA Deputy Chair and member, respectively, who observed the meeting virtually. Additionally, she welcomed Ms. Denise Canavan and Mr. Jens Engelhardt, former IESBA Technical Advisors, who observed the meeting in person.

Ms. Dias then updated the Board on the activities of the Planning Committee (PC) during the quarter, including updates on the various workstreams; a report-back on the discussions at the November 2024 SAC meeting with respect to (a) approaches to strategic commitments and work plan prioritizations in the Strategy and Work Plan 2024-2027, (b) technology, and (c) private equity investments in accounting firms; a review of the draft Terms of Reference for the Adoption & Implementation (A&I) Working Group and a proposed A&I plan for the forthcoming Sustainability and Experts standards, and a communications plan for those standards. The PC also considered the proposed revisions to the due process and working procedures document; the mid-cycle strategy review; possible Task Force and Working Group compositions in light of Board member rotations; and recent and upcoming outreach activities.

Ms. Dias also briefed the Board on new IESBA member appointments and reappointments for 2025.

Finally, Mr. Siong informed the Board that Ms. Holt had just joined the IESBA staff as a Senior Manager. He also welcomed Mr. Rui Peres Jorge, observing the meeting in person as incoming IESBA Director, Strategic Communications. Mr. Jorge will start his position on the IESBA staff in early January 2025.

APPROVAL OF MINUTES

The IESBA approved the minutes of the September 2024 public and joint sessions as amended.

2. Sustainability

The IESBA considered a report-back on recent engagements with the PIOB, the IESBA's Sustainability Reference Group (SRG), the Forum of Firms (FoF), the Committee of European Auditing Oversight Bodies (CEAOB) and the International Federation of Accountants' (IFAC) Small and Medium Practices (SMP) Advisory Group and Public Policy and Regulation Advisory Group.

Among other matters, IESBA participants raised the following comments or questions:

- Clarification regarding the CEAOB's position regarding the global baseline for ethics standards for sustainability assurance. In relation to the Code, the FoF constitution currently covers only transnational audits and not sustainability assurance engagements (SAEs).

Mr. Siong explained that CEAOB members oversee global firms that perform transnational audits in the EU and these firms use the IESBA's standards as the global baseline. Ms. Dias added that the European Commission (EC) is considering the interoperability of the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) with the EU legal and regulatory framework for sustainability assurance. She indicated that the CEAOB will

provide a proposal on ethics to the EC by June 2025, and the EC will make a determination in due course.

- Whether CEAOB supervises non-professional accountants (PAs) in the EU, and the oversight regime for non-PAs in that jurisdiction.

Ms. Dias explained that individual EU member states determine whether non-PAs can perform SAEs under the EU Corporate Sustainability Reporting Directive (CSRD). She added that approximately half of the EU member states have yet to transpose the CSRD. In addition, many EU member states are determining whether to permit non-PAs to do the work (to date most have not), and if so, how non-PAs will be supervised. In this regard, Prof. Poll noted 4 EU member states have permitted non-PAs, 2 member states have announced they will allow non-PAs, and 7 other member states will reassess the matter in due course.

- Given the immaturity of sustainability assurance, whether the IESBA should establish a process to actively monitor and respond to issues as they arise. Awaiting a post-implementation review (PIR) would be insufficient in this case and having a rapid response mechanism would align with the PIOB's comments.

The Sustainability Task Force co-Chairs, Mr. Babington and Ms. Martin, and Mss. Leal and Sramko as well as Messrs. Reid and Billing then presented the key changes proposed by Work Streams (WS) 1 and 2 to the [Sustainability Exposure Draft](#) (ED) following the IESBA discussions at its September and November 2024 meetings.

SUSTAINABILITY ASSURANCE – ETHICS

IESBA members were broadly supportive of WS2's proposals.

Concept of "Due Care"

In relation to the examples of pressure to act without sufficient expertise or due care in proposed paragraph 5270.3 A2, a few IESBA participants suggested considering adding a definition or description of "due care" to the Glossary or a cross-reference to proposed Section 5113 on the fundamental principle of professional competence and due care.

While acknowledging IESBA members' concerns regarding language accessibility and general understanding of the term for users of the Code who are not PAs, WS2 proposed not to make further changes to the proposals for the following reasons:

- The implementation support materials will include guidance specifically targeted at non-PAs and first-time users of the Code. As part of this non-authoritative material (NAM), the five fundamental principles (including the principle of professional competence and due care) will be duly explained.
- Adding this term to the Glossary may raise questions as to why other terms in the Code are also not defined or described in the Glossary.

The IESBA also agreed to consider holding a wider discussion on potentially further defining or describing the concept of "due care" in the Code as part of upcoming work streams.

Non-Compliance with Laws and Regulations (NOCLAR)

While agreeing with WS2's proposals on this topic, a few IESBA participants raised the following comments or suggestions:

- Including as part of any ongoing monitoring of the adoption and implementation of IESSA, the requirements regarding communication of actual or suspected NOCLAR between the sustainability assurance practitioner (SAP) and the auditor.
- Regarding proposed paragraph R5360.18a, whether a sustainability assurance client would also be a component of an audit client of the firm. WS2 recognized that this might not be frequent but could occur. The IESBA asked that staff address this matter in the development of the upcoming IESBA Staff FAQs.

SUSTAINABILITY ASSURANCE – INDEPENDENCE

IESBA members discussed, among others, the following matters regarding WS1's proposed amendments to the International Independence Standards (IIS) in Part 5:

Simplifications of the Independence Provisions Regarding Assurance Work Performed at a Value Chain Component (VCC)

The IESBA considered and supported WS1's proposed simplifications to the independence provisions applicable to assurance work performed at a VCC, including:

- Not requiring a group firm (and its team members) to be independent of the VCC at which a component practitioner (whether or not in group firm's network) is performing assurance work.
- Making it clear that if the client is a PIE, the group firm or component practitioner performing assurance work at a VCC is not required to comply with the PIE independence provisions, regardless of whether the VCC is a PIE.
- Not requiring, for the group firm, the application of the "mergers and acquisitions" provisions in paragraphs R5400.71 to R5400.76, but instead adopting the simpler approach in paragraph R5400.31 (consideration of financial and business relationships and previous services) when an entity becomes a VCC during the reporting period.

Clarification of Guidance Regarding Performing Assurance Work at a Component

IESBA members generally supported WS1's efforts and proposals to clarify the meaning of the concept of "performing assurance work at" a component. However, a few IESBA members were of the view that further clarity was needed in the IESSA regarding what activities would constitute assurance work performed at a component. The IESBA considered the importance of striking the right balance between including relevant guidance in the application material and providing guidance in NAM. After due deliberation, the IESBA determined to make a number of clarifications to WS1's proposed guidance in paragraph 5405.2 A3 regarding "performing assurance work at" a component. The IESBA also determined to include an additional clarification concerning whether the performance of planning procedures at a group level would constitute performing assurance work at a VCC.

An IESBA member expressed a concern regarding the premise of WS1's approach to independence considerations applicable to assurance work performed at a VCC. He argued that in both audit

engagements and SAEs, the reporting entity is responsible for the accuracy of the internal and external information, including information from a VCC. Consequently, in his view, obtaining evidence from customers and suppliers of the reporting entity for the SAE would be no different from obtaining evidence from customers and suppliers in an audit engagement. He believed that the IESSA should only set independence requirements with respect to the reporting entity. He suggested that the IESSA require the application of the conceptual framework with respect to VCCs.

Mr. Babington responded that ISSA 5000¹ already requires the SAP to identify the entities at which assurance work needs to be performed to obtain evidence for purposes of the SAE. He added that ISSA 5000 treats such entities from the client's value chain as components. He explained that the independence considerations applicable to assurance work performed at a VCC are fully aligned with the International Auditing and Assurance Standards Board's (IAASB) approach to determining a VCC for purposes of carrying out assurance work at the VCC.

Deferral of Effective Date for VCC Provisions

IESBA members generally supported WS1's proposal that the IESSA provide a longer effective date (July 1, 2028) for the independence provisions in Section 5405 and 5406 relating to assurance work performed at a VCC (a "deferred effective date"), subject to certain conditions for SAEs beginning prior to that deferred effective date.

In setting this longer effective date, the IESBA agreed that it would provide additional time to support and facilitate market transition to the independence regime applicable to VCCs under the IESSA. At the same time, this extended period would enable the IESBA, in coordination with the IAASB, to monitor the evolution of assurance practice with respect to the performance of assurance work at VCCs under ISSA 5000 and consider the need for any response in relation to the VCC provisions in the light of the developments.

Regarding the conditions for SAEs beginning prior to the deferred effective date, IESBA members raised the following comments, among others:

- Whether requiring the application of the conceptual framework was a relief compared to the implementation of the independence regime for entities that are not public interest entities (non-PIEs) in Sections 5405 and 5406.

Mr. Siong explained that the non-PIE independence regime goes beyond the conceptual framework in that it provides more specific and explicit considerations, including a number of clear prohibitions such as in relation to holding a direct financial interest in the entity and the assumption of management responsibility. He added that accordingly, it would not be appropriate to simply substitute the non-PIE independence regime with the conceptual framework. Therefore, allowing the application of the conceptual framework during the deferred period would represent a much lighter approach, thereby facilitating the market transition to the non-PIE independence regime for VCCs.

- What the purpose of the public disclosure would be regarding the fact that the VCC provisions have not been applied, and where the firm should make such disclosure.

WS1 members explained that the purpose would be to enable stakeholders to understand the relevant ethical requirements that have been applied with respect to the specific SAE. They added

¹ International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

that the Code is generally not prescriptive regarding the form and location of public disclosure by firms. Similar to the disclosure of fees by auditors under Section 410 for PIE audit clients, one possible avenue of public disclosure would be through the assurance report. The IESBA asked staff to address this matter as part of the IESBA Staff FAQs, in coordination with IAASB staff.

Using the Assurance Work of Another Practitioner

IESBA members broadly supported WS1's proposed amendments to Section 5406 with respect to using the assurance work of another practitioner. Among other matters, the following comments were raised:

- A question as to whose responsibility it would be to determine whether another practitioner meets the independence requirements in the IIS in Part 5 if the practitioner was subject to independence standards or professional requirements other than the Code.

Mr. Babington responded that it would be within the remit of regulators or other appropriate authorities in the specific jurisdictions to determine whether independence standards or other professional requirements are as demanding as the IIS in Part 5.

- An observation that ISSA 5000 does not include specific guidance on how the SAP can use the assurance work of another practitioner for purposes of the SAE when the firm cannot conclude that the other practitioner is independent. There was a view that the application material in Section 5406 referring to the relevant provisions of the applicable assurance standards to address this matter was confusing.

After due deliberation, the IESBA agreed to delete such reference from the application material.

ETHICS STANDARDS FOR SUSTAINABILITY REPORTING

IESBA members broadly supported WS2's proposals and did not raise any substantive comments.

DRAFT BASIS FOR CONCLUSIONS

IESBA participants also considered a draft Basis for Conclusions (BfC) prepared by staff and raised the following comments or suggestions, among others:

- It would be helpful to include a list of the acronyms used in the document in an Appendix.
- Consideration should be given to including more explanations with respect to:
 - Clarifying whether a passive investment in a VCC would make the VCC a group component.
 - The meaning of "performing assurance work at" a component and its relevance to the scope of application of the independence requirements in the IESSA.
 - The decisions made by the IESBA to further simplify the independence considerations when assurance work is performed at a VCC.

The IESBA asked that staff incorporate the necessary changes in the BfC and share the revised BfC with the Board for fatal-flaw review prior to finalizing it for submission to the PIOB as part of the due process documentation for certification of the final pronouncement.

PIOB OBSERVER'S REMARKS

Ms. Giner raised certain comments while expressing the PIOB's overall support for the IESBA's approach during the meeting in finalizing the provisions:

- She queried the deferral of independence provisions relating to VCCs and emphasized that this decision requires clear explanation from the public interest perspective in the Basis for Conclusions document.
- She reiterated the PIOB's support for the IESBA to put in place an active monitoring mechanism to monitor the adoption and implementation of the IESSA, in the context of the evolving landscape of sustainability assurance.
- Whether it was appropriate for the proposals to differentiate, in relation to the proportion of fees to the audit fee, between threats created by fees for SAEs within the scope of the IIS in Part 5 and threats created by fees for SAEs within the scope of Part 4B.

Prof. Poll explained that in determining to treat fees for SAEs within the scope of the IIS in Part 5 as not impacting the level of threats created by the proportion of fees for services other than audit to the audit fee, the IESBA intended to avoid creating an inconsistency in practice. This is because in the context of regulatory "fee caps" in some jurisdictions such as the EU, fees for SAEs required to be performed by law are not included in determining the proportion of fees for services other than audit to the audit fee. In addition, this approach is fully aligned with the approach in Section 410 in extant Part 4A, which focuses on the threats created by a large proportion of fees for services other than audit, including assurance engagements under Part 4B, to the audit fee.

- A suggestion for the IESBA to commence the NOCLAR PIR promptly, covering all NOCLAR-related sections in the Code, including the IESSA. Any issues that would appear in practice around the NOCLAR communication within sustainability assurance should also be covered by the monitoring mechanism mentioned above.

DUE PROCESS

Mr. Siong advised the IESBA that up to and including this meeting, the IESBA had adhered to its stated due process in developing and finalizing the revisions to the Code relating to sustainability assurance and reporting.

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

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

APPROVAL OF FINAL PRONOUNCEMENT

After agreeing all the necessary changes to the document, the IESBA approved the final revisions to the Code relating to sustainability assurance and reporting with the affirmative votes of 16 out of the 17 IESBA members present.

Mr. Mintzer voted against the document. In articulating his reasons for voting against, Mr. Mintzer raised his concerns about what he felt to be undue complexity of the IESSA, his view that the scope and breadth of the IESSA is daunting, which he felt could impede its consistent and effective adoption, and his concerns about implementation and potential unintended consequences. He added that most of the detailed issues could have been considered as part of a post-implementation review.

Mr. Mintzer also felt that the Board could have leaned more on the fundamental principles and conceptual framework in developing the IESSA, recognizing that the IESSA would also be adopted and implemented by non-PAs. He reiterated his view that an SAP does not need to be independent of the reporting entity's customers and suppliers. This is because he believed that the SAP's role is to provide assurance on the reporting entity's assertions, which include information from the entity's value chain, and not to validate the internal processes of such customers and suppliers or to opine on their reporting.

Mr. Mintzer also indicated that he would have voted to approve the WS2 provisions. In conclusion, Mr. Mintzer added that, notwithstanding his vote, he will support the IESSA as one of the IESBA's standards.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The IESBA assessed whether there was a need to re-expose the approved text. Taking into consideration the Task Force's recommendation on the matter of re-exposure, the IESBA agreed that the changes made to the ED were in response to the comments received from respondents and did not represent substantial changes to the ED. Therefore, the IESBA determined that re-exposure was not necessary.

EFFECTIVE DATE

The IESBA agreed that it is in the public interest for the final provisions to become effective at the same time as ISSA 5000. This recognizes the importance of providing stakeholders with a coordinated package of international assurance and ethics (including independence) standards in support of sustainability assurance and reporting.

The IESBA therefore determined that, except for the provisions in Sections 5405 and 5406 applicable to assurance work performed at VCCs, Chapters 1 to 3² of the final provisions be effective for SAEs on sustainability information for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026. The IESBA also agreed that Chapter 4³ of the final provisions be effective as of December 15, 2026. Early adoption of the provisions is permitted and encouraged.

In relation to the provisions in Sections 5405 and 5406 applicable to assurance work performed at VCCs, the IESBA further determined to allow a longer effective date until July 1, 2028 ("deferred effective date"), provided that for SAEs on sustainability information for periods beginning, or as at a specific date, prior to July 1, 2028 that involve assurance work performed at a VCC:

- (a) A group sustainability assurance firm or component practitioner that performs assurance work at a VCC apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence in relation to such assurance work;
- (b) If the group sustainability assurance firm intends to use the assurance work of another practitioner performed at a VCC, the group sustainability assurance firm be satisfied that the other practitioner is

² Chapter 1: IESSA; Chapter 2: Revised Glossary; Chapter 3: Consequential and conforming amendments to the extant Code

³ Chapter 4: Revisions to the Code relating to sustainability reporting

independent. In that regard, the group sustainability assurance firm may rely on a statement of independence in accordance with Part 4B or other professional requirements relating to independence; and

- (c) In the interest of transparency, the group sustainability assurance firm publicly disclose the fact that the independence provisions applicable to assurance work performed at VCCs under the IESSA have not been applied, pursuant to the deferred effective date for such provisions as specified in the IESSA.

3. Using the Work of an External Expert

Ms. Endsley, Chair of the Experts Task Force, and Mss. Leung and Bernard walked through the final draft of the provisions, which incorporated the input from the IESBA's September and November 2024 meetings, and the feedback received from targeted outreach undertaken in Q4. Mss. Leung and Bernard also briefed the IESBA on the rationale for the main changes.

IESBA members broadly supported the Task Force's proposed revisions to the final draft provisions. In addition to editorial refinements, the following matters were raised:

- Ms. Giner wondered whether there is a need to elevate the application material on documentation to a requirement, for example, to document the PA's evaluation of the external expert's objectivity, and the PA's related conclusion.

Ms. Endsley responded that while the encouragement to document is consistent with how the Code generally addresses documentation in the context of professional services in Part 3 of the Code, the Task Force recognizes the importance of elevating the care and thoughtfulness applied by the external expert in responding to the information request for the PA's evaluation of the external expert's objectivity, and to reduce the possibility of misunderstandings.

After due deliberation, the IESBA agreed to include requirements in paragraphs R390.12 to R390.17 and R390.28 for the PA to request and obtain information in writing from the external expert with respect to specified interests, relationships and circumstances with the entity, or with the client if the client is not the entity at which the external expert is carrying out the work.

- Ms. Giner also wondered whether the PA should be required to request the external expert to provide information in writing for the evaluation of the external expert's competence and capabilities.

Ms. Endsley and Mr. Siong noted that while nothing in the proposed standard would preclude a PA from requesting specific information in writing for such evaluation, the requirements to request information from the external expert in writing are focused on the external expert's objectivity for audits, reviews and other assurance engagements because these are the professional services with heightened public interest expectations.

An IESBA member further noted that requiring the external expert to provide information in writing for objectivity is necessary because the interests, relationships or circumstances that might impact an external expert's objectivity (such as between the external expert's immediate family and the entity at which the external expert is performing the work) are intimate details that are not likely to be available unless provided by the external expert.

Other matters raised included:

- Whether the requirement for the PA to obtain the specified information in writing relating to the external expert's objectivity (paragraph R390.28) could be combined with the requirements (in paragraphs R390.12 to R390.17) for the PA to request such information in writing from the external expert.

Ms. Endsley acknowledged that while this could, in principle, be done, the Task Force's proposed placement of the requirement in paragraph R390.28 in the *Documentation* subsection was intended to emphasize the need for the PA to maintain a record of the information obtained from the external expert.

- Whether the application material regarding communication with management and those charged with governance (TCWG) in paragraph 290.18 A1 should be elevated to a requirement.

In response, a few IESBA members cautioned against doing so. They noted that PAs not only will be at varying levels of authority and influence within the firm, but also may face many different facts and circumstances in relation to using the work of an external expert. Therefore, it would be necessary for the PA to exercise professional judgment as to when to communicate with management and TCWG, as appropriate.

DUE PROCESS

Mr. Siong advised the IESBA that up to and including this meeting, the IESBA had adhered to its stated due process in finalizing the Using the Work of an External Expert revisions to the Code.

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

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

APPROVAL OF FINAL PRONOUNCEMENT

After agreeing the necessary refinements to the provisions to address the comments raised during the meeting, the IESBA unanimously approved the final provisions with the affirmative votes of 17 out of the 17 IESBA members present.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The IESBA assessed whether there was a need to re-expose the approved text. Taking into consideration the Task Force's recommendation on the matter of re-exposure, the IESBA agreed that the changes made to the ED were in response to the comments received from respondents and did not represent substantial changes to the ED. Therefore, the IESBA determined that re-exposure was not necessary.

EFFECTIVE DATE

The IESBA agreed that:

- The provisions in Part 2 will be effective as of December 15, 2026.

- The provisions in Part 3 will be effective for audit engagements, review engagements, and other assurance engagements outside the scope of Part 5 for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.
- The provisions in Part 5 will be effective for sustainability assurance engagements and other professional services provided to the same sustainability assurance client for periods beginning on or after December 15, 2026, or as at a specific date on or after December 15, 2026.

DRAFT BASIS FOR CONCLUSIONS

IESBA participants also considered a draft Basis for Conclusions (BfC) prepared by Staff. Besides editorial matters and changes to reflect the Board decisions made during the meeting, IESBA members raised no comments. The Board asked Staff to proceed to finalize the BfC for submission to the PIOB as part of the due process documentation for certification of the final pronouncement.

4. Firm Culture & Governance

Mr. Wijesinghe, Chair of the Firm Culture and Governance Working Group (FCGWG), Mr. Kwan and Ms. Vijian provided a recap of the September 2024 IESBA discussion and briefed the IESBA on key comments received from stakeholder outreach in Q4, including the November 2024 Stakeholder Advisory Council (SAC) meeting.

Mr. Wijesinghe also highlighted the issues raised in the PIOB's October 2024 public interest issues list and how the FCGWG has addressed them in the Working Group's final report.

FCGWG FINAL REPORT

IESBA members were generally supportive of the Working Group's final report. Among other matters, the following comments or suggestions were raised:

- There should be an acknowledgement that cultural transformation is a journey and a dynamic process, with meaningful progress often only observable over a period of time. Culture surveys are valuable for assessing culture. However, firms should integrate them into a continuous improvement process rather than treating them as one-time assessments.
- While there is merit in the IESBA taking on a new project on accounting firm culture and governance given the Board's mandate, the amorphous nature of culture, influenced by factors such as introduction of new leadership and staff, can present a significant challenge for the project.
- It is appropriate that the final report does not present profitability on its own as an ethical issue.
- The proposed framework should be principles-based to ensure global applicability, avoiding overly prescriptive or rules-based solutions. For example, requiring independent non-executives as a universal solution may not be feasible for all firms or in all jurisdictions.
- The outcomes of this project, including any proposed revisions to the Code, may also be relevant to the upcoming work stream on the role of CFOs and other senior PAs in business (PAIBs). It was highlighted that the SAC had also made similar observations in this regard.
- On scalability:
 - Scalability is a key factor for consideration to ensure that the new standard can be applied by all firms, particularly small and medium practices (SMPs).

- It is not clear if the Final Report has captured feedback from the SMP community on how scalability should be addressed. In this regard, Messrs. Wijesinghe and Kwan explained that the final report had already highlighted the importance of scalability. They added that the project team will take this factor into account.
- There was a suggestion for using public interest entities (PIEs) as a threshold.
- On the topic of private equity investments (PEI) in accounting firms:
 - Whether the new FCG project should include the topic of PEI. There was also a suggestion that firms should be required to disclose how PEI influences their decision-making and partners' remuneration.
 - Ms. Dias agreed that PEI is an important topic that requires the IESBA's careful consideration. However, she was of the view that the topic should be separately considered by the Emerging Issues and Outreach Committee (EIOC) as it involves complex issues and the scope of the FCG project is already broad. Ms. Dias and Ms. Borgerth, Chair of the EIOC, further noted that it is still early days in understanding this emerging topic but there will be ongoing coordination between the FCG Project Team and the EIOC to ensure that all relevant ethics issues are addressed.
- Coordination with IAASB is an important dimension of the project and should commence at the beginning of the new project.

In response to a query, Mr. Wijesinghe noted that the new Project Team will consider the location of the new standard, including whether it should form part of the Code.

The Final Report, to be issued in early 2025, will be used as a basis for ongoing engagement with stakeholders.

After considering editorial refinements in light of the Board discussion, the IESBA accepted the FCGWG's Final Report.

FIRM CULTURE AND GOVERNANCE PROJECT PROPOSAL

Mr. Kwan presented the project proposal, including its objective, scope, approach, illustrative timeline and proposed global roundtables between March and April 2025. In addition, Ms. Dias and Mr. Siong explained that there will be two inter-related work streams, one focusing on standard-setting and the other on non-authoritative material (NAM). Both will be staff-driven, with two IESBA members acting as Board Advisors to both work streams.

Among other matters, the IESBA agreed to clarify the following in the project proposal:

- The project objective should more clearly highlight that it is about the ethical behavior of individuals.
- The project serves the public interest by meeting the needs of not only investors, regulators and firms but also the capital markets.
- It should be made clear that the IESBA has not determined that the only means of obtaining independent input is through the appointment of independent non-executives or other independent persons.

In addition, IESBA participants also raised the following comments:

- There needs to be clarity that when the term “firms” is referenced in outreach or project material, it is with respect to accounting firms and not other types of organizations.
- While the project should take a principles-based approach, the new standard should not be so high-level that it would have little or no impact. Instead, it should include specificities to establish clear expectations.
- Independent input should be provided to the highest level within a firm, such as the firm’s governance board.
- In light of the standards issued in the last few years, a gap analysis of the extant Code may be helpful before the Project Team develops the new standard.
- While the focus of the standard might be on the larger firms, this project can have broader impact on the whole ecosystem, including SMPs.
- It may be helpful to find out if firms have extended the application of ISQM 1 to services other than those within the scope of ISQM 1 (i.e., audit, review, other assurance and related services engagements).
- While this is not the first time the IESBA will be working on a standard-setting project and the development of NAM concurrently, it may be helpful to consider how best to approach the two work streams as a potential model for future initiatives.
- There was also a suggestion to incorporate best practices and case studies into the NAM such as the proposed NAM on the common characteristics of an ethical firm.

In response to a query on whether sufficient time has been allocated to complete the project, Ms. Dias reminded the Board that the topic of firm culture and governance is a strategic priority for the Board. She pointed out that she would not expect the project to recreate work done by others in areas such as governance, given the wealth of useful material on corporate governance already available in the marketplace.

APPROVAL OF PROJECT PROPOSAL

Following consideration of refinements to the document, the IESBA unanimously approved the Firm Culture and Governance project proposal, including the work stream on NAM.

PIOB OBSERVER'S REMARKS

Ms. Giner expressed the PIOB’s support for the FCGWG’s final report and the project proposal, noting that the matters included in the October 2024 PIOB public interest list have been taken into account and that the project objective was well defined. She was pleased that the project will follow a principles-based approach as the implementation of the culture and governance framework will depend on the particular jurisdiction, structure and size of the firm. Ms. Giner also highlighted the SAC’s feedback on addressing conflicts arising from financial incentives within firms and on promoting the importance of the public interest.

Ms. Giner queried whether the topic of PEI will be addressed under this project given its relevance as an emerging but yet critical issue. In response, Ms. Dias reiterated that while recognizing the importance of

the topic of PEI, the IESBA should consider it separately from the FCG project from a strategic vantage point.

WAY FORWARD

The IESBA will consider an update from the FCG Project Team at its March 2025 meeting.

5. Adoption & Implementation

Mr. Singh, IESBA A&I WG Chair, provided background to the establishment of the WG and outlined its proposed Terms of Reference (ToR). The proposed ToR set out the objectives of the A&I WG to promote and monitor A&I of the IESBA's standards, with an initial focus in Phase 1 on the IESBA's Sustainability and Experts Standards.⁴ In Phase 2, a more general A&I plan for all other IESBA standards would be considered by the IESBA.

Mr. Reid summarized the A&I WG's proposed Action Plan, including the joint launch of the IESBA Sustainability and Experts Standards with ISSA 5000, collaboration with IFAC and the IAASB, proposed implementation support material to be developed, and stakeholder engagement activities. He outlined the feedback received on A&I at the November 2024 SAC meeting and presented the IESBA Sustainability Task Force's proposal to continue the IESBA's Sustainability Reference Group (SRG) in 2025.

Building on other discussions at this Board meeting on a proposed active monitoring mechanism for the IESSA, the following comments were raised:

- The need for the IESBA to have an agile, forward-looking monitoring process to identify implementation challenges and to triage, fast track, and strategically respond to implementation issues that might arise with respect to the IESSA.
- The potential scope and role of this mechanism, including a possible advisory group of technical experts or others directly involved in implementation of the IESSA.
- Whether responsibility for the active monitoring mechanism should lie with the A&I WG or alternatively the EIOC.
- The importance of coordination with the IAASB on active monitoring of implementation of their respective sustainability-related standards.

Mr. Singh noted that the A&I WG's proposed ToR contemplate the WG providing recommendations to the IESBA and any A&I roadblocks relating to implementation could be reported to the Board.

Mr. Siong noted that the proposed active monitoring mechanism is more connected to the A&I WG as the WG is focused on the IESBA Sustainability and Experts Standards' roll-out. He added that the Planning Committee and IESBA Staff will undertake a holistic consideration of resources, strategy, and timelines, to determine the role and placement of the mechanism, with a proposal to be presented at the March 2025 IESBA meeting.

⁴ *International Ethics Standards for Sustainability Assurance (including International Independence Standards), Other Revisions to the Code Relating to Sustainability Assurance and Reporting, and Using the Work of an External Expert standards*

Among other matters, IESBA members raised the following other comments:

- A&I depends on jurisdictional adoption of sustainability reporting and assurance standards, meaning that utilizing synergies, collaborating, and coordinating with the IAASB, IFRS Foundation/International Sustainability Standards Board (ISSB) and other reporting standard setters is crucial.
- Coordination with the International Accreditation Forum (IAF) and connecting with relevant bodies in jurisdictions where practitioners other than PAs (non-PAs) undertake the majority of sustainability assurance engagements (e.g. in Korea) is critical for A&I efforts.
- It is important to outreach to non-traditional stakeholders, including CFO networks, companies implementing sustainability reporting, non-PAs, and transparency-focused organizations. Successful engagement with new stakeholders requires tailored language and non-traditional methods.
- Scoping and jurisdictional prioritization are important, as is ensuring that capacity building is available for jurisdictions that need support, including through assistance with translations.
- There is a need for frequently asked questions (FAQs) and other guidance on the value chain provisions in the IESSA and to consider feedback from practitioners as practices around value chain components evolve.
- With respect to the proposed effective date of the IESBA Sustainability and Experts Standards, leveraging experiences with the implementation of the CSRD⁵ in the EU might assist with addressing concerns about the expediency of A&I. Focusing on countries that have stated in law or guidance that the IESBA standards are to be used might simplify the implementation process.
- There should be clarity about the different purpose of continuing the SRG in 2025 compared to the proposed active monitoring mechanism.
- Whether there are synergies between the International Foundation for Ethics and Audit's (IFEA) approaches to jurisdictions with respect to funding and the A&I WG's activities.

APPROVAL OF THE TERMS OF REFERENCE AND ACTION PLAN, AND CONTINUATION OF THE SRG

The IESBA approved the A&I WG's ToR and supported the WG's Proposed Action Plan. The IESBA also supported the continuation of the SRG in 2025.

PIOB OBSERVER'S REMARKS

Ms. Giner emphasized that without proper adoption, high-quality standards are ineffective, hence the essential role of A&I. She indicated that the PIOB supports the A&I WG's proposals and agrees with the feedback received from the SAC. Ms. Giner highlighted the importance of the third pillar in the A&I WG's proposed ToR on progress tracking. She reiterated the PIOB's remarks in its October 2024 public interest issues list about the need for the IESBA to have an active monitoring system for A&I.

Ms. Dias reiterated the strategic importance of, and the IESBA's support for, the A&I WG. She added that successful A&I of the IESBA Sustainability and Experts Standards also requires a collective effort from IESBA members.

⁵ Corporate Sustainability Reporting Directive

WAY FORWARD

The IESBA will receive an update from the A&I WG at its March 2025 meeting.

6. PIE Rollout

IAASB UPDATE

Mr. Willie Botha, IAASB Program and Technical Director, provided an update on Track 2 of the IAASB's Listed Entity and Public Interest Entity project ([IAASB PIE Project](#)).

Among other matters, Mr. Botha explained the IAASB PIE Task Force's rationale for pursuing Option 1 to advance the IAASB PIE proposals. Under that option, the IAASB would adopt the term "publicly traded entity" (PTE) and its related definition as a replacement for "listed entity" and related definition, instead of adopting the IESBA PIE definition. The IAASB would also adopt the IESBA's framework for determining other entities that have public interest characteristics, and amend the extant differential requirements in the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) so that they apply to audits of PTEs instead of audits of listed entities.

Mr. Botha confirmed that the concept of PTE used in the IAASB PIE revisions is the same concept used in the IESBA Code.

After considering Mr. Botha's presentation, the IESBA noted no objection to the IAASB PIE Task Force's recommendation of Option 1 to the IAASB.

The IESBA committed to continued coordination with the IAASB on monitoring the adoption and implementation of their respective PIE provisions.

WAY FORWARD

The IESBA will consider a further update on the IAASB PIE Project in due course.

7. Mid-Cycle Strategy Review

Ms. Viljoen commenced the session by providing a report-back on the discussion related to the IESBA's strategy and work plan at the November 2024 SAC meeting. She noted that SAC Representatives were generally supportive of the IESBA's strategic focus and work plan. Among other matters, the SAC:

- Expressed support for prioritizing the post-implementation review of the Non-Compliance with Laws and Regulations Standards (NOCLAR PIR).
- Observed possible links between the FCG work stream and two other new work streams identified in the IESBA Strategy and Work Plan 2024-2027, Business Relationships and Audit Firm-Audit Client Relationship.
- Observed that the IESBA's work plan is ambitious in the context of the Board's limited resources.

WORK PLAN 2025-2027

Mr. Kwan and Ms. Viljoen presented the proposed work plan for 2025-2027, highlighting the ongoing projects and proposed work streams to commence in 2025. They also presented the IESBA Planning Committee's (PC) recommendations to:

- Postpone the Exploring Extending the Impact of the Code to All Preparers of Sustainability Information work stream to 2026.
- Broaden the information gathering with regards to the Role of Chief Financial Officers (CFOs) and Other Senior PAIBs work stream to include professionals in those roles who are not PAs, recognizing that many of the individuals in those roles are not PAIBs.

IESBA participants were supportive of the proposed work plan for 2025-2027, including the PC's recommendations. The IESBA also agreed to reduce the pace of standard-setting and, instead, allow more time for the new standards and revisions to the Code to bed down. Moderating the pace of standard-setting will also allow the IESBA to focus on other activities such as commissioning the development of NAM to support the implementation of new standards. The IESBA noted that based on the proposed work plan, no new standards are expected to be issued in the next two years.

Among other matters, IESBA participants also made the following comments:

- There should be clear communications about the IESBA's decisions on its work streams and other activities to address any concerns that IESBA is not doing enough.
- The IESBA may explore coordinating with the IAASB with regards to the NOCLAR PIR, as the IAASB does not have a corresponding work stream on its work plan.
- As part of its forward planning, the Board should demonstrate that the outputs from its work plan can be assimilated by stakeholders. It might also be helpful for the Board to discuss resource allocation not only to standard-setting work but also to all its other activities such as outreach and awareness-raising about the IESBA's work.
- The adoption of the IESBA's Tax Planning standards continues to gain momentum.
- There is an opportunity through the new work stream on CFOs to also collect information from both PAs and non-PAs about preparers of sustainability information.

Ms. Dias updated the IESBA on the composition of Project Teams/Working Groups for 2025.

PIOB OBSERVER'S REMARKS

Ms. Giner noted that the PIOB supported the proposed work plan for 2025-2027. She emphasized the importance of developing independence standards for sustainability assurance engagements that are outside the scope of the International Independence Standards in Part 5 of the Code, as well as the NOCLAR PIR. Additionally, Ms. Giner supported the PC's recommendation to broaden the scope of the CFO work stream to include information gathering from all CFOs, regardless of whether they PAs.

8. Sustainability Communications Update

Dr. Biek and Mr. Johnson presented an overview of the sustainability communications plan, informing the Board about the strategy for the launch of the IESBA Sustainability and Experts Standards, and highlighting the various actions that will be undertaken. They invited the Board to provide feedback on the plan and identify areas in which they would like to contribute.

In response to the presentation, IESBA members suggested candidates for the Executive video series, stressed the need for multilingual content, and emphasized the importance of a comprehensive stakeholder

list for engagement. The IESBA highlighted the importance of having a clear communication plan and ongoing collaboration with the A&I Working Group.

The IESBA agreed that key messages that are clear, concise, and consistent are essential to maintain impact and momentum after the standards are launched in January 2025, subject to PIOB certification.

PIOB OBSERVER'S REMARKS

Ms. Giner indicated that the PIOB welcomed the well-structured communications plan. She added that collaboration with the IAASB would be crucial for successful adoption of the standards.

9. PIOB Observer's Remarks

Ms. Giner congratulated the Board on successfully finalizing the IESBA Sustainability and Experts standards. She expressed her appreciation for the collective efforts of the IESBA and noted that this would be her final observation of an IESBA Board meeting as a PIOB Member. Reflecting on her tenure, she highlighted the valuable learning experience, including understanding the dynamics and operations of the Board. She concluded with heartfelt appreciation to all IESBA participants and shared that it had been a very pleasant and interesting journey for her.

Ms. Dias expressed her gratitude to Ms. Giner for her valuable contributions and input over the years, noting their shared journey and the understanding they developed of each other's roles.

10. Closing Remarks

Ms. Dias announced the updated compositions of the various Task Forces and Working Groups, including the Planning Committee, in light of Board member rotations at the end of the year. She congratulated the Board on a successful meeting and expressed gratitude for its dedication and hard work over the past three years, especially on the Sustainability and Experts projects.

Ms. Dias then extended her warm appreciation to the retiring IESBA Vice Chair, Ms. Endsley, and IESBA member Mr. Mintzer for their contributions to the Board's work throughout their terms of service. She also thanked the retiring technical advisors, Mss. Gorla, and Wydell, as well as Mr. Pinkney for their contributions.

Finally, Ms. Dias expressed her gratitude to all the IESBA participants for their contributions during the meeting, conveyed her best wishes for the holiday season and the New Year, and closed the meeting.

11. Next Meeting

The next IESBA meeting is scheduled for March 10-12, 2025 to be held in person in New York, USA.