



PIOB's Public Interest Issues - IESBA projects

(document updated as of October 2025)

The PIOB's Public Interest Issues presented in this document are based on the status of the IESBA's projects after its September 2025 meeting and the PIOB meeting in October 2025. For each selected project, brief background information and project status are provided, followed by the identified Public Interest Issues. The Public Interest Issues may contain questions or concerns relating to the responsiveness of specific initiatives and projects to the public interest. We encourage the IESBA to consider these questions and concerns during the due process of developing the relevant standards.

For further information and details about the IESBA projects, please refer to the website: <https://www.ethicsboard.org/consultations-projects>.

CONTENTS

1. SUSTAINABILITY REPORTING AND ASSURANCE.....	2
1.1. Supporting implementation through monitoring and rapid response.....	3
1.2. Scope of new Part 5 and applicability of Part 4B of the Code.....	3
1.3. Strengthening NOCLAR communication.....	4
2. FIRM CULTURE AND GOVERNANCE	5
2.1. Achievement of behavioral changes as the ultimate goal of the project	6
2.2. Scope of the project.....	6
2.3. Approach to developing a Framework.....	7
2.4. Inter-operability with ISQM 1.....	8
3. COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS.....	8
3.1. Incorporation of Collective Investment Vehicles and Pension Funds into the Code	9
4. PRIVATE EQUITY INVESTMENTS	10
4.1. Coordination between various projects	10
OTHER PUBLIC INTEREST ISSUES.....	11
5. Potential expansion of the scope of the Code of Ethics	11
6. Impact of technology on ethics and independence.....	12
7. Classification of assurance services and their impact on independence.....	12
8. Interoperability of ethics and audit: IESBA and IAASB coordination.....	13



Use of main acronyms

Code	The IESBA's Code of Ethics
ED	Exposure Draft
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IESSA	International Ethics Standards for Sustainability Assurance
ISA	International Auditing Standards
ISSA	International Standard on Sustainability Assurance
PIOB	Public Interest Oversight Board

1. SUSTAINABILITY REPORTING AND ASSURANCE

Background

Following the PIOB certification of the IESBA and IAASB sustainability standards by the beginning of 2025, market participants and policymakers around the world now have a robust global baseline to instill confidence in sustainability reporting. Sustainability reporting has wide relevance for users both within and outside of capital markets and it requires additional information sources and the exercise of key judgments beyond financial reporting. There are also heightened risks, such as greenwashing, where organizations might seek to misrepresent their performance. Avoiding such risks, which could undermine public trust and capital flows into sustainable development, is clearly in the public interest.

The new IESBA sustainability standards for robust and consistent ethics and independence for sustainability reporting and assurance were developed in an accelerated timeline, to meet, to the greatest extent possible, the expectations of users placing reliance on reported information. The next step is a successful implementation of the sustainability standards, which will not only require further work of the IESBA, but also significant input from assurance practitioners, regulators, preparers and those charged with governance¹.

As sustainability reporting and assurance is at the start of a long journey and the new IESBA standards are central to this journey, it will necessarily need to evolve in line with public interest needs. The PIOB is encouraging all stakeholders to share feedback

¹ *The PIOB notes that, in the context of implementation of the global standards on ethics and independence for sustainability reporting and assurance, there are public interest matters beyond the remit of the IESBA. The implementation will require a robust level of public interest oversight, where regulators and those charged with governance have a role to ensure that preparers of the sustainability information as well as assurance practitioners have the appropriate skills and experience and comply with ethical reporting and assurance standards.*



from implementation, draw key lessons from experience, to enable timely refinements and, ideally, simplifications to the standards.

Status

In January 2025 the PIOB certified the standard *“International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting”* (also referred to as the “standards” or IESSA in this section), as approved at the December 2024 IESBA meeting. The Public Interest Issues below reflect the key matters noted in the “Background” section above and highlight those areas that require further refinement in the context of the necessary evolution of the standards.

1.1. Supporting implementation through monitoring and rapid response

As sustainability reporting and assurance is a relatively new field, it is foreseen that questions will arise, and necessary clarifications will be needed across jurisdictions as sustainability practitioners start implementing the standards. Such challenges might arise, for example, in respect of expected involvement of those practitioners who are less familiar with the IESBA standards or in relation to the deferral of the effective date of the independence clauses for value chain components.

The PIOB encouraged the IESBA to create an effective monitoring and rapid response mechanism(s) to identify implementation challenges and to respond to them appropriately. In this context, the PIOB welcomes the establishment by the IESBA of the “IESSA Implementation Monitoring Advisory Group” (IIMAG) to provide insights, feedback or advice on identified areas relating to the implementation of the IESSA. Engaging with all relevant stakeholders, as an integral part of the monitoring and rapid response mechanism(s), will help ensure successful adoption and implementation of the IESSA through wide collaboration within the sustainability ecosystem, which is undergoing constant evolution in various jurisdictions.

The PIOB also emphasized the need for coordination with the IAASB and welcomes the appointments of an IAASB observer on the IIMAG and an IESBA observer on the corresponding working groups of the IAASB as well as joint outreach activities and publication of supporting implementation materials.

1.2. Scope of new Part 5 and applicability of Part 4B of the Code

The certified standards have been scoped to cover specific types of assurance on sustainability information as defined in the new Part 5 of the Code. While this approach is appropriate to have a global baseline at this point of time, further work is needed to achieve consistency in the standard’s application for all sustainability assurance practitioners. The PIOB acknowledges that there remains a difference in the

application of the Code between professional accountants on one hand, and other practitioners who are not professional accountants, on the other:

- Both professional accountants and other practitioners must follow Part 5, which covers specific types of assurance on sustainability reporting with respect to sustainability information that is reported according to a general-purpose framework; required according to law or regulation; or publicly disclosed to support investors' and other stakeholders' decision making.
- Only professional accountants must follow Part 4B, which relates to other sustainability assurance services which are not covered under the scope of independence requirements in Part 5. Other practitioners are only encouraged to apply the requirements of Part 4B.

It is in the public interest, for the benefit of users of reliable and trustworthy sustainable information and the quality of its assurance, to have a level playing field for all sustainability assurance practitioners, i.e. both professional accountants and other sustainability assurance practitioners, who should be subject to the same requirements, for all sustainability assurance engagements, even for those which are not covered in the scope of independence requirements in Part 5.

The PIOB acknowledges the commitment of the IESBA to address this matter and welcomes the commencement of information gathering prior to a project proposal. In this context, it is important to take into account considerations in relation to the expansion of the scope of the Code, as further described in section 5 of this document.

1.3. Strengthening NOCLAR communication

The certified standards require communication on suspected or actual non-compliance with laws and regulations (NOCLAR), from the sustainability assurance practitioner to the financial statements' auditor, or vice versa, unless prohibited by law or regulation. This requirement is currently only applicable if the sustainability assurance client is also an audit client, or a component of an audit client, of the same firm. In other instances, the standard only requires that the assurance practitioner shall consider whether to communicate, which is consistent with the general approach of the Code.

In this context, the PIOB acknowledges the IESBA's plan to consider whether to expand and strengthen this requirement in a holistic way and in the near term, as described below.

Two-way NOCLAR communication between the financial statements' auditor and sustainability assurance practitioner, in all instances

The PIOB underlines the importance of two-way communication between different assurance practitioners to ensure adequate and timely follow-up of identified



instances of suspected, or actual, NOCLAR, which may include suspected greenwashing, in both the financial statements audit and the sustainability assurance engagement.

While communication may be easier in instances where the group and component sustainability assurance practitioners, as well as the financial statements auditor are from the same firm, the communication is necessary in all instances to address the risk of an uneven level-playing field for all assurance arrangements.

Two-way communication between the group sustainability assurance practitioner and assurance practitioners of the value chains

The PIOB notes that the approved standards only contain requirements for communication between the group sustainability assurance team and sustainability assurance practitioners of group components. There is no required communication by another practitioner performing work for the group assurance practitioner at a value chain component.

The PIOB encourages the IESBA to address the need for timely broader two-way communication in the context of NOCLAR between all relevant assurance practitioners. In this context, the PIOB welcomes that the IESBA has committed to address the NOCLAR communication matter throughout the Code in a holistic manner and that it has commenced NOCLAR post-implementation review.

2. FIRM CULTURE AND GOVERNANCE

Background

The project of Firm Culture and Governance was included in the Strategy and Work Plan 2024-27 due to a clear need to respond to persistent cases of unethical behavior within firms and to consider the broader issue of firm culture and governance and how these might impact ethical behavior and compliance with the Code. The PIOB has expressed strong support for this project.

Status

The IESBA discussed the work on Firm Culture and Governance during all its meetings in 2024, leading to the approval of the project proposal in December 2024. The IESBA continued gathering input for the project during the first quarter of 2025, including feedback through a series of global roundtables with a wide range of stakeholders. Based on the feedback received from the roundtables, as well as from other stakeholder outreach initiatives, the IESBA decided at its June 2025 meeting to re-sequence the project activities, prioritizing the development of non-authoritative and supporting material for the next 18-24 months while exploring the best approach for the Firm Culture and Governance Framework. Regarding the latter, the IESBA is developing, in parallel with non-authoritative and supporting material, a series of



“viewpoints” on various elements of the envisaged Framework. The IESBA is aiming to agree the “viewpoints” at its December 2025 meeting with a view to using them for further engagement with stakeholders in the first half of 2026. It is envisaged that by June 2026 the IESBA will stand back, reflect on the feedback received on the “viewpoints” and determine the way forward with respect to the Framework.

2.1. Achievement of behavioral changes as the ultimate goal of the project

The PIOB welcomes that the project proposal has defined the objective of the project as to develop a Firm Culture and Governance Framework that promotes, supports and reinforces a high standard of ethical behavior. The PIOB also welcomes IESBA’s intention for the project to aim at instilling behavioral changes through the proposed Framework, in the specific areas highlighted by the project proposal, such as leadership of firms, provision of independent input, firm-wide level accountability, performance management, speak-up culture, education and training, and transparency. In referring to behavioral change, the PIOB emphasizes the importance of uniformity across all the service lines of firms, which require consistent interpretation and level of understanding of the Code regardless of the professional background of the individuals.

The PIOB encourages the IESBA to pursue development of an enforceable Framework inspired by an understanding of factors which contribute to unethical individual behavior and culture through building on fundamental ethical principles to achieve behavioral change, rather than “compliance” steps. Equally, ethical aspects relating to governance should stipulate substance rather than form, in order to complement the principles for individual behaviors and to also provide appropriate transparency for the users of services and public confidence more generally. The PIOB acknowledges the IESBA’s commitment to achieve the goal of the project via a principles-based Framework in the Code, noting that there are benefits in re-sequencing the project steps to gain a better practical understanding and knowledge for the development of such a Framework (see section 2.3).

2.2. Scope of the project

The PIOB welcomes the IESBA’s approach in the Firm Culture and Governance project proposal to address risks impacting the public interest arising from the organizational culture and governance of firms in which individuals work.

The PIOB welcomes the IESBA's approach to consider all service lines within the firm rather than a narrow approach focused only on the audit service line. An ethical culture that is integrated in the firm’s strategy covering all service lines with supporting performance indicators, measurement and monitoring can guide a systematic

approach to continuous improvement. Considering these factors, the project will more completely address “firms” as market-facing multi-service entities, taking into consideration the interplay between traditional service lines, such as audit, with others that are not necessarily undertaken by professional accountants. Equally, it is important to cover arrangements within and across jurisdictions often housed under “network” arrangements.

The PIOB supports the intention of the IESBA to consider risks which arise within legal structures used across firms, as well as from private equity investments (see also Section 4), with attention to their interplay with incentives that might lead to unethical behavior and corporate governance arrangements. Scalability of the future Framework based on consistent principles to cover firms of different sizes, and with a clear rationale if non-application is envisaged in circumstances of certain firms, will require careful attention. Compatibility with local legislation and ensuring that public benefit is achieved in a neutral way with respect to market structure are among key matters to be considered for any potential amendments to the Code.

The PIOB supports the re-sequencing of the project steps (see section 2.3) and consideration of further feedback to better inform the ultimate standard setting work in achieving the agreed scope and objectives of the project.

In this context, the PIOB acknowledges the IESBA’s commitment to remain within its remit and leave the regulation of legal structures to regulators. The PIOB supports the IESBA’s focus on ensuring the ethical behavior of individuals of different backgrounds and expertise within the firm and ethical functioning of governance arrangements.

2.3. Approach to developing a Framework

The PIOB supports IESBA’s decision to stand-back and assess how best to achieve the objectives of this project resulting in the re-sequencing of the project steps. This is appropriate considering the complex nature of the subject matter and variations in rules and practices across jurisdictions, as well as given the feedback received from a range of different stakeholders and the logic of using the proposed IESBA “viewpoints” to inform and make more efficient the design of the Framework. In this context, the PIOB acknowledges the IESBA’s approach to utilize the “viewpoints” as a stepping stone in this respect and to ensure that the project’s intended outcome is fully maintained in rebuilding and maintaining trust in firms in the public interest.

The PIOB welcomes the IESBA’s consideration of whether, and if so when and how, field-testing of the “viewpoints” might be undertaken. If timed appropriately, this could be an important mechanism to avoid unintended consequences and achieve the ultimate success of the project.

The PIOB encourages the IESBA to responsibly consider risks of being misunderstood as to what the project is seeking to achieve at this stage. Clear communication is

crucial throughout the project, including the choice of terminology in the various materials being issued and how the “viewpoints” may be translated into a new framework. This is important to achieve understanding among stakeholders and keep the project’s objective at the forefront, which is to enhance the role and contribution of the Code to support the public interest responsibility of the profession.

2.4. Inter-operability with ISQM 1

The PIOB emphasizes, as a matter of priority in the Firm Culture and Governance project, the benefits of an enhancement in ongoing coordination with the IAASB (see also Section 8). Such coordination is vital specifically with respect to the inter-operability of the characteristics of the anticipated Framework, as reflected in the draft IESBA “viewpoints”, with the IAASB’s International Standard on Quality Management ISQM1, through careful consideration of any links and potential overlaps between the two. Ethical behavior and independence are crucial principles that underpin audit quality, and they are already recognized by ISQM1. It is therefore important that IESBA communicates clearly to stakeholders in a timely way on how it intends to interlink the envisaged Framework with ISQM 1.

The PIOB acknowledges the IESBA’s intention to address the interoperability point as a result of the feedback received through the roundtables and other outreach, and its reassessment of the project approach (see section 2.3).

3. COLLECTIVE INVESTMENT VEHICLES AND PENSION FUNDS

Background

The revised definition of “Public Interest Entity” (completed in 2022) does not explicitly include Collective Investment Vehicles (CIVs) and Pension Funds (PFs), but the Code contains a strong encouragement for local bodies to consider adding CIVs and PFs as categories of PIEs in their own jurisdictions. The PIOB supported this approach as the PIE definition was revised in 2022, regarding this as appropriate at that point in time. Equally, the PIOB strongly encouraged the IESBA, at the time, to undertake further research activities in respect of CIVs and PFs, specifically with respect to their interaction with related entities, and relationships with and between trustees, managers and advisors.

Status

In line with the approved Strategy and Work Plan for 2024-2027, the IESBA discussed the CIVs and PFs project during board meetings in 2024. The initial conclusions from the research conducted were that unrelated third parties that undertake significant

management responsibilities on behalf of CIVs and PFs are currently not explicitly captured by the Code’s definitions of “audit client” and “related entity” and therefore there is a risk that auditors would not apply the conceptual framework in a consistent manner.

The IESBA approved a Consultation Paper at the IESBA meeting in March 2025, to solicit further views about this perceived gap in the Code. In September 2025, the IESBA considered a preliminary analysis of the feedback received. Building on this analysis and IESBA’s guidance, the project team will develop a report with recommendations by December 2025.

3.1. Incorporation of Collective Investment Vehicles and Pension Funds into the Code

The PIOB supports the IESBA’s activities to identify to what extent there is currently a public interest “gap” in coverage of the Code – i.e. risks arising from the absence of the specific independence provisions addressing audits of CIVs and PFs.

The PIOB has acknowledged the current intention of the IESBA to consider potential enhancements to independence provisions in the Code rather than reconsidering inclusion of CIVs and PFs explicitly in the PIE definition.

The PIOB supports the proposed way forward, to carefully consider the practical aspects of a “perceived gap” as described in the Consultation Paper. Before proposing any amendments to the Code, it is important to understand how auditors currently apply the conceptual framework to assess their independence when dealing with CIVs and PFs. This could provide insight as to whether there are inconsistencies in the application of the Conceptual Framework in the Code and whether there is a need for further clarity, and potentially requirements in the Code in respect of certain relationships.

The PIOB encourages the IESBA to investigate potential similarities in this respect between the CIVs and PFs on the one hand, and private equity investments (see Section 4) on the other, to ensure their consistent treatment in the Code.

In summary, it will be important to ensure that risks to the public interest are clearly articulated so that any eventual proposed revisions to the Code are tailored appropriately, also with scalability in mind, in order that they meet the public interest without unintended consequences.

3.2. Engagement with investors and other respondents

The PIOB underlines that the independence of auditors is fundamental for fostering trust in financial reporting and decision making. The Consultation Paper directly addressed independence challenges, seeking feedback on how independence may



be compromised, either in substance or appearance, due to relationships with “connected parties” of CIVs and PFs.

Gaining a deep understanding of the diverse feedback received to the Consultation Paper by stakeholder groups and conducting further engagement, as needed, are relevant steps to adequately respond to stakeholders’ needs and the public interest.

Recognizing the strong interest expressed by investor stakeholder groups in the matters addressed in the Consultation Paper, as noted by the response of several investors and asset managers, the PIOB encourages the IESBA to further engage with the investor community. This dialogue is important to gain deeper insights into the key concerns and challenges surrounding auditor independence in the context of CIVs, PFs, and similar structures, and to explore potential approaches for effectively addressing these issues.

4. PRIVATE EQUITY INVESTMENTS

Background

Private equity investments (PEI) in audit firms have been increasing in recent years, particularly as firms seek capital to grow, invest in technology, or expand service offerings. As this trend is impacting the traditional structure of many accounting firms, the topic of PEI has become relevant to several on-going projects and initiatives of the IESBA.

Status

The IESBA’s on-going projects where the PEI is relevant are most notably the Firm Culture and Governance (see Section 2), and CIVs, Pension Funds and other Investment Company Complexes (see Section 3). In addition, in July 2025 the IESBA issued a Staff Alert regarding PEI in audit firms, which aims to provide guidance on how to apply the Code, particularly its conceptual framework, to different PEI structures.

4.1. Coordination between various projects

The PIOB encourages the IESBA to clearly articulate, beyond the Staff Alert, whether it intends to address the ethics and independence considerations of the PEIs and how the different projects, as referred to above, interrelate. Another consideration could be to also coordinate with the IAASB regarding risk assessment aspects of the PEI in the context of its quality management standard ISQM 1. It is important that the respective teams work together to ensure consistency and coherence in their approaches.

OTHER PUBLIC INTEREST ISSUES

Background

During its oversight activities, the PIOB has identified several public interest issues, which are of a broader nature relevant to IESBA workstreams. These issues are described in Sections 5-8 below.

5. Potential expansion of the scope of the Code of Ethics

Consideration of the potential expansion of the impact of the Code, including possibly expanding the scope and application of the Code, is part of the IESBA's 2024-2027 Strategy and Work Plan, which the PIOB concluded in April 2024 has been developed in a manner consistent with agreed due process and is responsive to the public interest. The PIOB has already acknowledged the intention of the IESBA to expand the applicability of Part 4B to other practitioners who are not professional accountants (see Section 1.2 for details).

As the IESBA considers further expanding the applicability of the Code to individuals other than professional accountants, the PIOB underlines the importance of clear articulation of the anticipated benefits as well as any specific risks from the public interest perspective. Robust engagement would be imperative with investors, users, regulators and stakeholders both within the accountancy profession as well as among other professionals who would be the subject of any such extension of application of the Code. Equally, a wider impact analysis would be required to identify any potential unintended consequences regarding the efficacy of the Code as a whole where professional accountants are concerned. By way of example, this analysis would cover potential risks arising from the use of more universal language in any extension to enable other professionals to understand and apply the Code.

In summary, taking into account all the relevant perspectives, a potential extension of the application of the Code will require time and resources and therefore impact on other areas of IESBA's work. Therefore, careful evidence-based evaluation of priorities will be needed, considering the significance of risks to public interest issues to be addressed.

The IESBA's mandate to serve the public interest lies in setting ethics standards, including independence, as a cornerstone to ethical behavior. By definition, this mandate is distinct from, while complementary to, the remit of regulators. Preserving this complementarity while guarding against any overlap will help ensure that the Code continues to be responsive to the public interest and assist regulators in achieving efficient regulation.

6. Impact of technology on ethics and independence

Digitalization is profoundly impacting the role of auditors, transforming the conduct of their work and the skills required to perform their role. In this context, new risks for auditors with respect to ethics and independence have appeared.

It is welcome that the IESBA has recently issued revisions to the Code and resource materials for professional accountants, including Technology-related Revisions to the Code (effective from 15 December 2024) or Practical Guidance for auditors on how to apply the Code's requirements with respect to independence (dated July 2023). Remaining attentive to feedback on the usefulness of these materials and market developments overall will be important going forward. Equally, the PIOB encourages the IESBA to liaise closely with the IAASB with respect to its important technology-related project, with a view to anticipating any significant impacts on ethics and independence.

For both the IESBA and the IAASB, it is also important that the Boards benefit to the fullest extent possible from their existing technology expert groups, to ensure an appropriate understanding of the strategic risks related to the theme of technology.

7. Classification of assurance services and their impact on independence

The Code prescribes that auditors of financial statements consider potential threats to their independence in cases when a large proportion of fees charged to their clients is generated by providing services other than audit (paragraph 410.11 A1). Under the current approach, the non-audit services which trigger the application of these provisions, include all assurance services, with the exception of reviews of financial statements (paragraph 410.3 A3) and sustainability assurance within the scope of the new Part 5 of the Code (paragraph 410.11 A2a). Consequently, a wide range of assurance services are considered as threats to auditors' independence, based on IESBA's view that they have a lower level of public interest.

Recognizing the importance of the principle-based nature of the Code and its coherence, the PIOB is concerned about the public interest implications of such an inconsistency in the treatment of assurance services and the resulting stringent independence requirements. From the user and broader external perspective, the inconsistent treatment of different types of assurance creates unnecessary complexity which is not conducive to the credibility of the auditor and the assurance work performed. On these grounds, the PIOB encourages the IESBA to reflect on the public interest benefit of overall coherence in the approach with respect to independence of the financial statement auditor in the Code.

8. Interoperability of ethics and audit: IESBA and IAASB coordination

The PIOB notes that ethics and audit are two sides of the same coin, both from practitioners' and users' perspectives, as standards need to be interoperable to properly serve the public interest.

The PIOB acknowledges that the IESBA and IAASB coordinate their efforts at different stages of the development cycle of standards to determine potential implications on their respective projects, in alignment with the Public Interest Framework. In some instances, however, due to the complexity and nature of the topic and the challenge of achieving coherence in the standards, projects would require further joint efforts e.g. through joint board sessions, joint project teams, and potentially also by recasting some projects as joint projects.

A joint approach will enable the IAASB and IESBA to identify risks, opportunities, and impacts at an early stage for topics that overlap between ethics and audit and assurance. Clear communication of these matters will enhance stakeholders' understanding of the respective roles of ethics and audit and assurance, as well as their interdependence. The PIOB therefore encourages the IESBA and IAASB to consider whether to deepen the cooperation and coordination in the following projects:

- Implementation of Sustainability standards (see Section 1.1 and IAASB Public Interest Issues),
- Technology (see Section 6 and IAASB Public Interest Issues),
- Firm Culture and Governance and ISQM1 (see Section 2.4),
- Definition of Public Interest Entity (see IAASB Public Interest Issues).

In this context, the PIOB strongly supports the proposal to launch a joint survey by the IESBA and IAASB to inform the preparation of the Boards' next Strategies and Work Plans, which raises awareness among stakeholders of the critical role that both standard-setting boards play in the development of high quality interoperable ethical and assurance standards.