TRENDS, RISKS AND OPPORTUNITIES REPORT

Methodological note

A. Purpose and role of the report

1. The Trends, Risks and Opportunities (TRO) report is prepared under the Trends and Risks Committee's (TRC) approved Terms of Reference and Working Processes (March 2026). It supports the Committee's role in identifying policy, accounting profession, industry, economic and financial developments that may affect the IESBA's activities and mandate, and bringing relevant matters to the Board and, as necessary, to the Stakeholder Advisory Council.

2. Through periodic horizon scanning, the TRC brings to the Board international developments and national developments of international relevance that may affect the adoption and implementation of IESBA standards, its strategy or work plan, or otherwise merit attention, including issues on which the IESBA may have a role in international debate.

3. The report is not limited to newly emerging issues. It also monitors developments relevant to ongoing IESBA projects and workstreams that may reinforce current priorities, inform their scope or direction, raise implementation questions, or warrant further consideration or monitoring. Proposed TRO matters are shared with relevant workstreams for comment, to confirm what is already being addressed and inform ongoing activities. The report informs the Board's deliberations and decisions without implying that the matters identified necessarily require standard-setting or other action.

4. The report has two main analytical components: (i) "**Selected developments,**" highlighting significant events and changes during the reporting period; and (ii) "**Trends, risks and opportunities,**" assessing issues arising from the evidence and their potential implications for the IESBA. It may also include an "**In Focus**" section: a concise review of available information to help the Board understand selected subjects of potential interest.

B. Information sources, coverage and limitations

5. The Spring and Autumn reports will be posted to the Board in mid-May and mid-November, covering the six months preceding the 15 April and 15 October cut-off dates, respectively.

6. The Autumn 2026 report draws on a database of 270 entries curated by the IESBA Staff Insights Group, recording relevant developments, publications and supporting evidence. The database reflects the IESBA Staff Insights Group's ongoing horizon scanning, contributions from IESBA members, technical advisors and staff, outreach and established reporting channels, and monitoring of media, regulatory, professional, institutional and other sources identified in the TRC's Working Processes.

7. The report was prepared through a structured five-step process, combining the IESBA Staff Insights Group's expertise and judgment with artificial intelligence (AI)-assisted research and analysis. The following sections explain the criteria used to select developments and assess TROs; Sections 6 and 7 describe the process and its safeguards.

8. Horizon scanning is necessarily limited by what can be identified and accessed. Information may be unpublished, inaccessible, reported late or missed through outreach, media monitoring and AI-assisted research. Broad source coverage, complementary research approaches and targeted checks help reduce, but cannot eliminate, this risk. The database is curated, not statistically representative: the report does not claim exhaustive global coverage or infer worldwide trends or incidence from the number of entries.

C. Selected developments: purpose and selection criteria

9. Selected developments highlight significant events, decisions, publications and other changes during the reporting period. They are grouped under four Types of Update: Financial and Economic; Industry and Institutional; Enforcement, Sanctions and Inquiries; and Standard Setting, Regulatory and Policy.

10. Staff assess candidates comparatively against six qualitative criteria:

- Significance – scale, consequences, novelty, precedent and possible effects on stakeholders or the public interest.
- IESBA relevance – connection to professional ethics, independence, the accounting profession, reporting, assurance or public trust.
- Breadth and potential impact – reach and possible implications beyond the immediate organization, sector or jurisdiction.
- Timeliness – a meaningful new event, publication, decision or milestone within the reporting period.
- Distinctiveness – added value compared with other candidates, without duplicate or repetitive coverage.
- Evidence and reliability – quality of sources, factual accuracy, the status of proceedings or proposals, and uncertainties.

11. Staff apply these criteria using professional judgment. They compare important alternatives and may report a major event on its own (even if reported from just one jurisdiction only), group substantively related events into a coherent factual account, or describe successive milestones in a continuing process. Staff are supported by AI-assisted analysis; the operational prompt allows up to 10 selections per Type, with no minimum or target.

12. In the Autumn 2026 exercise, following team review, the TRC was presented with 20 proposed selected developments and 10 alternatives. From these 30 candidates, the TRC discussed and decided on a final selection of 20 developments, which are presented in the report to the Board.

D. Trends, risks and opportunities: identification and assessment

13. The TRO assessment considers all developments recorded in the database, including those not highlighted as selected developments. Its purpose is to identify broader patterns, risks and opportunities, while also considering significant individual developments that may warrant the Board's attention. The methodology uses AI to help group related developments and identify potential patterns, with the IESBA Staff Insights Group reviewing and assessing the results.

14. Issues are considered through a public-interest lens, weighing the nature, breadth and significance of developments; possible risks and opportunities affecting professional judgment and conduct,

independence, the reliability of reporting and assurance, and public trust in financial and non-financial information; and the strength and limits of the evidence. This initial assessment is not restricted to matters already covered by IESBA projects.

15. The issues are then assessed against the TRC's approved criteria, the IESBA's mandate, the Code where relevant, Board decisions and ongoing workstreams. In its proposals, staff consider what is already under way and whether new developments may reinforce an existing project, affect its scope, direction or implementation, or raise further questions. Comments from relevant workstreams help ensure that ongoing activities are described accurately.

16. The TRC Working Processes distinguish two categories:

    - Category A: For IESBA consideration — Matters warranting substantive Board discussion and consideration of possible action, including a potential weakness or lack of clarity in the Code, implications for current or future projects, strategic importance for the Code's development, adoption or implementation, or a topic on which the IESBA may have a voice. Importantly, category A does not automatically imply a Code gap or a new standard-setting project.
    - Category B: For IESBA and Staff noting — New or ongoing developments with possible implications for the IESBA's strategy, work plan or application of the Code that do not currently warrant substantive Board discussion. They may still merit monitoring and are not necessarily unimportant.

17. Staff also consider counterarguments and evidence gaps. There is no explicit limit to the number of Category A or B matters that can be considered.

18. In the Autumn 2026 exercise, following team review, the TRC was presented with 6 Category A matters and 16 Category B matters. Following its analysis, discussion and decision, the TRC retained 5 Category A matters and 6 Category B matters, which are included in the final report.

E. In Focus

19. The “In Focus” section gives the Board a clearer picture of selected subjects encountered through horizon scanning. It draws together information already available, rather than undertaking an extensive research study or technical analysis of the Code.

20. Using sources such as regulatory and policy publications, reported market practices, reporting or assurance activity and published research, these concise overviews describe what is happening, where evidence converges or differs, and what remains uncertain. This work characterizes a developing subject without reaching technical conclusions or recommending standard-setting action.

F. Preparation process and responsible use of AI

21. The five-step process was carried out under the TRC's approved Terms of Reference and Working Processes, using documented operational prompts to support the IESBA Staff Insights Team. All AI outputs are subject to staff verification, challenge, judgment and decision, from each individual entry in the TRO database to the TROs presented to the TRC.

    - Step 1 – Database enrichment: Research developments, check coverage and propose additions or corrections. For the Autumn 2026 report, following staff review, the approved database grew from 165 to 270 entries.

- Step 2 – Selection of developments: Compare significant developments across the four Types of Update, document alternatives and submit proposals for staff review and selection.
- Step 3 – TRO identification and assessment: Examine the full database, group related developments, consider significant individual matters and assess public-interest implications and proposed Category A/B classifications.
- Step 4 – Focused fact-finding: Identify and select subjects that would benefit from closer examination, drawing on the developments and TROs identified in the earlier stages. For the subjects selected, staff conduct a focused fact-finding exercise.
- Step 5 – Report drafting: Once all staff-reviewed choices are considered ready for a first draft, an evidence-based draft report is produced that is subsequently reviewed and edited by IESBA staff.

22. AI broadened the team's research capacity and helped compare evidence and identify connections. The approach also applies safeguards consistent with responsible AI use, explicitly requiring documented data and prompts, retained records, checks against original sources, traceable outputs, explicit uncertainties and human oversight of every step. By using these safeguards in its own work, the IESBA gains practical experience of AI's benefits and limitations while retaining professional judgment and accountability. This initial methodology can be refined through experience.

G. Transparency, challenge and accountability

23. All decisions and proposals are supported by an audit trail that preserves the approved database entries and source links, prompt versions, AI-assisted proposals, and records of staff review and changes. Each matter reported can be traced from the final wording through the analysis and human decisions to its supporting evidence.

24. A separate AI-assisted stress test, conducted outside the main AI workspace and without access to its conversation history or memory, challenged assumptions, possible gaps and alternative interpretations. This provided an additional perspective, not independent professional assurance or a substitute for source verification. The IESBA Staff Insights Group and the TRC remain responsible for the report's judgments and conclusions.