

Supplement 1 – Overview of the Code

This supplement to the Briefing Note for the IESBA's March and April 2023 Global Sustainability Roundtables provides an overview of the IESBA *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).

To view the Code online, please follow this [link](#).

To download the “Exploring the IESBA Code” series issued by the International Federation of Accountants (IFAC), please follow this [link](#).

Purpose of the Code

The Code sets out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility. These principles establish the standard of behavior expected of a professional accountant. The fundamental principles are: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles. The Code sets out requirements and application material on various topics to help accountants apply the conceptual framework to those topics.

In the case of audits, reviews and other assurance engagements, the Code sets out *International Independence Standards*, established by the application of the conceptual framework to threats to independence in relation to these engagements.

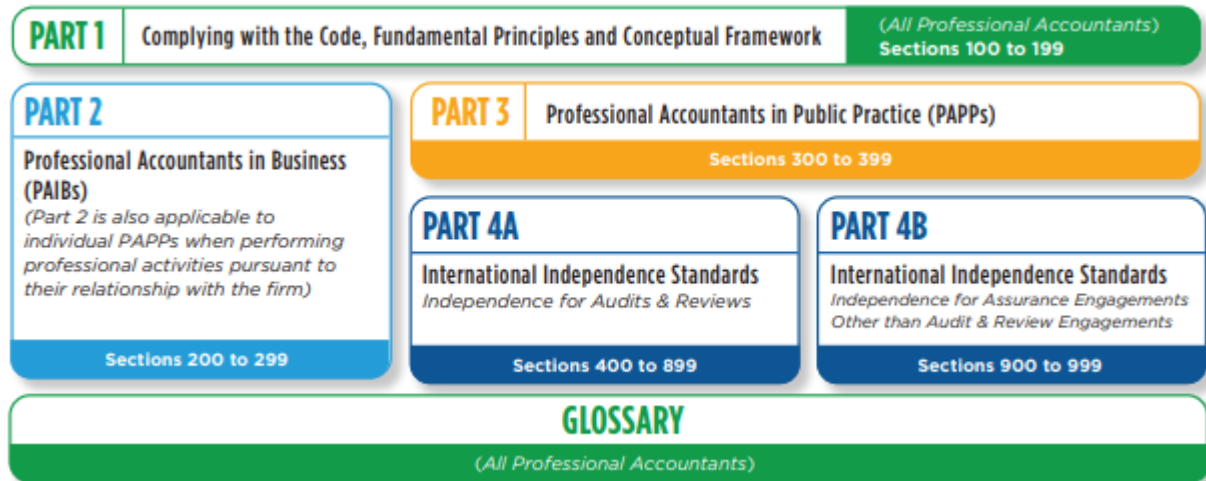
How the Code is Structured

The Code contains the following material:

- *Part 1 – Complying with the Code, Fundamental Principles and Conceptual Framework*, which includes the fundamental principles and the conceptual framework and is applicable to all professional accountants.
- *Part 2 – Professional Accountants in Business*, which sets out additional material that applies to professional accountants in business when performing professional activities. Professional accountants in business include professional accountants employed, engaged or contracted in an executive or non-executive capacity in, for example:
 - Commerce, industry or service.
 - The public sector.
 - Education.
 - The not-for-profit sector.
 - Regulatory or professional bodies.

Part 2 is also applicable to individuals who are professional accountants in public practice when performing professional activities pursuant to their relationship with the firm, whether as a contractor, employee or owner.

- *Part 3 – Professional Accountants in Public Practice*, which sets out additional material that applies to professional accountants in public practice when providing professional services.
- *International Independence Standards*, which sets out additional material that applies to professional accountants in public practice when providing assurance services, as follows:
 - *Part 4A – Independence for Audit and Review Engagements*, which applies when performing audit or review engagements.
 - *Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements*, which applies when performing assurance engagements that are not audit or review engagements.
- *Glossary*, which contains defined terms (together with additional explanations where appropriate) and described terms which have a specific meaning in certain parts of the Code. For example, as noted in the Glossary, in Part 4A, the term “audit engagement” applies equally to both audit and review engagements. The Glossary also includes lists of abbreviations that are used in the Code and other standards to which the Code refers.



Fundamental Principles

The Code requires professional accountants to comply with the [fundamental principles](#) of ethics. The fundamental principles are as follows:

1. **Integrity** – to be straightforward and honest in all professional and business relationships.
2. **Objectivity** – to exercise professional or business judgment without being compromised by:
 - (a) Bias;
 - (b) Conflict of interest; or
 - (c) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

3. **Professional Competence and Due Care** – to:
 - (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (b) Act diligently and in accordance with applicable technical and professional standards.
4. **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships.
5. **Professional Behavior** – to:
 - (a) Comply with relevant laws and regulations;
 - (b) Behave in a manner consistent with the profession’s responsibility to act in the public interest in all professional activities and business relationships; and
 - (c) Avoid any conduct that the professional accountant knows or should know might discredit the profession.

Conceptual Framework

The Code also requires professional accountants to apply the conceptual framework to [identify](#), [evaluate](#) and [address](#) threats to compliance with the fundamental principles. Applying the conceptual framework requires having an inquiring mind, exercising professional judgment, and using the reasonable and informed third party test.

Self-interest threat – the threat that a financial or other interest will inappropriately influence a professional accountant’s judgment or behavior.

Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made, or an activity performed by the accountant or by another individual within the accountant’s firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity.

Advocacy threat – the threat that a professional accountant will promote a client’s or employing organization’s position to the point that the accountant’s objectivity is compromised.

Familiarity threat – the threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work.

Intimidation threat – the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

The conceptual framework recognizes that the existence of conditions, policies and procedures established by the accountancy profession, legislation, regulation, the firm, or the employing organization might impact the identification of threats. Those conditions, policies and procedures might also be a relevant factor in the professional accountant’s evaluation of whether a threat is at an acceptable level. When threats are not at an acceptable level, the conceptual framework requires the accountant to address those threats. Applying

safeguards is one way that threats might be addressed. Safeguards are actions individually or in combination that the accountant takes that effectively reduce threats to an acceptable level.

The Code sets out requirements and application material on [various topics](#) to help accountants apply the conceptual framework to those topics.

Independence

In addition to complying with the fundamental principles, the International Independence Standards require professional accountants in public practice to be [independent](#) when performing audits, reviews, or other assurance engagements. Independence is closely linked to the principles of integrity and objectivity and is an important element of serving the public interest. The conceptual framework applies in the same way to identifying, evaluating and addressing threats to independence as to threats to compliance with the fundamental principles.