

SUPPLEMENT TO STRUCTURE ED-2 CHAPTER 1 – RESTRUCTURING CHANGES TO PART C PHASE 1 CLOSE-OFF DOCUMENT

[Mark-Up]

This document has been prepared by the Staff of the International Ethics Standards Board for Accountants® (IESBA) for information only. It contains the mark-up of the restructuring changes made to the March 2016 Part C Phase Close-off Document, [Changes to Part C of the Code Addressing Preparation and Presentation of Information and Pressure to Breach the Fundamental Principles](#).

For ease of reference, the text of the proposed conforming amendments arising from the Safeguards project, referenced in the January 2017 Exposure Draft: [Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2](#), is shaded in gray (see also the January 2017 Exposure Draft: [Proposed Revisions Pertaining to Safeguards in the Code – Phase 2](#)).

PART C-2 – PROFESSIONAL ACCOUNTANTS IN BUSINESS

Section 300.200

Applying the Conceptual Framework – Professional Accountants in Business

Introduction

200.1 This partPart of the Code describes how the conceptual framework contained in Part A applies in certain situations to requirements and application material for professional accountants in business when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships that could be encountered by a professional accountants that in business, which create or maymight create threats to compliance with the fundamental principles. Therefore, the professional accountants is encouraged in business are required to be alert for such facts and circumstances and relationships.

Commented [IESBA1]: 300.1 Close-off document

200.2 Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may, might rely on the work of professional accountants in business. Professional accountants in business maymight be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and third parties maymight rely on. They maymight also be responsible for providing effective financial management and competent advice on a variety of business-related matters.

Commented [IESBA2]: 300.2 Part C Close-off document

200.3 A professional accountant in business maymight be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the professional accountant with the employing organization has no bearing on the ethical responsibilities incumbentplaced on the accountant.

Commented [IESBA3]: 300.3 Part C Close-off document

200.4 In this Part, the term “professional accountant” refers to:

(a) Professional accountants in business; and

(b) Professional accountants in public practice when performing professional activities pursuant to the professional accountant’s employment or ownership relationship with their firm. More information on when Part 2 might be applicable to professional accountants in public practice is set out in R120.4, 120.4 A1, R300.5 and 300.5 A1.

Commented [IESBA4]: New paragraph

Requirements and Application Material

R200.5 A professional accountant ~~in business shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.~~

Commented [IESBA5]: 300.6 Part C Close-off document

200.5 A1 A professional accountant ~~in business~~ has a responsibility to further the legitimate ~~aims/objectives~~ of the accountant’s employing organization. ~~This~~The Code does not seek to hinder a ~~professional accountants in business~~ from properly fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles ~~may/might~~ be compromised.

Commented [IESBA6]: 300.4 Part C Close-off document

200.5 A2 Professional accountants ~~in business~~ may promote the position of the employing organization’s ~~position~~ when furthering the legitimate goals and objectives of their employing organizations, provided any statements made are neither false nor misleading. Such actions ~~usually~~generally would not create an advocacy threat.

Commented [IESBA7]: 300.10 Part C Close-off document

200.5 A3 All professional accountants have a responsibility to act in the public interest. The more senior the position of the ~~professional~~ accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. ~~To the extent that they the professional accountant is are~~ able to do so, taking into account ~~their the professional accountant’s~~ position and seniority in the organization, ~~A professional accountants in business is~~are expected to encourage and promote an ethics-based culture in the organization. Examples of actions that ~~may/might~~ be taken include the introduction, implementation and oversight of: ~~ethics~~

Commented [IESBA8]: 300.5 Part C Close-off document

- Ethics education and training programs; ~~ethics~~
- Ethics and whistle-blowing policies; ~~and~~
- Policies and procedures designed to prevent non-compliance with laws and regulations.

Identifying Threats and Safeguards

200.6 A1 Compliance with the fundamental principles ~~may potentially/might~~ be threatened by a broad range of facts and circumstances and relationships. ~~Threats fall into one or more of the following. The categories: These of~~ threats are discussed further in Part A of this Code, described in paragraph 120.6 A3.

Commented [IESBA9]: 300.7 Part C Close-off document

The following are examples of facts and circumstances within each of those categories that may ~~might~~ create self-interest~~those~~ threats for a professional accountant in ~~business~~ include: ~~when undertaking a professional activity:~~

Commented [IESBA10]: 300.8 Part C Close-off document

(a) Self-interest Threats

Commented [IESBA11]: 300.8 Part C Close-off document

- ~~A professional accountant~~ holding a financial interest in, or receiving a loan or guarantee from, the employing organization.
- ~~Participating~~ A professional accountant ~~participating~~ in incentive compensation arrangements offered by the employing organization.
- ~~Inappropriate personal use of~~ A professional accountant using corporate assets for personal use.
- ~~Concern over employment security.~~
- ~~Commercial pressure from outside the employing organization.~~
- ~~A professional accountant accepting a gift or special treatment from a supplier of the employing organization.~~

(b) Self-review Threats

Commented [IESBA12]: 300.9 Part C Close-off document

- ~~An example of a circumstance that creates a self-review threat for~~ A professional accountant in ~~business~~ determining the appropriate accounting treatment for a business combination after performing the feasibility study that supported~~supporting~~ the acquisition~~purchase~~ decision.

~~When furthering the legitimate goals and objectives of their employing organizations, professional accountants in business may promote the organization's position, provided any statements made are neither false nor misleading. Such actions generally would not create an advocacy threat.~~

Commented [IESBA13]: 300.10

(c) Advocacy Threats

- ~~A professional accountant having the opportunity to manipulate information in a prospectus in order to obtain favorable financing.~~

(d) Familiarity Threats

Commented [IESBA14]: 300.11 Part C Close-off document

~~Examples of circumstances that may create familiarity threats for a professional accountant in business include:~~

- ~~A professional accountant being responsible for the employing organization's financial reporting of the employing organization~~ when an immediate or close family member employed by the ~~entity~~ organization makes decisions that affect the entity's financial reporting ~~of the organization~~.
- ~~A professional accountant having a long association with business~~ contacts influencing business decisions.
- ~~Accepting a gift or preferential treatment, unless the value is trivial and inconsequential.~~

~~(e)~~(e) Intimidation Threats

~~Examples of circumstances that may create intimidation threats for a professional accountant in business include:~~

- ~~A professional accountant in business or immediate or close family member facing the threat of dismissal or replacement over a disagreement about the application of either:~~
 - ~~An accounting principle; or~~
 - ~~The way in which financial information is to be reported.~~
- ~~A dominant personality~~~~An individual attempting to influence the decision making process of the professional accountant, for example, with regard to the awarding of contracts or the application of an accounting principle.~~

~~Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:~~

- ~~(a) Safeguards created by the profession, legislation or regulation; and~~
- ~~(b) Safeguards in the work environment.~~

~~Examples of safeguards created by the profession, legislation or regulation are detailed in paragraph 100.14 of Part A of the Code.~~

Evaluating Threats

~~200.6 A2 Conditions, policies and procedures as described in 120.6 A1 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level. Such conditions, policies and procedures might relate to the employing organization and its operating environment.~~

~~200.6 A3 The professional accountant's evaluation of the level of a threat is also impacted by the nature and scope of the professional activity.~~

~~200.6 A4 A professional accountant's evaluation of the level of a threat might be impacted by the Safeguards in the work environment include: within the employing organization and its operating environment. For example:~~

- ~~The employing organization's systems of corporate oversight or other oversight structures.~~
- ~~The employing organization's ethics and conduct programs.~~
- ~~Recruitment procedures in the employing organization emphasizing the importance of employing high-caliber competent staff.~~
- ~~Strong internal controls.~~
- ~~Appropriate disciplinary processes.~~
- ~~Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.~~

Commented [IESBA15]: 300.12 Part C Close-off document

Commented [IESBA16]: 300.13 Part C Close-off document

Commented [IESBA17]: New paragraph

Commented [IESBA18]: New paragraph

Commented [IESBA19]: 300.14 Part C Close-off document

- ~~Policies and procedures to empower and encourage employees to communicate within the employing organization any ethical issues that concern them to senior levels without fear of retribution.~~
- Policies and procedures to implement and monitor the quality of employee performance.
- ~~Systems of corporate oversight or other oversight structures and strong internal controls.~~
- ~~Recruitment procedures emphasizing the importance of employing high caliber competent personnel.~~
- Timely communication of the employing organization's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.
- ~~Consultation with another appropriate professional accountant.~~
- Ethics and code of conduct policies.

200.7 A1 ~~The Professional accountants in business may~~might consider obtaining legal advice ~~In circumstances where they a professional accountant in business believes that unethical behavior or actions by others have occurred, or will continue to occur, within the employing organization, the professional accountant in business may consider obtaining legal advice.~~

Commented [IESBA20]: 300.15 Part C Close-off document

200.7 A2 ~~In those extreme situations where all available, if the circumstances that created the threats cannot be eliminated or safeguards have been exhausted and it is~~are not possible~~capable of being applied~~ to reduce the threat to an acceptable level, it might be necessary for a professional accountant in business may conclude that it is appropriate to resign from the employing organization.

Commented [IESBA21]: 300.15 Part C Close-off document

Section 340210

Conflicts of Interest

Introduction

210.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

Commented [IESBA22]: New paragraph

210.3 Section 210 sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest.

Commented [IESBA23]: New paragraph

Requirements and Application Material

Other Considerations

210.10 A1 A professional accountant in business may encounter other threats to compliance with the fundamental principles. This may occur, for example, when:

Commented [IESBA24]: 310.11 Part C Close-off document

- ~~Preparing or reporting~~ presenting financial information as a result of undue pressure from others within the employing organization; or
- Financial, business or personal relationships that immediate or close family members of the professional accountant have with the employing organization.

Requirements and application material relevant to Guidance on managing such threats is covered by set out in Sections 3220, 3240 and 3270 of the Code.

Section ~~320~~220

Preparation and Presentation of Information

Introduction

220.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

Commented [IESBA25]: New paragraph

220.2 Self-interest, intimidation or other threats to compliance with the fundamental principles might be created when an accountant is responsible for preparing or presenting information.

Commented [IESBA26]: New paragraph

220.3 Section 220 sets out specific requirements and application material relevant to applying the conceptual framework when preparing and presenting information.

Commented [IESBA27]: New paragraph

Requirements and Application Material

220.4 A1 Professional accountants ~~in business~~ at all levels in an employing organization are involved in the preparation and presentation of information both within and outside the ~~employing organization~~.

Commented [IESBA28]: 320.1 Part C Close-off document

220.5 A2 Stakeholders to whom, or for whom, such information is presented or prepared, include:

Commented [IESBA29]: 320.1 Part C Close-off document

- Management and those charged with governance.
- Investors, lenders and other creditors.
- Regulators.

This information ~~may~~ might assist stakeholders in understanding and evaluating aspects of the organization's state of affairs and in making decisions concerning the organization. ~~This includes~~ information can include financial and non-financial information that ~~may~~ might be made public or used for internal purposes.

Examples include:

- Operating and performance reports.
- Decision support analyses.
- Budgets and forecasts.
- Information provided to the internal and external auditors.
- Risk analyses.
- General and special purpose financial statements.
- Tax returns.
- Reports filed with regulators for legal and compliance purposes.

220.6 A1 ~~Professional accountants in business who are responsible for recording, maintaining~~ For the purposes of this section, preparing, ~~approving~~ or presenting information ~~shall do so in accordance~~ includes recording, maintaining and approving information.

Commented [IESBA30]: 320.2 Part C Close-off document

220.7 A1 The professional accountant is required to comply with the fundamental principles. ~~This when preparing or presenting information which~~ includes:

Commented [IESBA31]: 320.2 Part C Close-off document

- Presenting the information in accordance with a relevant reporting framework, where applicable.
- Preparing or presenting information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately.
- Not omitting information with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.
- An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement of a financial institution.
- This responsibility involves using Exercising professional judgment to:
 - Represent the facts accurately and completely in all material respects.
 - Describe clearly the true nature of business transactions or activities.
 - Classify and record information in a timely and proper manner.

Use of Discretion in Preparing or Presenting Information

R220.8 ~~Preparing or presenting information may~~ might require the exercise of discretion in making professional judgments. ~~Preparing or presenting such information in accordance with the fundamental principles requires the~~ The professional accountant ~~shall not to~~ exercise such discretion with the intention of misleading or influencing contractual or regulatory outcomes inappropriately.

Commented [IESBA32]: 320.3 Part C Close-off document

220.8 A1 ~~Examples of ways in which~~ This includes not using discretion ~~might be misused to achieve~~ inappropriate outcomes ~~includes~~ in one or more of the following ways:

Commented [IESBA33]: 320.3 Part C Close-off document

- Determining estimates. ~~For, for~~ for example, determining fair value estimates in order to misrepresent profit or loss.
- Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework. ~~For, for~~ for example, selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss.
- Determining the timing of transactions. ~~For, for~~ for example, timing the sale of an asset near the end of the fiscal year in order to mislead.
- Determining the structuring of transactions. ~~For, for~~ for example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.
- Selecting disclosures. ~~For, for~~ for example, omitting or obscuring information relating to financial or operating risk in order to mislead.

R220.9 When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the professional accountant shall ~~use~~ exercise professional judgment to identify and ~~take into account the~~ consider:

Commented [IESBA34]: 320.4 Part C Close-off document

- (a) The purpose for which the information is to be used, ~~the~~;

(b) ~~The~~ context in which it is ~~provided~~given; and the

(c) ~~The~~ audience to whom it is addressed.

220.9 A1 For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who ~~may~~might rely on such information to form their own judgments.

Commented [IESBA35]: 320.4 Part C Close-off document

220.9 A2 ~~The professional accountant in business may~~might also consider clarifying the intended audience, context and purpose of the information ~~to be~~ presented.

Commented [IESBA36]: 320.4 Part C Close-off document

Relying on the Work of Others

R220.10 A professional accountant who intends to rely on the work of others, either internal or external to the organization, shall ~~use~~exercise professional judgment to determine what steps to take, if any, ~~in order to ensure that~~to fulfill the ~~obligations~~responsibilities set out in paragraph ~~320.2~~ are fulfilled. ~~220.7 A1.~~

Commented [IESBA37]: 320.5 Part C Close-off document

220.10 A1 Factors to consider in determining whether reliance on others is reasonable include:

Commented [IESBA38]: 320.5 Part C Close-off document

- Reputation, expertise, resources available to the individual or organization; and
 - ~~Whether~~ the other individual is subject to applicable professional and ethical standards.
- Such information ~~may~~might be gained from prior association with, or from consulting others about, the individual or the organization.

Addressing Information that Might be Misleading

R220.11 ~~When the professional accountant knows or has reason to believe~~becomes aware that the information with which the ~~professional~~ accountant is associated is misleading, the ~~professional~~ accountant shall take appropriate actions to seek to resolve the matter. ~~Such actions~~

Commented [IESBA39]: 320.6 Part C Close-off document

220.11 A1 Actions that might be ~~appropriate~~ include:

Commented [IESBA40]: 320.6 Part C Close-off document

- Consulting the ~~employing organization's~~ policies and procedures of the employing organization (for example, an ethics or whistle-blowing policy) regarding how to address such matters ~~should be addressed~~ internally.
- Discussing concerns that the information is misleading with the professional accountant's supervisor and/or the appropriate level(s) of management within the ~~professional~~ accountant's organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter. Such action ~~may~~might include:
 - Having the information corrected.
 - If the information has already been disclosed to the intended users, informing them of the correct information.

In situations where the misleading information ~~may~~might involve a ~~violation of a law or regulation~~, ~~Section 360 provides guidance relating to non-compliance with laws and~~

regulations, Section 260 sets out requirements and application material on how to respond to such situations.

R220.12 If the professional accountant determines that appropriate action has not been taken and continues to have reason to believe that the information is misleading, the professional accountant, while being alert to the ~~fundamental~~-principle of confidentiality, shall consider one or more of the following:

- ~~Consulting with a:~~
 - A relevant professional body.
 - ~~Consulting with the employing organization's~~The internal and external auditor of the employing organization.
 - Legal counsel.
- ~~Determining whether any requirements exist to communicate to third:~~
 - ~~Third parties, including users of the information, or regulatory~~
 - Regulatory and oversight authorities.

R220.13 If after exhausting all feasible options, the professional accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the ~~professional-accountant~~ shall refuse to be or to remain associated with the information.

220.13 A1 The professional accountant might consider resigning from the employing organization.

220.13 A2 The professional accountant is also encouraged to document:

- The facts.
- The accounting principles or other relevant professional standards involved, ~~and~~.
- The communications and parties with whom ~~these~~ matters were discussed.
- The courses of action considered, ~~and~~.
- How the ~~professional~~ accountant attempted to address the matter(s).

Other Considerations

220.14. A1 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from a financial interests~~interest~~, including compensation and incentive linked to financial reporting and decision making, the ~~guidance~~requirements and application material set out in Section ~~340 is~~240 are relevant.

220.14 A2 Where threats to compliance with the fundamental principles relating to the preparation and presentation of information arise from pressure, the ~~guidance~~requirements and application material set out in Section ~~370 is~~270 are relevant.

Commented [IESBA41]: 320.7 Part C Close-off document

Commented [IESBA42]: 320.8 Part C Close-off document

Commented [IESBA43]: 320.8 Part C Close-off document

Commented [IESBA44]: 320.8 Part C Close-off document

Commented [IESBA45]: 320.9 Part C Close-off document

Commented [IESBA46]: 320.10 Part C Close-off document

Section ~~330~~230

Acting with Sufficient Expertise

When ~~Introduction~~

230.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

Commented [IESBA47]: New paragraph

230.2 Self-interest threats to compliance with the principle of professional competence and due care are created if an accountant does not act with sufficient expertise.

Commented [IESBA48]: New paragraph

230.3 Section 230 sets out specific requirements and application material relevant to applying the conceptual framework to acting with sufficient expertise.

Commented [IESBA49]: New paragraphs

Requirements and Application Material

.....

R230.5 ~~If when threats to a professional accountant's ability to act with sufficient expertise cannot be eliminated or reduced to an acceptable level, professional accountants in business addressed, the accountant shall determine whether to refuse decline to perform the duties in question. If the professional accountant in business determines that refusal declining is appropriate, the reasons for doing so accountant shall be clearly communicated communicate the reasons.~~

Commented [IESBA50]: 330.4 Part C Close-off document

Other Considerations

230.5 A1 ~~In cases where~~The requirements and application material in Section 270 apply when a professional accountant in business is pressured to act in a manner that would might lead to a breach of the fundamental principle of professional competence and due care, ~~Section 370 of this Code provides guidance.~~

Commented [IESBA51]: 330.5 Part C Close-off document

Section ~~340~~240

Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making

Introduction

240.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

Commented [IESBA52]: New paragraph

240.2 A professional accountants in business may have a financial interests, or may know of any financial interests held by others, may create threats of immediate or close family members including those arising from compensation or incentive arrangements, that, in certain circumstances, Self-interest to compliance with the fundamental principles of. For example, or familiarity threats to objectivity or confidentiality may, for example, be created through the existence of the where there is a motive or opportunity to manipulate price-sensitive information in order to gain financially.

Commented [IESBA53]: 340.1 Part C Close-off document

240.3 Section 240 sets out specific requirements and application material relevant to applying the conceptual framework to financial interests, compensation and incentives linked to financial reporting and decision making.

Commented [IESBA54]: New paragraph

Requirements and Application Material

R240.4 A professional accountant in business shall not manipulate information or use confidential information for personal gain or for the financial gain of others.

Commented [IESBA55]: 340.2 Part C Close-off document

240.4 A1 Professional accountants in business may have financial interests or might know of financial interests of immediate or close family members, that, in certain circumstances, might create threats to compliance with the fundamental principles. Financial interests including those arising from compensation or incentive arrangements linked to financial reporting and decision making.

Commented [IESBA56]: 340.1 Part Close-off document

240.4 A2 Examples of circumstances that may create threats include situations wherein which the professional accountant in business or an immediate or close family member:

Commented [IESBA57]: 340.1 Part C Close-off document

- Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business.
- Is eligible for a profit-related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business.
- Holds, directly or indirectly, deferred bonus share entitlements or share options in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business.
- Otherwise participates in compensation arrangements which provide incentives to achieve performance targets or to support efforts to maximize the value of the employing organization's shares, for. An example, of such an arrangement might be

through participation in long-term incentive plans which are linked to certain performance conditions being met.

240.4 A3 ~~As part of~~ ~~evaluating whether a~~ threat created by financial interests, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to is ~~at an acceptable level.~~ ~~In evaluating the significance of any threat, and, when necessary, in determining the appropriate safeguards to be applied~~ whether those threats are addressed, a professional accountant ~~in business shall~~ is required to evaluate the nature of the financial interest. This includes evaluating the significance of the financial interest. What constitutes a significant financial interest will depend on personal circumstances. ~~Examples of such safeguards include~~ and the materiality of the financial interest to the individual.

Commented [IESBA58]: 340.3 Part C Close-off document

240.4 A4 Factors that might be relevant in evaluating the level of a threat created by a significant financial interest include:

Commented [IESBA59]: 340.3 Part C Close-off document

- Policies and procedures for a committee independent of management to determine the level or form of ~~remuneration of senior management~~ remuneration.
- In accordance with any internal policies, disclosure to those charged with governance of all relevant interests, ~~and of:~~
 - Any plans to exercise entitlements; or
 - Trade in relevant shares.
- ~~Consultation, where appropriate, with superiors within the employing organization.~~
- ~~Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.~~
- ~~Internal and external audit procedures that are specific to address issues that give rise to the financial interest.~~
- ~~Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading.~~

240.4 A5 Threats arising from compensation or incentive arrangements ~~may~~ might be compounded by explicit or implicit pressure from superiors or colleagues ~~in the employing organization.~~ Section 370270 addresses pressure that ~~could~~ might lead a professional accountant to breach the fundamental principles.

Commented [IESBA60]: 340.4 Part C Close-off document

Section ~~370~~270

Pressure to Breach the Fundamental Principles

Commented [IESBA61]: New heading

Introduction

270.1 Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats created by pressure.

Commented [IESBA62]: New paragraph

270.2 This section addresses pressures, whether exerted on, or by an accountant, might create threats to compliance with that could result in a professional accountant taking actions that breach or cause others to breach the fundamental principles.

Commented [IESBA63]: 370.1 Part C Close-off document

270.3 Section 270 sets out specific requirements and application material relevant to applying the conceptual framework when addressing pressure.

Commented [IESBA64]: New paragraph

Requirements and Application Material

General

R270.4 A professional accountant shall not:

Commented [IESBA65]: 370.2 Part C Close-off document

(a) Allow pressure from others to result in a breach of compliance with the fundamental principles.

~~(a)~~(b) The professional accountant also shall not Place pressure on others that the professional accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

270.4 A1 A professional accountant in business may/might face pressure that could/creates threats to compliance with the fundamental principles, for example, intimidation threats, ~~to compliance with the fundamental principles~~ when undertaking a professional activity. Pressure might may be explicit or implicit ~~and~~. Pressure may might come from:

Commented [IESBA66]: 370.2 Part C Close-off document

- Within the organization, for example, from a colleague or superior.
- From an external individual or organization such as a vendor, customer or lender.
- ~~or from meeting~~ internal or external targets and expectations.

270.4 A2 Examples of pressure that could/might result in a ~~breach of~~threat to compliance with the fundamental principles include:

Commented [IESBA67]: 370.3 Part C Close-off document

- Pressure related to conflicts of interest:
 - Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select them over another prospective vendor.

~~The guidance in~~See also Section 340 is relevant.210 – Conflicts of Interest.

- Pressure to influence preparation or presentation of information:
 - Pressure to report misleading financial results to meet investor, analyst or lender expectations.

- Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
- Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.
- Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
- Pressure to suppress internal audit reports containing adverse findings.

~~The guidance in~~ See also Section 320 is relevant 220 – Preparation and Presentation of Information.

- Pressure to act without sufficient expertise or due care:
 - Pressure from superiors to inappropriately reduce the extent of work performed.
 - Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

~~The guidance in~~ See also Section 330 is relevant 230 – Acting with Sufficient Expertise.

- Pressure related to financial interests:
 - Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who ~~may~~ might benefit from participation in compensation or incentive arrangements.

~~The guidance in~~ See also Section 340 is relevant 240 – Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making.

- Pressure related to inducements:
 - Pressure from others, either internal or external to the ~~employing~~ organization, to offer inducements to influence inappropriately ~~influence~~ the judgment or decision-making process of an individual or organization.
 - Pressure from colleagues to accept a bribe or other inducement, for example, to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

~~The guidance in~~ See also Section 350 is relevant 250 - Inducements.

- Pressure related to non-compliance with laws and regulations:
 - Pressure to structure a transaction to evade tax.

~~The guidance in~~ See also Section 360 is 260 – Responding to Non-Compliance with Laws and Regulations.

270.4 A3 Factors that are relevant in evaluating the level of threats created by pressure include:

In determining whether the pressure could result in a breach of the fundamental principles, the professional accountant may consider factors including:

Commented [IESBA68]: 370.4 Part C Close-off document

- The intent of the individual who is exerting the pressure and the nature and ~~significance~~extent of the pressure.
- The ~~application of relevant~~ laws, ~~regulations,~~ and ~~professional standards~~ to the circumstances.
- The culture and leadership of the employing organization including the extent to which it ~~emphasizes~~they reflect or emphasize the importance of ethical behavior and the expectation that employees will act ~~in an ethical manner~~ethically. For example, a corporate culture that tolerates unethical behavior ~~may~~might increase the likelihood that the pressure would result in a ~~breach of~~threat to compliance with the fundamental principles.
- Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

~~In considering these and other factors, and being alert to the fundamental principle of confidentiality, the professional accountant in business may consult with:~~

270.4 A4 Consultation with:

- A colleague, superior, human resources personnel, or another professional accountant;
- Relevant professional or regulatory bodies or industry associations; or
- Legal counsel

~~might assist the professional accountant~~ determines ~~understand the factors that are relevant in evaluating the level of the threat.~~

~~The principle of confidentiality applies in communications with external parties.~~

270.4 A5 ~~Discussions and consultations with others about the circumstances creating~~ If the professional accountant determines that the pressure would result in a breach of the fundamental principles, ~~might assist the professional accountant~~ may consider actions ~~to evaluate the level of the threat. These might include:~~

- ~~Discussing~~A discussion about the matter with the individual who is exerting the pressure to seek to resolve ~~it~~the matter.
- ~~Discussing~~A discussion about the matter with the professional accountant's supervisor, if the supervisor is not the individual exerting the pressure.
- ~~Escalating~~An escalation of the matter within the employing organization, including when appropriate, an explanation of any consequential risks to the organization, for example, ~~with higher:~~

~~o Higher levels of management, internal,~~

~~o Internal or external auditors, or those,~~

~~o Those charged with governance, including independent directors and, when appropriate, explaining any consequential risks to the organization.~~

Commented [IESBA69]: 370.4 Part C Close-off document

Commented [IESBA70]: 370.5 Part C Close-off document

- ~~Requesting restructuring or segregating certain responsibilities and duties so that the professional accountant is no longer involved with the individual or entity exerting the pressure, where doing so would eliminate the pressure to breach the fundamental principles. For example, if a professional accountant is pressured in relation to a conflict of interest, the pressure to breach the fundamental principles may be eliminated if the professional accountant avoids being associated with the matter creating the conflict.~~
- ~~Disclosing the matter in accordance with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.~~
- ~~Consulting a consultation with legal counsel about the specific matter.~~

270.4 A6 An action that might eliminate a threat created by pressure is the professional accountant's request for a restructure of, or segregation of certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure. This might be appropriate only when doing so would address the threat created by the pressure. For example, if the accountant is pressured in relation to a conflict of interest, the threat to compliance with the fundamental principle created by the pressure might be addressed when the accountant avoids being associated with the matter creating the conflict.

Commented [IESBA71]: New paragraph derived from certain material in paragraph 370.5 Part C Close-off document

R270.5 In situations where the professional accountant identifies and determines that the threat created by pressure is not at an acceptable level, to breach the fundamental principles has not been eliminated, the professional accountant shall address that threat by:

Commented [IESBA72]: 370.6 Part C Close-off document

- (a) ~~Eliminating the circumstances, interests or relationships, that are creating the threats; including Consider resigning from the employing organization~~
- (a)(b) ~~Applying safeguards, where available or capable of being applied; or~~
- (b)(c) ~~Declining or ending the specific to undertake or discontinue the professional activity, that would result in a breach of the fundamental principles; and~~

270.5 A1 The professional accountant is also encouraged to document:

Commented [IESBA73]: 370.6 Part C Close-off document

- The facts.
- The communications.
- The courses of action considered.
- The parties with whom these matters were discussed, and
- How the matter was addressed.