



Minutes of the 256th meeting of the Ethics Committee held on Friday, 12 May 2023 at 12:30p.m. in Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (and via video conference)

- Present: Ms. Mary Xuereb (Chair)
Mr. Horace Ma (Deputy Chair)(Dial-in)
Mr. Paul Chan (Dial-in)
Mr. Eric Hung (Dial-in)
Ms. Elaine Kwong (Dial-in)
Mr. Dacky Leung (Dial-in)
Ms. Rudolf Leung (Dial-in)
Ms. Shelley So (Dial-in)
Ms. Careen Wong (Dial-in)
- In attendance: Ms. Cecilia Kwei, Director of Standard Setting
Ms. Selene Ho, Deputy Director of Standard Setting
Mr. George Au, Associate Director of Standard Setting
Mr. Nicolas Cheng, Associate Director of Advocacy and Practice Development
Ms. Grace Lau, Associate Director of Standard Setting
Ms. Cherry Yau, Senior Manager of Standard Setting
Ms. Phoebe To, Manager of Standard Setting
- Apologies: Mr. Stephen Chan
Ms. Mary Lau
- Observer: Mr. Ambrose Wong, Accounting and Financial Reporting Council (Dial-in)
Ms. Kristin Ko, Accounting and Financial Reporting Council (Dial-in)

1889. Minutes of the 255th meeting

The Committee approved the minutes of the 255th meeting.

1890. Work Plan Status Report

The Committee considered the report and noted progress of various projects. The Chair raised an enquiry regarding the time line for IESBA's Sustainability Project and SSD reported that the IESBA was expected to issue an exposure draft on ethical and independence requirements by the end of the year.

1891. Issuance of the revised Chapter F in the Code of Ethics for Professional Accountants

Associate Director of Advocacy and Practice Development ("APD") provided a brief introduction of the main changes made to the revised Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants (i.e. Chapter F in the *Code of Ethics for Professional Accountants* (the "Code")("Guidelines")) to the Committee and sought approval from the Committee to issue the revised Guidelines as an update to the Code.

The Committee noted and approved the issuance of the revised Guidelines as an update to the Code, subject to clarification relating to section 600.2 raised by a

Action

committee member.

The Committee also suggested that more roll out activities be offered to help members understand and implement the changes in the Guidelines and the relevant legislative amendments. APD responded that members would be notified of roll out activities such as webinars through members' communications channels in due course.

[Post meeting note: Clarification relating to section 600.2 had been sent to the Committee by email on 18 May 2023. The revised Guidelines was issued as an update to the Code on 25 May 2023 in Members' Handbook Update No. 292 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update-292.pdf>.]

(Mr. Nicolas Cheng left the meeting at this juncture.)

1892. IESBA's exposure draft, Proposed Revisions to the Code Addressing Tax Planning and Related Services

The Committee considered the draft comment letter and recommended editorial changes to the cover letter and responses to a few questions in order to enhance the clarity of the Institute's point of view. SSD would circulate the revised comment letter to the Committee for approval after the meeting.

SSD

[Post meeting note: The revised comment letter was circulated for the Committee's approval on 15 May 2023 and submitted to the IESBA on 18 May 2023. The comment letter is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2023/tpec/sub_tp.pdf.]

1893. Issuance of the Revisions to the Code Relating to the Definition of Engagement Team and Group Audits

SSD reported that the Institute's comments provided on the exposure draft had been addressed in the IESBA Final Pronouncement: *Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*. The Committee considered and endorsed to issue the converged pronouncement for local adoption.

The Chair recommended and SSD agreed that an additional document be included to highlight the changes made by the IESBA from its exposure draft to its final pronouncement, in order to facilitate discussion on similar items in the future.

The Committee also approved SSD's proposed roll out activities aiming to support the local implementation of the converged pronouncement. The Committee acknowledged the request to nominate suitable speakers to deliver the proposed professional training.

[Post meeting note: The Revisions to the Code Relating to the Definition of Engagement Team and Group Audits was issued on 19 May 2023 in Members' Handbook Update No. 291 and is available at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/updates/update-291.pdf>.]

1894. Endorse the exposure draft to refine the definitions of listed entity and public interest entity for adoption in the Code

The Committee considered the draft exposure draft together with the analysis in respect of funds authorized by the Securities and Futures Commission (“SFC”), the follow-up with the SFC, and the updated jurisdictional Public Interest Entity (“PIE”) definitions database released by the IESBA and provided the following comments for SSD’s consideration:

- whether there is a need to include the proposed annexes as part of the exposure draft;
- to clarify whether MPF schemes include constituent funds.

The Committee also considered and approved the proposed additional local guidance to assist practitioners for determining whether a collective investment vehicle should be classified as a PIE by the firms.

Director of SSD reported that the Accounting and Financial Reporting Council (the “AFRC”) has expressed a desire to include their views on the PIE definition in the exposure draft before it is published for comment. The Committee asked that the AFRC provides substantive details of their request to the SSD by 25 May in order for the Committee to decide on the appropriate next steps.

The Committee deliberated on the approval for the issuance of the exposure draft and voted on a motion to extend the approval deadline to late May to allow time to consider the AFRC’s views. Among the nine members who were present at the meeting, seven members voted in favor of the motion. The meeting approved the motion.

[Post meeting notes:

- 1. SSD checked to section 2 of Cap. 485 Mandatory Provident Fund Schemes Ordinance that MPF schemes include constituent funds and would clarify in the proposed provisions accordingly.*
- 2. The Committee approved by circulation to submit the draft PIE exposure draft to the AFRC for consideration by end July.]*

1895. IESBA roundtable on sustainability

The Committee noted SSD staff had attended the IESBA roundtable on sustainability in Singapore on 3 April and the key notes summarized from the roundtable. SSD would keep the Committee posted on the IESBA’s development in the area of sustainability reporting and other key projects.

In addition, SSD reported to the Committee that it had already expressed its interest to join the IESBA Sustainability Reference Group which had been set up to support its Sustainability Task Force for the development of the IESBA sustainability standards.

1896. Sustainability Ethics Advisory Panel

SSD proposed and the Committee agreed to set up Sustainability Ethics Advisory Panel under the auspices of the Committee to provide support on ethical and independence related matters for sustainability reporting and assurance.

The Committee discussed the proposed composition criteria and terms of reference for the advisory panel, and agreed that the composition should not be limited to professional accountants as the relevant standards would also apply to all sustainability assurance practitioners including non-professional accountants and other service providers outside of the profession. In addition, other professionals would bring diverse perspectives and expertise to the development and implementation of the standards. The Committee discussed collaboration with the Institute's Sustainability Committee and suggested SSD to consider inviting members from the Sustainability Committee and/or the Sustainability Advisory Panel under the Institute's Financial Reporting Standards Committee.

The Committee acknowledged the request to nominate suitable candidates and the Chair also encouraged members to participate or nominate experts to join the advisory panel.

1897. IESBA Consultation Paper, Proposed IESBA Strategy and Work Plan, 2024-2027

The Committee noted:

- The IESBA consultation paper to seek feedback on its proposed strategy and work plan for the next three years.
- SSD had issued an invitation to comment to seek local stakeholders' feedback which would close on 7 June 2023.

The Committee was requested to provide comments to the exposure draft for incorporation into the Institute's comment letter for submission to the IESBA by 7 July 2023.

[Post meeting note: The Committee approved the comment letter by circulation on 27 June 2023. The comment letter was submitted to the IESBA on 3 July and is available at: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2023/cl_pswpec/sub_swp.pdf.]

1898. Any other business

The Committee did not have any local implementation issues on ethical requirements for discussion.

The Committee noted that the next meeting would be held on 13 July and was requested to suggest agenda items by 20 June.

There being no further business, the meeting closed at 2:44 p.m.

MARY XUEREB
CHAIR

4 July 2023