



Minutes of the 267th meeting of the Ethics Committee held on Friday, 28 February 2025 at 12:30 p.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. Dacky Leung (Deputy Chair)
Mr. Horace Ma (Deputy Chair)
Mr. Dennis Chan (Dial-in)
Ms. Elly Chui
Mr. Eric Hung
Ms. Elaine Kwong (Dial-in)
Mr. Rudolf Leung (Dial-in)
Ms. Winnie Leung
Mr. Charbon Lo
Mr. Ricky Wong
Ms. Cecilia Yam

In attendance: Mr. Chris Joy, Director
Ms. Cecilia Kwei, Director, Standard Setting
Ms. Selene Ho, Deputy Director, Standard Setting
Ms. Grace Lau, Associate Director, Standard Setting
Ms. Cherry Yau, Associate Director, Standard Setting
Ms. Phoebe To, Manager, Standard Setting

Observer: Ms. Venus Kong, Accounting and Financial Reporting Council (Dial-in)
Ms. Lily Rui, Accounting and Financial Reporting Council (Dial-in)

Apologies: Mr. Hubert Wong

Action

1977. Welcome new members and committee composition for 2025

The Chair welcomed members to the first meeting of the Committee in 2025, especially Ms. Winnie Leung and Mr. Hubert Wong as new members. The Chair also expressed gratitude to the returning members for their ongoing commitment to the Committee and acknowledged the retiring members with a vote of thanks.

1978. Guidance note on general confidentiality rules

The Committee noted the general confidentiality rules in relation to minutes and agenda papers.

1979. Terms of reference

The Committee considered the terms of reference and agreed that they were appropriate.

1980. Expectation of chair and members

The Committee noted the expectations regarding the performance of the chair and committee members.

1981. Meeting schedule for 2025

The Committee noted the meeting dates for 2025.

1982. Committee induction pack

The Committee noted the information contained in the induction pack, which included, among other details, the operational procedures for meetings, an overview of the ethics standard-setting function in Hong Kong, activities of the Standard Setting Department (SSD), and communication channels with stakeholders.

1983. Amendments to the standard operating procedure for auditing and ethics standard setting

The Committee noted that the standard operating procedures (SOP) had been updated to clarify the prioritization and scope of SSD's activities related to the standard-setting projects of the International Ethics Standards Board for Accountants (IESBA). The Committee also discussed whether the SOP should incorporate the post-implementation review of locally developed size criteria in the ethics standard for example, to assess the quantitative thresholds used to classify public interest entities in Part 4A of the HKICPA *Code of Ethics for Professional Accountants*, particularly regarding their relevance over time. SSD proposed that the relevant size criteria be reviewed every five years from the effective date to allow for the accumulation of data on implementation issues over time. The SOP will be updated accordingly once the relevant size criteria are finalized and approved by the Committee.

After review, the Committee approved the proposed amendments to the SOP.

1984. Terms of reference and member lists of groups for 2025

The Committee noted and approved the terms of reference and composition of the following advisory panels under its auspices for 2025:

- Ethics Educational Materials Advisory Panel
- Sustainability Ethics Advisory Panel

Committee members were invited to participate in or nominate appropriate personnel for the Ethics Educational Materials Advisory Panel.

1985. Strategic direction and proposed work plan for 2025 to 2027

The Committee agreed with the strategic direction and the proposed workplan for 2025 to 2027. The Committee also suggested that the workplan be updated to reflect ongoing communication and education on ethics-related matters. These plans align with the Institute's strategy and aim to maintain a convergence agenda with the IESBA, as well as to develop or update local guidance that addresses specific local needs or requirements.

1986. Update on Phase 2 of the public interest entity definition project

SSD provided an update on the progress of Phase 2 of the Public Interest Entity (PIE) definition project. In December 2024, SSD refined several proposals discussed at the previous meeting and reached out to various stakeholders, including committee members from CPA firms, to gather their feedback on the updated PIE proposal. Based on the comments received, SSD had further refined the proposals for the Committee's consideration.

The Committee considered the latest PIE proposals and raised the following points:

- The proposed firm-level PIE assessment for charitable organizations should include entities registered under section 88 of the Inland Revenue Ordinance, as well as other entities receiving charitable donations.
- The appropriateness of classifying clearing houses as PIEs.
- The appropriateness of introducing additional criteria for the PIE classification of corporations licensed by the Securities and Futures Commission (SFC).
- The appropriateness of the proposed threshold applied to SFC-authorized funds for the PIE classification.

In response, SSD explained that the refined proposals were developed after careful consideration of the received comments, PIE classifications in other jurisdictions, and publicly available information. To further enhance the proposals, committee members from CPA firms were requested to provide additional firm-level information relevant to specific categories. The refined proposal and the proposed exposure draft will be presented at the next meeting for the Committee's consideration.

1987. Technical training offerings on ethics

The Committee considered the technical training plan developed by SSD, which is informed by recent standard-setting developments and feedback from participants in the Institute's technical training sessions held in 2024. The Committee recommended that training offerings incorporate interactive case studies, while separate training plans should be developed for the ethics standards on sustainability assurance, with input from the Sustainability Ethics Advisory Panel.

The Committee was requested to nominate speakers and facilitators to deliver the relevant training sessions.

1988. IESBA project proposal on firm culture and governance

The Committee received an update on the IESBA's project on firm culture and governance, which aims to develop a principles-based culture and governance framework for accounting firms that reinforces a high standard of ethical behavior across all their professional services. The Committee prioritized this project as 'High' due to its significance and extensive scope, particularly since it involves the development of a new standard or requirements. They also agreed on the scope of outreach activities in response to the IESBA's consultation anticipated in December 2025.

Additionally, the Committee noted that SSD staff will participate at the IESBA roundtable in April, where they will discuss the potential key elements of a culture and governance framework. Committee members were encouraged to share their initial

comments on the proposed topics or coordinate feedback within their firms to support SSD's input at the roundtable and other global discussions.

Considering the extensive scope of the project, the Committee agreed to establish a specialized advisory panel to provide input on the IESBA's consultation and support the implementation of the final pronouncement. The Committee was requested to nominate personnel with the appropriate expertise to join this advisory panel.

1989. Updates on the ethics standards on sustainability assurance

The Committee noted that the IESBA released the global ethics standards for sustainability assurance and a new ethics standard on using the work of an external expert in January. SSD had started the convergence of these standards for adoption in Hong Kong and is currently assessing their impact on local stakeholders. The converged standards and impact analysis will be presented at the next meeting for the Committee's consideration.

SSD also presented proposed activities to support the rollout of the standards. The Committee was requested to nominate appropriate speakers to deliver relevant training programs and to assess the need for local implementation guidance beyond what the IESBA provides. Concurrently, SSD will seek input from the Sustainability Ethics Advisory Panel regarding training initiatives and the development of local materials and guidance.

1990. Any other business

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

The Committee noted that the next meeting is scheduled for 10 April and was requested to suggest agenda items by 19 March.

There being no further business, the meeting closed at 2:33 p.m.

MARY XUEREB
CHAIR

11 March 2025