

Agenda Item 10 (b) – Proposed new Case Studies for inclusion in APES GN 40

Introduction

Technical Staff propose eight Case Studies that are relevant for APES GN 40, as set out in the table below:

| No | Title | Issues Discussed |
|-----------|--|---|
| 22 | Matters to be considered before accepting a Non-Executive Director appointment | Consideration of the knowledge and skills required to fulfil a role |
| 23 | After effects of a rushed acquisition | Professional judgement and ethical decision-making |
| 24 | Inappropriate social media use | Professional ethics for personal social media accounts |
| 25 | Heroic efficiency target | Commercial pressure linked with personal ambition |
| 26 | Who do you believe? | Incorrect reporting of information to stakeholders |
| 27 | Optimistic valuations and reporting deadlines | Pressure to meet management and market expectations |
| 28 | Complex corporate restructuring arrangement | Ethical challenges in tax planning |
| 29 | Sustainability-related reporting dilemma | Addressing greenwashing risks in sustainability disclosures |

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Case Study 22 – Matters to be considered before accepting a Non-Executive Director appointment

Issues discussed: Consideration of knowledge and skills required to fulfil a role

Case outline: Samantha (**Member in Business**) recently retired from her position as the Finance director of a listed company operating in the hospitality sector, where she served for over 12 years. Prior to this role, she spent 10 years as an audit partner in a large accounting firm. Following her retirement, she was approached by a head-hunter regarding a potential appointment as a Non-Executive Director for a company operating in the financial services sector. While Samantha is interested in the role, she has no direct experience in the financial services sector and is concerned about whether she has the required technical knowledge and experience.

| Fundamental principles of the Code | |
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| Integrity | How does the Member in Business ensure that her integrity is safeguarded, given that she currently has doubts about her technical skill set to serve effectively as a member of a Board? |
| Objectivity | How does the Member in Business maintain her objectivity, given that the potential financial rewards, reputation effects, and the potential desire for continued professional engagement may be influencing the decision? |
| Professional behaviour | How does the Member in Business proceed so as not to discredit herself? |
| Professional competence and due care | How can the Member in Business demonstrate adequate knowledge of the commercial, strategic, technical and regulatory requirements of the proposed role? |

| Ethical decision-making approach | |
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| Identify relevant facts | <p>Does the Member in Business have all of the facts? Can the Member in Business retain her integrity and allow her name to be put forward as a candidate for the role?</p> <p>Has the Member in Business adequately discussed the matter with the headhunter to clarify why the company is seeking a candidate without direct experience in financial services?</p> <p>Has the Member in Business adequately considered the expectations, required competencies, responsibilities, and regulatory demands of the role?</p> |
| Identify affected parties | Key affected parties are the Member in Business , the head-hunter, the company and its Board, the audit committee, shareholders, regulators and other stakeholders of the company. |
| Determine whether a procedure of conflict resolution exists within the organisation | Given the nature of the dilemma (i.e. this matter concerns a personal decision prior to appointment), no internal conflict resolution process applies. The Member in Business can also consider the ethical conflict resolution resources of her Professional Body. |

| Ethical decision-making approach | |
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| <p>Consider who should be involved in the conflict resolution process</p> | <p>Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement?</p> <p>Can the Member in Business seek clarification from the head-hunter regarding the expectations of the role, the Board skill matrix and the reasons she was recommended as a suitable candidate?</p> <p>Are there trusted colleagues with whom the Member in Business can discuss her position?</p> |
| <p>Discuss the ethical dilemma with relevant parties</p> | <p>Do further discussions need to take place with the head-hunter? Do discussions need to be held directly with the Board and the nominations committee?</p> |
| <p>Consider a possible course of action</p> | <p>If the Member in Business is interested in this opportunity, she can inform the head-hunter and request that a meeting be arranged with the company. At the meeting, she can seek further clarification on the role requirements and enquire about the induction programme/ongoing training the company provides. In addition, the Member in Business can request a detailed specification of the role and skill set of the person that the company is looking for.</p> <p>It is critical that she consider whether there are avenues for her to develop the necessary knowledge and skills in the financial services sector, and whether those skills would contribute to the appropriate composition and balance of the Board.</p> <p>The Member in Business should obtain details of the relevant regulatory requirements that will affect the proposed role at the company concerned. The Member in Business may consider undertaking her own due diligence on the company and prospective fellow directors before expressing her interest in the position, for example, what is the financial position and culture of the organisation?</p> <p>In making her decision, the Member in Business should apply the reasonable and informed third party test and consider if a reasonable and informed third party would likely conclude that her decision was appropriate.</p> |

Case Study 23 – After effects of a rushed acquisition

Issues: Professional judgement and ethical decision-making

Case outline: Jim (**Member in Business**) is the Finance Director of XYZ Ltd, a wholly owned subsidiary of ABC Ltd, a listed company. Over several years, XYZ has pursued an aggressive growth strategy through targeted acquisitions, resulting in enhanced earnings per share through integrations, economies of scale, and a strong focus on cost control.

XYZ recently completed a major acquisition of DEF Ltd and its subsidiaries, with support from the parent company. During negotiations, concerns arose regarding the management structure, valuation, and limited access to financial information for due diligence. These concerns were communicated to the board and included in the minutes; however, the acquisition proceeded. Following completion, significant deficiencies were identified in the financial records of the acquired group. The **Member in Business** and his team worked extensively to reconstruct the financial records and correct foreign exchange errors, enabling the auditors to sign off on the year-end accounts. These matters were also disclosed to the auditor.

Three days before ABC is due to approve and announce its results to the market, the **Member in Business** discovers an undisclosed branch of an overseas subsidiary within the acquired DEF group that was not identified during due diligence and has no accounting records. A preliminary assessment tentatively concluded that the branch is not material. The financial statements for XYZ have already been finalised.

The **Member in Business** needs to decide whether to disclose this discovery immediately to the auditors and parent board, knowing that doing so may delay the parent company’s results announcement.

| Fundamental principles of the Code | |
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| Integrity | <p>How does the Member in Business retain his integrity without disclosing the discovery of the undisclosed branch?</p> <p>Should the Member in Business immediately inform the Board and the Board of the parent company?</p> <p>If the Member in Business withholds the information, is he fulfilling his responsibilities in regard to setting the organisation’s values and standards (i.e. the ‘tone from the top’)?</p> |
| Objectivity | <p>How does the Member in Business maintain his objectivity, knowing that the financial statements may be incorrect?</p> <p>Is the likely consequence of delaying the parent company’s results announcement interfering with the Member in Business’s objectivity?</p> |
| Professional behaviour | <p>How does the Member in Business proceed so as not to discredit himself or the company?</p> |
| Professional competence and due care | <p>Is the Member in Business able to check that his findings are correct?</p> |

| Ethical decision-making approach | |
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| Identify relevant facts | <p>Does the Member in Business have all the facts, including sufficient information to assess materiality? Can the Member in Business retain his integrity without disclosing the discovery of the undisclosed branch?</p> <p>Does the Member in Business have confidence in the integrity of the management of the branch? Is there a possibility that the results are, in fact, material, or are there other issues at the branch that may be a cause for concern and should be disclosed?</p> <p>Are there any consequences in relation to XYZ's accounts, which have already been finalised?</p> |
| Identify affected parties | <p>The key affected parties are the Member in Business, the Boards of XYZ, ABC, and DEF, and of the newly found branch; the shareholders of ABC; the auditors of ABC (it is assumed they are the same auditors as XYZ and DEF); financial analysts; and possibly foreign tax authorities.</p> |
| Determine whether a procedure of conflict resolution exists within the organisation | <p>Consider the company's policies and procedures, applicable accounting standards, best practices, and applicable laws and regulations.</p> |
| Consider who should be involved in the conflict resolution process | <p>Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement?</p> <p>Does the Member in Business have trusted colleagues with whom he can discuss his position? Is there anyone else within the company that the Member in Business should speak to regarding this matter?</p> <p>Are the other directors aware of this issue? Has the Member in Business discussed the matter with the Board and/or audit committee?</p> <p>Has the Member in Business discussed the matter with the auditors?</p> |
| Discuss the ethical dilemma with relevant parties | <p>Do discussions need to take place with the appropriate governance bodies, such as the audit committee, board of directors, or risk and compliance functions?</p> <p>Does the matter need to be escalated to the internal auditor or external auditor?</p> |
| Consider a possible course of action | <p>The Member in Business should make reasonable efforts to obtain more detailed information on the newly discovered branch, which is required to allow a proper assessment, both qualitatively and quantitatively, of its materiality. Does the possibility exist that there are further components of the group that have not yet been discovered?</p> |

Ethical decision-making approach

The **Member in Business** should immediately inform the board of XYZ and the board (or audit committee) of ABC about the discovery of the undisclosed branch. He should also notify the external auditors without delay, as they must assess the implications for the financial statements and independently determine materiality.

The **Member in Business** should analyse that there is the potential for a negative outcome. If the parent fails to meet its reporting deadline to the market, this is likely to negatively impact its short-term share price.

However, the **Member in Business** should also consider how the market might react if the parent company reported as planned, only to conclude later that it had to disclose a newly discovered branch.

To resolve the problem, the **Member in Business**, in deciding on a course of action, should apply the reasonable and informed third party test and consider whether a reasonable and informed third party would likely conclude that his actions were appropriate. Conduct that might discredit the profession includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.

The **Member in Business** should also fully document the issue, including any discussions held with the board (or audit committee) and others, as well as the reasoning behind their final decision.

Case Study 24 – Inappropriate social media use

Issues: Professional ethics for personal social media accounts

Case outline: Ben (**Member in Business**) uses his social media account for personal purposes. His social media biography states that he is affiliated with an accounting body. Although he uses his account for personal purposes, it is public, and the **Member in Business** frequently engages in political discussions with other users on the platform and posts comments on political and religious issues. On several occasions, he posted highly inflammatory comments containing derogatory and offensive language. A number of social media users publicly reference his professional status in response to his comments.

The relevant accounting body receives multiple complaints from social media users, supported by screenshots of the posts. Ben acknowledges that some individuals found his comments offensive and apologises. However, he maintained that the comments were made in his personal capacity, through his personal social media account, outside working hours, and that he was exercising his right to freedom of expression.

| Fundamental principles of the Code | |
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| Integrity | <p>Can the Member in Business retain his integrity and post highly inflammatory comments containing derogatory and offensive language on social media?</p> <p>Can the Member in Business maintain his integrity if the comments made on his social media account show an association with an accounting body?</p> |
| Objectivity | <p>How can the Member in Business manage the conflict between his desire to express his personal opinions and professional responsibilities?</p> |
| Professional competence and due care | <p>Has the Member in Business adequately considered the broader reputational consequences of his actions?</p> <p>Has the Member in Business's conduct demonstrated fairness, respect and appropriate professional judgement?</p> |
| Professional behaviour | <p>How should the Member in Business proceed so as not to discredit himself or his employer?</p> <p>Can the Member in Business disregard his professional duty to act responsibly in the language used in his comments on the social media account that displays his association with an accounting body? Does engaging in inflammatory and derogatory commentary undermine trust in the profession?</p> |

| Ethical decision-making approach | |
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| Identify relevant facts | <p>Does the Member in Business understand the impact of inflammatory comments containing derogatory and offensive language on social media?</p> <p>While the accounting body is not responsible for the comments, including his professional association in his social media biography creates a clear link to his professional status.</p> |

| Ethical decision-making approach | |
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| Identify affected parties | The key affected parties are the Member in Business , his employer, the professional body, other members of the profession, the general public and other social media users. |
| Determine whether a procedure of conflict resolution exists within the organisation | <p>Consider the company’s policies and procedures, best practices, and applicable laws and regulations.</p> <p>The Member in Business can also consider the ethical conflict resolution resources of his Professional Body.</p> |
| Consider who should be involved in the conflict resolution process | <p>The conflict resolution process should involve the Member in Business, the relevant ethics or professional standards team within the accounting body, and, if necessary, an independent disciplinary panel.</p> <p>The Member in Business’s employer may also consider whether any internal policies relating to social media use have been breached. The Member in Business may also seek independent legal or professional advice to ensure fair and impartial consideration of the matter.</p> |
| Discuss the ethical dilemma with relevant parties | <p>The Member in Business should discuss the matter with the relevant ethics or professional standards team within his accounting body and fully cooperate with any investigation.</p> <p>He may also seek independent legal or professional advice to understand his obligations and respond appropriately to the allegations. Discussions may also be held with the employer.</p> |
| Consider a possible course of action | <p>The Member in Business may consider how a ‘reasonable and informed third party’ would likely find these actions discrediting, given the public nature of the comments and their offensive content, which could reflect poorly on the profession.</p> <p>It should be noted, however, that even without a clear connection to the Member in Business’s professional life, inflammatory comments containing derogatory and offensive language on social media are also likely to be considered serious enough to undermine confidence in the profession.</p> <p>Ethical obligations apply both online and offline.</p> |

Case Study 25 – Heroic efficiency target

Issues discussed: Commercial pressure linked with personal ambition

Case outline: Alexandra (**Member in Business**) is the finance director of a large subsidiary of WWY Ltd, an international financial services group. She has held the role for four years and believes she is a strong candidate for future promotion to Group Finance Director. She is committed to the organisation and her work-life balance is heavily weighted towards her work.

Following several years of poor global performance, the overseas parent company has imposed a 5 per cent cost-cutting target across all subsidiaries. Alexandra successfully met the target at WWY, but only through measures that have negatively impacted staff morale and may not be sustainable in the long term. The efficiencies have also left the organisation vulnerable from a compliance perspective.

Recently, the Group Finance Director instructed all subsidiaries to achieve a further 10 per cent cost efficiency in the following year, while maintaining all operational and sales targets. The **Member in Business** knows this target is unrealistic and may compromise the company’s ability to meet its compliance obligations. When the **Member in Business** raises these concerns with the Group Finance Director, she is told that the target is non-negotiable and that failure to implement the cuts may result in her dismissal.

The **Member in Business** concludes that, after reviewing potential options, further cost savings cannot be achieved without significant risk to compliance with legal and regulatory obligations.

| Fundamental principles of the Code | |
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| Integrity | <p>Is the Member in Business fulfilling her duty to ensure that the company complies with its legal and regulatory obligations? How can the Member in Business ensure the board members of WWY and those of the parent company are aware of the company’s obligation to meet its compliance requirements?</p> <p>To ensure that both WWY board members and those of the parent company understand the company’s obligations to meet compliance requirements, how can the Member in Business effectively communicate these responsibilities?</p> |
| Objectivity | <p>How will the Member in Business be able to assess the impact of these proposed cuts without personal bias?</p> <p>Is the prospect of promotion influencing the Member in Business’s assessment of the situation?</p> <p>Can the Member in Business evaluate the proposed cost reductions without personal bias or fear of dismissal affecting her judgement?</p> |
| Confidentiality | <p>How will the Member in Business maintain the confidentiality of sensitive company information while raising concerns?</p> <p>If the company proceeds despite significant regulatory risk, does the Member in Business need to consider whether whistleblowing obligations or entitlements arise under relevant ethical and legal frameworks?</p> |

| Fundamental principles of the Code | |
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| Professional competence and due care | How will the Member in Business ensure compliance with relevant laws and regulations and avoid actions that discredit the profession? Carrying out directives that knowingly risk compliance would breach the principle, even under pressure from senior management. |
| Professional behaviour | How should the Member in Business proceed so as not to discredit herself or the company? |

| Ethical decision-making approach | |
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| Identify relevant facts | <p>Does the Member in Business have all of the facts? How should the Member in Business ensure she effectively communicates the compliance risks of this proposed cost-cutting exercise to board members?</p> <p>Does the company have an internal whistleblowing process? Is she complying with relevant laws and regulations?</p> <p>Has the Member in Business reviewed financial and operational data to confirm whether further cuts are feasible without jeopardising compliance?</p> <p>Has the Member in Business considered the relevant regulatory frameworks, internal compliance obligations, and directors' legal duties?</p> <p>Has the Member in Business considered the potential financial penalties, reputational damage and long-term consequences of non-compliance?</p> |
| Identify affected parties | The key affected parties are the Member in Business , the Group Finance Director, the Board, shareholders, employees, regulatory bodies, and the company's customers and suppliers. |
| Determine whether a procedure of conflict resolution exists within the organisation | Consider the company's policies, procedures, best practice and applicable laws and regulations. |
| Consider who should be involved in the conflict resolution process | The Member in Business , the Group Finance Director, the subsidiary CEO, Compliance/Risk, and, if necessary, Internal Audit or the Board should be involved. |
| Discuss the ethical dilemma with relevant parties | The Member in Business should further assess the discussion beyond the Group Finance Director to appropriate governance bodies, such as the audit committee, the board of directors, or the risk and compliance functions. |

| Ethical decision-making approach | |
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| <p>Consider a possible course of action</p> | <p>The Member in Business should refuse to implement any cost reductions that would breach the law or regulatory requirements, as compliance should take priority over financial targets. She should formally document her concerns, including evidence demonstrating why the proposed 10 per cent efficiency saving is unachievable without risking non-compliance.</p> <p>The Member in Business may seek independent professional or legal advice to clarify her obligations and potential personal exposure. If internal resolution fails and serious non-compliance remains likely, she may consider using the organisation’s whistleblowing procedures or, as a last resort, external disclosure in line with professional guidance and legal protections.</p> <p>If no ethical or legal solution is available, she may need to consider resigning to protect her professional integrity and avoid being associated with unethical conduct.</p> |

Case Study 26 – Who do you believe?

Issues discussed: Incorrect reporting of information to stakeholders

Case outline: Oliver (**Member in Business**) is the Finance Director of a private company, PQR Pty Ltd, providing outsourcing services to local authorities. PQR’s largest contract is with a local council, which is performing in line with plan and generating substantial profits and cash flows. A junior staff member tells Oliver that the Managing Director, who is also the majority shareholder, and the Contract Director at the local council, have amended KPIs in the monthly report to make the contract appear better than it is. Oliver finds this concerning. The junior staff member who raised these concerns has been with the company for a while and is considered competent and reliable.

The next morning, Oliver raised the concern with the Managing Director, highlighting the company’s moral obligation to the local community. The Managing Director dismisses Oliver’s concern, stating that the Contract Director is satisfied with the amended KPIs and that the Contract Director signs off monthly. The Managing Director adds that the company is being sold, and Oliver will receive a substantial bonus upon successful completion of the sale.

| Fundamental principles of the Code | |
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| Integrity | Can the Member in Business overlook the concerns and maintain his integrity? |
| Objectivity | Can the Member in Business remain objective when deciding how to proceed in relation to the concerns when they have been promised the payment of a substantial bonus on the sale of the company? |
| Confidentiality | On what basis could or should the Member in Business make disclosures? |
| Professional behaviour | How does the Member in Business proceed so as not to discredit himself or the company? |
| Professional competence and due care | How can ignoring the altered KPIs be seen as acting with due skill, care and diligence, consistent with professional standards? |

| Ethical decision-making approach | |
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| Identify relevant facts | Does the Member in Business have all the facts? Can the Member in Business discuss the matter further with a trusted colleague? Does the company have an internal whistleblowing process? What steps has the Member in Business taken to understand his legal rights and responsibilities? |
| Identify affected parties | Key affected parties are the Member in Business , the Managing Director, the other directors, the junior staff member, other employees, other shareholders, the Contract Director, other local council members and community/ratepayers. |
| Determine whether a procedure of conflict resolution | Consider the company’s policies and procedures, best practice and applicable laws and regulations. |

| Ethical decision-making approach | |
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| exists within the organisation | |
| Consider who should be involved in the conflict resolution process | <p>Who should be involved in the resolution of this matter and for what reason? Do any confidentiality, privacy or whistleblower constraints prevent or restrict their involvement?</p> <p>What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom he can discuss his position?</p> <p>Has the Member in Business discussed the matter with management and/or human resources? Can the Member in Business's Professional Body provide advice and provide assistance?</p> |
| Discuss the ethical dilemma with relevant parties | <p>Should the Member in Business raise this with the Board? Can further discussions be held with the Managing Director?</p> <p>Do discussions need to be held directly with the Contractor Director and/or other members of the local council? Does the matter need to be escalated to the internal auditor or external auditor?</p> |
| Consider a possible course of action | <p>The Member in Business may consider further discussions with the Managing Director to clarify his understanding of the situation. Prior to the discussion, the Member in Business should consider gathering evidence to understand the basis of the junior member's concerns, carrying out his own review, and documenting his findings.</p> <p>The Member in Business could consider escalating the matter to the internal auditor and, where appropriate, to the external auditor. If the issue remains unresolved, the Member in Business could consider the organisation's whistleblowing procedures and seek appropriate professional advice, while also refusing to be associated with or approve any information that he believes to be misleading.</p> |

Case Study 27: Optimistic valuations and reporting deadlines

Issues discussed: Pressure to meet management and market expectations

Case outline: Sam (**Member in Business**) is the Finance Manager of Alpha Co Ltd, a publicly listed company. As part of the year-end closing process, the company plans to recognise the fair value of certain intangible assets acquired through a recent business combination. Alpha Co engaged an external valuation expert to estimate the fair value of these assets. The valuation report supports the figure preferred by management, thereby reducing amortisation expense and increasing reported profit for the year.

Upon reviewing the report, Sam notices that several of the assumptions used by the valuation expert, particularly forecasted cash flows and discount rates, are significantly more optimistic than Alpha Co’s own internal budget forecasts. These discrepancies suggest that the reported fair value may overstate the assets and understate future amortisation, potentially misrepresenting financial performance.

The consolidated financial statements are scheduled for board approval in a few days, creating significant time pressure. At the same time, senior management is pressuring Sam to accept the valuation report as is, emphasising market expectations and the desire to present strong financial results.

This puts Sam in a difficult position, balancing professional and ethical obligations with management and market expectations under tight deadlines.

| Fundamental principles of the Code | |
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| Integrity | Can the Member in Business overlook the valuation expert’s optimistic assumptions and still demonstrate his integrity? |
| Objectivity | How does the Member in Business maintain his objectivity, given the pressure from senior management to accept the valuation and management’s desire to show higher profits? |
| Professional behaviour | How should the Member in Business proceed so as not to discredit himself or the company? |

| Ethical decision-making approach | |
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| Identify relevant facts | Does the Member in Business have all the facts? How should the Member in Business ensure he can interpret or verify the External Expert’s work before relying on it? Can the Member in Business discuss the matter further with senior management? Publishing financial statements based on misleading assumptions could violate laws, regulations, and ethical norms, harming the company’s reputation and the profession. |
| Identify affected parties | Key affected parties are the Member in Business , the Board, senior management, the company’s employees, shareholders and auditors. |
| Determine whether a procedure of conflict resolution exists within the organisation | Consider the company’s policies and procedures, applicable accounting standards, best practice and applicable laws and regulations. |

| Ethical decision-making approach | |
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| <p>Consider who should be involved in the conflict resolution process</p> | <p>Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement?</p> <p>Are there trusted colleagues with whom the Member in Business can discuss his concerns? Can the Member in Business discuss the concerns with senior management?</p> <p>If the issue remains unresolved, the Member in Business should consider whether to escalate the matter to the audit committee or the Board of Directors.</p> <p>The Member in Business may also consider whether his Professional Body can provide advice and/or provide assistance.</p> |
| <p>Discuss the ethical dilemma with relevant parties</p> | <p>Does the Member in Business need to have further discussions with the external valuer and senior management to address concerns about the valuation assumptions?</p> <p>Does the matter need to be escalated to the audit committee, board of directors and/or external auditors?</p> |
| <p>Consider a possible course of action</p> | <p>The Member in Business could consider obtaining details of the valuation expert's valuation, including sensitivity analysis, and adjust any figures that are not supported by internal forecasts.</p> <p>The Member in Business may consider escalating the issue to the Board and/or the audit committee.</p> <p>The Member in Business should refuse to implement any cost reductions that would result in a breach of law or regulatory requirements, as compliance must take priority over market expectations and financial results. He should formally document his concerns, including evidence demonstrating why the reported fair value may overstate the assets and understate future amortisation, potentially misrepresenting financial performance.</p> <p>The Member in Business may seek independent professional or legal advice to clarify his obligations and potential personal exposure. If internal resolution fails and serious non-compliance remains likely, he may consider using the organisation's whistleblowing procedures or, as a last resort, external disclosure in line with professional guidance and legal protections. If no ethical or legal solution is available, he may need to consider resigning to protect his professional integrity and avoid being associated with unethical conduct.</p> |

Case Study 28: Complex corporate restructuring arrangement

Issues discussed: Ethical challenges in tax planning

Case outline: Danielle (**Member in Business**), the CFO at Titan Holdings (Titan), is asked to help structure a complex tax-planning arrangement involving a corporate restructuring across related entities. The arrangement has been recommended to the CEO by tax advisers whose approach is considered ‘aggressive’, and it is expected to significantly reduce the company’s tax liability and improve reported profits for the year.

In a recent meeting, the CEO of Titan, who is also a major shareholder, outlined to senior management that the restructure was an opportunity to improve financial performance and secure a substantial performance bonus for senior management, including the **Member in Business**. While the arrangement is technically permissible, the **Member in Business** has concerns about whether a credible basis for the structure can genuinely be established. In particular, the **Member in Business** is uncertain about the arrangement’s underlying economic purpose and substance, and a recent court ruling has cast doubt on similar structures.

The **Member in Business** raises her concerns with the CEO. In particular, she highlights that when standing back and considering the arrangement, she questions whether it aligns with the intent of tax laws or is primarily designed to achieve a tax advantage and inflate short-term profits. The CEO immediately dismisses her concerns as being ‘too conservative’ and tells the **Member in Business** to proceed with implementing the tax planning arrangement.

| Fundamental principles of the Code | |
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| Integrity | Can the Member in Business overlook her concerns in relation to the tax planning arrangement and maintain her integrity? |
| Objectivity | How will the Member in Business manage the conflict between financial benefit and integrity? |
| Professional competence and due care | How will the Member in Business ensure she has sufficiently evaluated the technical merits of the arrangement, including the recent court ruling and the uncertainty surrounding the economic purpose and substance, before determining whether a credible basis exists? |
| Professional behaviour | How should the Member in Business proceed so as not to discredit herself or the company, particularly if the Australian Tax Office later challenges the arrangement? |

| Ethical decision-making approach | |
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| Identify relevant facts | Does the Member in Business have all the facts? What other information could the Member in Business need before deciding how to proceed? Can she discuss the proposed tax arrangement further with the CEO? Can she discuss the proposed tax arrangement with another member of the senior management team or the Board? |
| Identify affected parties | Key affected parties are the Member in Business , the CEO, senior management, shareholders, the Board, employees and the Australian Tax Office. |

| Ethical decision-making approach | |
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| Determine whether a procedure of conflict resolution exists within the organisation | Consider the company's policies and procedures, best practice and applicable laws and regulations. |
| Consider who should be involved in the conflict resolution process | <p>Who should be involved in the resolution of this matter and for what reason? Are there trusted colleagues with whom the Member in Business can discuss her position?</p> <p>The Member in Business should consider consulting legal or tax professionals to verify that the structure complies with all applicable tax laws and regulations.</p> |
| Discuss the ethical dilemma with relevant parties | The Member in Business should clearly communicate her concerns regarding the lack of a credible basis for the arrangement with the CEO and, if necessary, the Board. She should also ensure that her concerns are properly documented. |
| Consider a possible course of action | <p>The Member in Business may consider further discussions with the CEO to highlight the concerns with the structure. She may also consider reassessing whether a credible basis genuinely exists, including a critical evaluation of the technical advice provided. The Member in Business should stand back and consider whether the arrangement aligns with the intent of tax laws and has genuine commercial substance beyond achieving a tax advantage.</p> <p>If concerns remain, the Member in Business should recommend modifying the arrangement to reflect the underlying economic reality better or suggest adopting a more defensible approach.</p> <p>If the CEO continues to insist on proceeding despite unresolved concerns, the Member in Business should consider escalating the matter in accordance with Titan's governance processes and consider her professional responsibilities before continuing to be associated with the implementation of the arrangement.</p> <p>The Member in Business can also consider the ethical conflict resolution resources of her Professional Body.</p> |

Case Study 29: Sustainability-related reporting dilemma

Issues discussed: Addressing greenwashing risks in sustainability disclosures

Case outline: Liam (**Member in Business**), a professional accountant, is responsible for preparing the annual sustainability report for his company, a global contract-catering business. The company is in the final stages of preparing for an Initial Public Offering (IPO) and senior management has emphasised that strong environmental credentials will be critical to attracting investors and maximising the company’s valuation.

In the lead-up to the IPO, the marketing department has intensified its sustainability messaging, positioning the company as an industry leader in renewable energy use, carbon reduction and environmental responsibility. Investor presentations and promotional materials highlight ambitious environmental achievements and strong sustainability performance.

The **Member in Business** has reviewed the underlying data to prepare the sustainability report and has identified significant inconsistencies between the company's marketing claims and its actual performance. Renewable energy usage has been overstated, carbon emissions have been understated and certain environmental targets are presented as current achievements rather than as future aspirations. The **Member in Business** realises that public messaging may amount to greenwashing, which portrays the company as more environmentally responsible than is the case. Given the upcoming IPO, the **Member in Business** is concerned that inaccurate or misleading sustainability disclosures could expose the company to regulatory scrutiny, reputational damage and potential legal consequences.

Liam must decide how to proceed to ensure the sustainability report and related IPO disclosures are accurate, complete, and not misleading, while maintaining compliance with reporting obligations and upholding his professional integrity.

| Fundamental principles of the Code | |
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| Integrity | Can the Member in Business overlook the inconsistency in the information and maintain his integrity? |
| Objectivity | How will the Member in Business maintain his objectivity with pressure from marketing and senior management to produce disclosures that align with promotional sustainability claims, particularly where IPO valuation may depend on strong sustainability positioning? |
| Professional behaviour | How should the Member in Business proceed so as not to discredit himself or the company? |
| Professional competence and due care | How can preparing a sustainability report using incorrect and inconsistent information be seen as acting with due skill, care and diligence? How will the Member in Business ensure the sustainability report is compliant with any required standards and legislation and is not using exaggerated and misleading data? |

| Ethical decision-making approach | |
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| Identify relevant facts | <p>Does the Member in Business have all of the facts? Can the Member in Business discuss the matter further with the company's senior management?</p> <p>If the sustainability report is produced and includes exaggerated and misleading data, does the conduct constitute a breach of any laws or regulations, and if so, which ones?</p> <p>Does the company have an internal process for escalating the issue? What steps has the Member in Business taken to understand his legal rights and responsibilities?</p> |
| Identify affected parties | <p>Key affected parties are the Member in Business, company management and the Board, marketing department employees, other employees, existing shareholders, potential IPO investors and other stakeholders.</p> |
| Determine whether a procedure of conflict resolution exists within the organisation | <p>Consider the company's policies and procedures, applicable sustainability reporting standards, best practice and applicable laws and regulations.</p> |
| Consider who should be involved in the conflict resolution process | <p>Who should be involved in the resolution of this matter and for what reason?</p> <p>Are there trusted colleagues with whom the Member in Business can discuss his position?</p> |
| Discuss the ethical dilemma with relevant parties | <p>The Member in Business should communicate his concerns to the board of directors or those charged with governance, and, if needed, escalate them to the compliance team to resolve the conflict.</p> |
| Consider a possible course of action | <p>The Member in Business may consider discussing this matter with senior management or raising the matter with the Board.</p> <p>The Member in Business could also perform further analysis to verify the sustainability data and ensure that IPO disclosures reflect accurate, balanced and complete information.</p> <p>The Member in Business should document all communications and professional judgements made. The Member in Business should seek to resolve the issue internally while maintaining integrity and ensuring that no material sustainability information is altered or omitted in IPO materials.</p> <p>If the company proceeds to issue the sustainability report despite unresolved concerns, the Member in Business should consider escalating the matter in accordance with its internal governance processes and assessing her professional responsibilities before continuing to be associated with the report.</p> <p>The Member in Business can also consider the ethical conflict resolution resources of his Professional Body.</p> |