IESBA™
International Ethics Standards Board for Accountants
AN IFEA BOARD

FIRM CULTURE AND GOVERNANCE

Summary of Feedback from Global Roundtables

JULY 2025

CONTENTS

About the IESBA

The International Ethics Standards Board for Accountants (IESBA) serves the public interest by setting high-quality ethics standards, including independence requirements, as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Along with the International Auditing and Assurance Standards Board (IAASB), the IESBA is part of the International Foundation for Ethics and Audit (IFEA). The Public Interest Oversight Board (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

I. EXECUTIVE SUMMARY

1. The IESBA held a series of six in-person and virtual global roundtables between March and April 2025 as part of its public consultation process to inform the development of the proposed new standard and non-authoritative materials (NAMs) under the Firm Culture and Governance (FCG) project.

What We Heard

2. The roundtable participants shared views on matters relating to the eight elements of a firm culture and governance framework (FCG elements) identified in the FCG project proposal as fostering an ethical culture: (1) ethical leadership; (2) oversight and governance; (3) provision of independent input; (4) accountability; (5) incentives and rewards; (6) a culture of open discussion and challenge; (7) continuous education and training; and (8) transparency.

General Observations

Importance of Ethical Culture

3. There is broad recognition from participants about the importance of accounting firms demonstrating strong ethical values and acting as highly ethical firms. Participants generally agreed that accounting firms should proactively cultivate their ethical culture, recognizing its role in promoting a high-level of ethical behavior by their partners and staff. IESBA representatives also heard that firms generally recognize the importance of ethics in building public trust. Some participants noted that some firms have taken steps to address the FCG elements to a greater or lesser extent.

Principles-based Approach

4. Participants were supportive of IESBA taking a principles-based approach when developing an FCG framework, given that firms vary vastly in size, resources, services offered, ownership and governance structures.

5. These roundtable discussions have also demonstrated the interconnected nature of the FCG elements and the benefits of having a framework that integrates these interconnected elements to effectively create and sustain a strong ethical culture.

Need to Consider Scalability

6. Scalability was consistently highlighted as an important characteristic when developing a principles-based framework to ensure its relevance and implementability for firms of all sizes. The need for scalability was particularly clear during discussions regarding the provision of independent input, with participants pointing out that whilst it is generally beneficial for firms to seek objective input from independent individuals, not all firms may need, or benefit from having, independent non-executives.

NAM as an Effective Vehicle

7. Participants shared their experiences, observations and best practices relating to the eight FCG elements. This wealth of input could be further developed by IESBA as NAMs and other practical support material.

8. There were also views, mainly from representatives of the profession, that NAMs may be a more effective vehicle in enabling

firms to cultivate their organizational ethical culture and that IESBA should consider prioritizing the development of NAMs and other support material over standard-setting.

Private Equity Investments

9. There were some discussions on the potential implications of private equity investments in accounting firms on ethical culture, such as pressure to prioritize profit over a firm's public interest obligations.

Coordination with IAASB

10. Firm representatives and other participants emphasized the importance of coordination with the International Auditing and Assurance Standards Board (IAASB) with respect to the International Standard on Quality Management (ISQM) 1[1] to ensure that interconnectivities between the FCG elements and ISQM 1 are properly taken into account by the IESBA.

Key Takeaways on the FCG Elements

Ethical Leadership

11. On the topic of ethical leadership, participants provided the following key comments:

- Ethics should be a strategic priority of a firm. A consistent understanding of ethical values should be embedded across all service lines, not only in decision-making but throughout the performance and conduct of its engagements.

- An ethical leader demonstrates integrity, authenticity and transparency in their behavior and actions. They will make difficult ethical decisions amidst internal and external operational or financial pressures, and are transparent about both successes and challenges faced.

- It is key for leaders to establish the tone at the top by "walking the talk" to demonstrate their commitment to ethics and foster a culture that permeates throughout the firm.

Oversight and Governance

12. On the topic of oversight and governance, participants provided the following key comments:

- Building an ethical culture cannot be achieved through just one initiative or policy; it is a holistic process that should be regularly reviewed and improved.

- Oversight and governance mechanisms that monitor, evaluate and improve ethical culture and performance allow for accountability, transparency, feedback, continuous improvement and reinforcement of ethical expectations.

- Establishing a designated senior-level ethics leader or oversight representative who is visibly engaged demonstrates that ethics is a priority. Such oversight should be tailored and scalable to the circumstances of each accounting firm.

The Provision of Independent Input

13. On the topic of provision of independent input, participants provided the following key comments:

- Obtaining independent/objective input is useful but there is not one-size-fits-all in how this could be achieved by a firm.

- Firms (especially smaller ones) experience challenges with finding qualified independent non-executives (INEs) with adequate qualifications and experience and no conflicts of interest.

- Independent/objective input can come from multiple sources, both within and outside a firm, e.g., INEs, a committee representing different parts of the business, regulators, professional accountancy organizations (PAOs) and consultants, among others.

Accountability Across the Firm

14. On the topic of accountability across the firm, participants provided the following key comments:

---

1 ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- Defining clear expectations of ethical behavior is key to driving consistent ethical behavior across service lines and jurisdictions.

- Creating an environment that encourages continuous learning recognizes that mistakes can be made and learned from. However, this must be balanced with clear expectations of what behavior will not be tolerated and its consequences.

- Having mechanisms in place to monitor ethics-related measures are important to detect and address potential areas where ethical issues may arise.

Incentives and Rewards that Align with Ethical Behavior

15. On the topic of incentives and rewards that align with ethical behavior, participants provided the following key comments:

- Ethical behavior is expected and assumed as part of an individual's overall performance, therefore it is challenging to set financial targets or incentives for such behavior.

- Nevertheless, promotions and compensation reviews need to incorporate and consider ethics (e.g., by using balanced "scorecards" that consider financial and non-financial metrics).

- Firms can reward individuals for positive ethical decisions through non-financial recognition, such as celebrating those who demonstrated exemplary ethical behavior and giving out ethics awards.

- Disincentive mechanisms can be a powerful tool, but they need to be applied consistently, clearly, and in a timely manner to maintain credibility and reinforce ethical expectations.

A Culture of Open Discussion and Challenge

16. On the topic of culture of open discussion and challenge, participants provided the following key comments:

- Leadership tone, interpersonal trust, and psychological safety were viewed as foundational for open discussion, particularly in addressing ethical concerns.

- Structured mechanisms, such as ethics advisors, internal ethics committees, and anonymous reporting channels, were cited as effective in facilitating safe, accessible conversations.

- Cultural and hierarchical dynamics, especially in conservative or relationship-based environments, were seen as persistent barriers to speaking up.

- Participants emphasized the importance of leadership engagement and informal interaction (e.g., walking the floor) to build trust and normalize ethical dialogue.

Continuous Education and Training

17. On the topic of continuous education and training, participants provided the following key comments:

- Ethics training was viewed as most effective when it supports real-time ethical judgment and is grounded in practical, relatable examples.

- A range of learning formats, such as role-playing and storytelling, were cited as enabling flexible, team-oriented training.

- Participants strongly supported extending ethics education across all service lines, including tax and advisory, to promote consistent values and accountability.

- The need for scalable, ready-made training tools was emphasized, particularly to support smaller firms and regions with limited internal resources.

Transparency About an Accounting Firm's Ethical Performance

18. On the topic of transparency about an accounting firm's ethical performance, participants provided the following key comments:

- While transparency reports are widely issued, participants were generally of the view that including disclosures about ethical performance, especially about cases of unethical behavior, in such reports would not be useful and could add to

the costs of preparing such reports. In particular, there were questions about what types of information about ethical performance would be helpful to stakeholders, what such public disclosures would achieve, and who would use them. In this regard, it was noted that regulators already have direct access to the firms in areas within their oversight purview and would therefore not need such external disclosures.

- There were some views that if external ethics-related disclosures are made, they should move beyond formal compliance to reflect how ethical values are enacted, including how breaches and dilemmas are handled rather than simply whether the breaches occurred.

- Questions were raised about the impact and proportionality of public reporting for smaller firms, with some suggesting that communication about a firm's ethical performance can be more effective through internal channels and client interactions for firms.

- Across the discussions on the different FCG elements, participants highlighted the importance of transparency within a firm.

II. INTRODUCTION

19. In December 2024, the IESBA accepted the Firm Culture and Governance (FCG) Working Group's [Final Report](#) and recommendations and [approved](#) a project (FCG project) with the objective to:

   Develop a culture and governance framework that promotes, supports and reinforces a high standard of ethical behavior by a firm's leadership, other partners, and staff across all of the firm's services, thereby helping the firm develop a reputation as a highly ethical firm, mitigate the risks of unethical behavior and strengthen public trust and confidence in all of its services.

20. The FCG project aimed to develop a new standard within the *International Code of Ethics for Professional Accountants (including International Independence Standards (IIS)) (the Code)[2]* to establish a Firm Culture and Governance framework (FCG framework). In addition, the project also has a second work stream with the objective of developing a series of NAMs to complement the standard-setting outputs.

21. As part of the FCG project's public consultation process to inform both work streams (standard-setting and NAM), the IESBA held six global roundtables between March and April 2025:

   - Four in-person roundtables held in:
      - New York City, USA;
      - Melbourne, Australia;
      - Brussels, Belgium; and
      - Kuala Lumpur, Malaysia.
   - Two virtual roundtables for the African and Latin American regions.

22. At the roundtables, participants were asked to share views on their observations, experiences and examples of best practices on the following eight elements of a firm culture and governance framework (FCG elements) identified in the project proposal:

   - Ethical leadership
   - Oversight and governance;
   - The provision of independent input;
   - Accountability across the firm;
   - Incentives and rewards that align with ethical behavior;
   - A culture of open discussion and challenge;
   - Continuous education and training;
   - Transparency about the firm's ethical performance.

---

2   For purposes of this document, the reference to the extant Code is the [2024 edition of the IESBA Handbook](#) which includes the most recent IESBA-approved revisions.

23.   These six global roundtables were attended by a total of 168 participants[3] representing the following stakeholder groups:

Categories	Total (including observers)	Total (%)
Regulators and oversight authorities	35	21%
Investors and other users	5	3%
Those charged with governance (TCWG) and preparers	13	8%
Independent JSS and international standard setting boards	8	5%
Professional accountancy organizations (PAOs)	40	21%
Accounting firms	39	23%
Public sector organizations	2	1%
Academia	6	4%
Others	20	12%
TOTAL	**168**	**100%**

Refer to Appendix 1 for a list of the organizations represented at the roundtables.

24.   In addition to the six global roundtables, the FCG Project Team (FCG PT) also sought additional input at other stakeholder meetings in Q2 2025, including:

- A deep-dive session with the Forum of Firms[4] in April 2025.

- The International Forum of Independent Audit Regulators' (IFIAR) Standards Coordination Working Group (SCWG) April 2025 meeting.

- IESBA-Jurisdictional Standard Setters (JSS)[5] May 2025 meeting.

- IFAC's Small and Medium Practices Advisory Group (SMPAG) May 2025 meeting; and

- Additional targeted meetings with other stakeholders, including regulators, SMPs and corporate governance specialists.

25.   **Part III** below is a summary of the feedback gathered from the six global roundtables on the eight FCG elements.

26.   At its June 2025 meeting, the IESBA considered the feedback from the roundtables and other stakeholder meetings and agreed to re-sequence the standard-setting and non-authoritative material (NAM) work streams by focusing its efforts on developing NAM and other supporting materials for the next 18 to 24 months whilst continuing to explore the best approach to the firm, culture and governance framework.

---

3   155 participants and 13 observers

4   The Forum of Firms is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide and use the ISAs as the basis for their audit methodologies. They also have policies and methodologies for the conduct of such audits that are based, to the extent practicable, on and use the International Standards on Auditing (ISAs), and policies and methodologies that conform to the IESBA Code and national codes of ethics as the basis for their audit methodologies.

5   The meeting participants are from Australia, Canada, China, France, Germany, Hong Kong SAR, India, Japan, the Netherlands, New Zealand, South Africa, the United Kingdom and the United States.

III. SUMMARY OF FEEDBACK

27. A briefing note with fourteen questions exploring the eight FCG elements was circulated to the participants ahead of the round-table discussions.

28. The key comments highlighted in this Part are divided into those eight FCG elements with a final section capturing any additional comments. Each section (with the exception of the "Additional Feedback" section) commences with "General Considerations," followed by comments grouped into key themes.

29. The "Additional Feedback" section captures other key comments raised by stakeholders.

30. A full list of opportunities for NAM raised by participants or drawn from participant feedback by the FCG PT is included in Appendix 2 below. This list was provided for the IESBA's information and consideration. It does not represent recommendations from the FCG PT or imply that the IESBA will commission NAM on any or all of the suggestions received.

Overall Observations

31. In addition to the comments received specifically on the eight FCG elements, the FCG PT also identified several overarching themes that emerged from participants' feedback and discussions across the six global roundtables.

A Culture that Drives Ethical Behavior

32. There was strong support from participants across the six roundtables, including those from the regulatory community, for firms to proactively cultivate a strong ethical culture as a strategic priority. There was broad agreement that such a culture would create the necessary environment to promote and encourage ethical behavior for all partners and staff. For such culture to be truly effective, participants agreed that it must permeate the whole firm and all service lines. Some participants noted that some firms have taken various steps to address the FCG elements to a greater or lesser extent.

Interconnectedness of the FCG Elements

33. Participants' responses affirmed that what it takes to develop a healthy ethical culture is to consider the FCG elements together rather than focusing on just one or a few in isolation. The roundtable discussions emphasized the importance of treating these elements as being interconnected. For instance, participants' discussions on accountability naturally extended into conversations about how partner and staff compensation should be structured to promote ethical behavior. These discussions highlighted the benefit of having a framework that integrates these interconnected elements to effectively create and sustain a strong ethical culture.

Importance of Scalability

34. Throughout the discussions of the various FCG elements, participants consistently encouraged the IESBA to consider them with-

out focusing only on large firms. They urged the IESBA to also carefully consider the needs and circumstances of SMPs to ensure that the outputs of this IESBA project are relevant, implementable and can be tailored to firms of all sizes.

The Use of NAMs

35. Participants generally agreed that support material should be an important output for this project. Throughout the roundtable discussions, participants have highlighted the relevance of NAM in addressing and promoting the importance of the topic. Participants have offered many suggestions that the IESBA could consider in relation to the development of NAMs and other guidance materials on each of the FCG elements (See Appendix 2 for a list of possible NAM topics raised by participants or drawn from participant feedback by the FCT PT. This list was provided for the IESBA's information and consideration. It does not represent recommendations from the FCG PT or imply that the IESBA will commission NAM on any or all of the suggestions received.)

Consideration of ISQM 1

36. Across the roundtables, firm participants and other participants highlighted the importance of the IESBA coordinating closely with the IAASB with respect to ISQM 1. It was felt that such coordination would be necessary to ensure that interconnectivities between the FCG elements and the components in ISQM 1 (e.g., leadership and governance) are properly taken into account by IESBA.

Ethical Leadership

Q1: In your experience, what are the qualities and skills of an ethical leader?

Q2: What can senior leadership do to (a) demonstrate their commitment to ethics and the public interest, and (b) create and foster an ethical culture?

Q3: How can senior leadership ensure and demonstrate that their decisions, strategies, and key policies reflect ethical values and are adopted and implemented across the firm and, where applicable, the network?

General Considerations

37. There was clear agreement on the importance of senior leadership demonstrating their commitment to ethics and the public interest, as well as creating and fostering an ethical culture. Participants gave various examples of how leadership might foster an ethical culture, including:

- Demonstrating transparency (e.g., open communication),[6] integrity,[7] and authenticity[8] in their behavior and actions.
- Bringing to the forefront the importance of ethics as a driving force in strategic decision-making.[9]
- Treating ethics as integral to the firm's brand and embedding ethics into the organization through the firm's performance of engagements across all service lines.[10]
- Doing the right thing at all times and not allowing commercial considerations to compromise ethical culture.[11]
- Driving consistency of ethical behavior[12] across service lines and jurisdictions.

---

6   Accounting firms, Independent JSS and international standard setting boards, PAOs, Regulators and oversight authorities, TCWG and preparers, Others
7   Accounting firms, Independent JSS and international standard setting boards, PAOs, Regulators and oversight authorities, TCWG and preparers, Others
8   Accounting firms, Independent JSS and international standard setting boards
9   Academia, Accounting firms, PAOs, Regulators and oversight authorities, TCWG and preparers, Others
10   Accounting firms, Others
11   Accounting firms, PAOs, Regulators and oversight authorities, TCWG and preparers, Others
12   Academia, Accounting firms, PAOs, Public sector organizations, TCWG and preparers, Others

- Modeling ethical behavior (e.g., "walking the talk")[13] to demonstrate senior leadership's commitment to ethics and to foster a culture that permeates throughout the lower and middle levels within the firm.

- Encouraging an environment of psychological safety by normalizing transparent conversations about ethics and ethical challenges.[14]

- Coaching others to be ethical leaders.[15]

Establishing the Tone at the Top

38.   Participants generally agreed that it is crucial for leaders to establish the tone at the top by aligning their actions with their values ("walking the talk"). Examples participants gave include:

- Being actively involved and visible in discussions on ethical dilemmas,[16] coaching others,[17] and demonstrating ethical behavior consistently.[18]

- A leader clearly communicating what they mean.[19]

- Demonstrating unquestioned integrity, transparency, and consistency in their behavior and actions. It was noted that ethics has to be "lived"[20] and demonstrated through daily routine actions.

- Soliciting feedback from partners and staff within all levels of the firm (including "buzz at the bottom"[21] and "mood in the middle"[22]). It was argued that this is important to ensure that the tone at the top has permeated in the firm and has been understood by all teams and across all service lines.[23]

- Demonstrating the ability to make difficult ethical decisions which are rarely binary[24]. It was observed that leaders will often need to make these ethical decisions amidst financial and operational pressures arising from clients, peers, and internal targets.

- Being transparent about both successes and challenges in order to foster trust and accountability within the firm.

39.   Participants shared that it is important for firms to focus on promotion criteria[25] and recruitment strategy[26] to ensure that the right people are promoted and employed.

40.   Participants also observed that ethical dilemmas will invariably happen and what matters is how they are identified, discussed, and resolved.[27] In particular, leaders should act promptly and decisively when risks are identified and take responsibility when things do not go according to plan.[28]

Ethics as a Strategic Priority

41.   It was pointed out that embedding strong ethical values into a firm's culture and strategy is a competitive business propo-

---

13   Accounting firms, PAOs, Regulators and oversight authorities, TCWG and preparers, Others
14   Others
15   Others
16   Accounting firms, Regulators and oversight authorities
17   Others
18   Accounting firms, Independent JSS and international standard setting boards, PAOs, TCWG and preparers, Others
19   Academia, Accounting firms, Others
20   Regulators and oversight authorities
21   Accounting firms, Independent JSS and international standard setting boards, Regulators and oversight authorities
22   Regulators and oversight authorities
23   Independent JSS and international standard setting boards, Regulators and oversight authorities
24   Accounting firms
25   Regulators and oversight authorities
26   Independent JSS and international standard setting boards, Others
27   Others
28   Accounting firms

sition.[29] When ethics is prioritized in a firm's values, there is a focus on service quality and long-term profitability instead of short-term gains.

42. Participants agreed that it is incumbent on leaders to ensure that ethics is a strategic priority of the firm and that it is seen as integral to the firm's brand and identity. Examples cited by participants include:

- When making strategic decisions, leaders should be able to demonstrate how ethics was a driving force in their decision-making,[30] such as having the strength of character to put ethics and public interest above short-term profits.[31]

- Ensuring a consistent understanding of ethical values across service lines and partners and staff,[32] and how it fits into the firm's strategy.

     There was a view that because ISQM 1 covers matters of governance, leadership and ethics, audit/assurance partners and staff understand what is expected.[33]

     For firm personnel outside of the audit/assurance service line, such as advisory and tax, there was a view that these individuals might have a non-PA background and require more onboarding to explain the ethical expectations.[34]

- Investing in culture and ethics initiatives to signal to the rest of the firm the seriousness and authenticity of the firm's commitment.[35] This includes setting aside the time and resources for individuals[36] to perform their work, as well as take relevant training and having senior leadership present[37] when conducting such training initiatives.

Creating an Environment of Trust and Psychological Safety

43. It was observed that it can be challenging for partners or staff to feel comfortable raising ethical concerns, even with mechanisms in place such as 360 feedback reviews.[38] Hence, creating an environment of trust and psychological safety is key. Factors that were suggested by participants that might enable leaders to create such an environment include:

- Being empathetic[39] and encouraging frequent, transparent conversations about ethics to normalize that staff will face ethical challenges in their career.

- Investing in and developing communication channels such as holding town halls[40] and having ethics champions[41] hold peer group discussions. It was emphasized that it would be important that there is a follow-up on matters raised.[42]

- Maintaining confidentiality during discussions relating to ethical matters raised.[43]

---

29 Accounting firms
30 Academia
31 Regulators and oversight authorities, Others
32 PAOs
33 Accounting firms
34 Accounting firms
35 Regulators and oversight authorities
36 Accounting firms, PAOs, Regulators and oversight authorities, Others
37 PAOs, Regulators and oversight authorities
38 Accounting firms
39 Accounting firms, PAOs, Regulators and oversight authorities, TCWG and preparers
40 Others
41 Independent JSS and international standard setting boards, Regulators and oversight authorities, Others
42 Accounting firms, Others
43 Independent JSS and international standard setting boards, PAOs, Others

- Not being dismissive of matters brought up.[44]

Oversight and Governance

> **Q4: What are some best practices for allocating responsibility for an accounting firm's (or organization's) ethical culture and performance, including monitoring, evaluation, and improvement within a firm's (or organization's) governance structure?**
>
> **Among other aspects, please explain how the practice might differ depending on specific circumstances or factors.**

General Considerations

44. There was general agreement among participants on the importance of oversight and governance structures that monitor, evaluate, and improve ethical culture and performance. Participants raised that benefits include:

    - Allowing for accountability,[45] transparency,[46] monitoring,[47] continuous improvement,[48] and reinforcement[49] of ethical expectations.

    - Embedding the responsibility of acting ethically across the whole firm[50] and creating opportunities for partners and staff to provide feedback on ethical policies and share insights on practical implementation.[51]

    - Demonstrating to partners and staff that ethics is a priority by having a formal and clearly identifiable representative for ethics.[52]

45. Participants raised concerns about having a rigid framework or structure that must be implemented by all firms. For example, it was noted that smaller firms may not have the resources to appoint a dedicated ethics leader.[53] Instead, there was general support for a principles-based approach that can be applied proportionately based on a firm's size and resources.

Designated Ethics Oversight Role

46. Participants highlighted the importance of having a designated senior-level ethics leader or representative who is visibly engaged and ensures ethics is considered in all decision-making processes:

    - The individual(s) responsible must have the authority to act.[54]

    - Having a clearly identifiable representative who is integral to a firm's leadership can demonstrate to staff that culture is more than a symbolic gesture, but a firm priority.[55]

    - All individuals within a firm must also have responsibility for their own ethical behavior, which will drive them to think about how to make day-to-day decisions and when to escalate issues.[56]

---

44   PAOs, Regulators and oversight authorities
45   Accounting firms, PAOs, Public sector organizations
46   Accounting firms, Independent JSS and international standard setting boards, Others
47   Accounting firms, PAOs, Regulators and oversight authorities, Others
48   Accounting firms, PAOs
49   PAOs, Others
50   Accounting firms, Others
51   PAOs
52   Accounting firms
53   PAOs, Regulators and oversight authorities
54   Accounting firms
55   Accounting firms
56   Accounting firms

47. The form of the oversight, such as a chief ethics officer or an ethics committee, should be tailored to each firm. For example, participants observed that:

- Global firms may need to have decentralized oversight (e.g., at the country or service line level) to reflect operational realities.[57] A global ethics committee[58] was cited as a way to facilitate cross-regional, cross-functional dialogue and maintain consistency across the network.

- Smaller firms or firms with limited resources may find it difficult to identify an individual for a designated ethics oversight role.[59] Such firms can consider integrating responsibilities into existing roles,[60] designating a partner or a certain number of partners as ethics champions,[61] or having an external advisor.[62]

Monitoring, Evaluation, and Improvement

48. It was noted that ethical expectations should be embedded in written policies and reinforced through leadership actions.[63]

49. Participants noted that monitoring, evaluation and improvement should be transparent, data-driven, and regularly reviewed.[64] Examples raised by participants include:

- Firms should identify and monitor ethical risks[65] and pressure points[66] to determine what may be motivating unethical behavior. It was noted that ethical dilemmas can often stem from routine pressures, such as balancing client deadlines with ensuring work is completed thoroughly and accurately.[67]

- Firms could measure and assess culture initiatives using tools such as scorecards,[68] 360-degree feedback,[69] culture surveys,[70] whistleblowing mechanisms,[71] and exit interviews[72] to allow feedback on ethics practices to be captured.

- There was a view that with the implementation of ISQM 1, some firms might have implemented certain controls which relate to aspects of an FCG element, such as 360-degree feedback, across the whole firm.[73]

50. It was highlighted that firms need to consider the impact of cultural differences on ethics,[74] such as perspectives on conflicts of interest,[75] within their organization.

---

57 Others
58 PAOs, Regulators and oversight authorities, Others
59 Others
60 PAOs
61 Others
62 Regulators and oversight authorities
63 PAOs
64 Accounting firms
65 Others
66 Regulators and oversight authorities
67 Accounting firms, Others
68 Accounting firms
69 Accounting firms
70 Accounting firms, Others
71 Accounting firms, Public sector organizations, Others
72 Regulators
73 Accounting firms
74 Accounting firms, TCWG and preparers, Others
75 Others

51.   Participants also noted that building an ethical culture takes time to cultivate and is a continuous process that cannot be achieved through just one initiative or policy.[76] It was felt that this is a process that should be regularly reviewed and updated to reflect evolving trends (e.g., increasing use of shared services[77]), and continually improved.

The Provision of Independent Input

> **Q5: Under what circumstances should an accounting firm consider obtaining independent input?**
>
> **Q6: What are some best practices for accounting firms (or organizations) in terms of obtaining independent input? When is it preferable to obtain that input from within vs outside the firm (or organization)? Are there any particularities that should be considered for smaller firms (or organizations)?**
>
> **Q7: What role could independent non-executives or equivalent persons play within an accounting firm's (or organization's) governance structure to ensure executive decisions embed ethical values? How can their responsibilities be exercised?**

General Considerations

52.   Obtaining independent/objective[78] input was generally considered a useful means to obtain objective advice or opinion, depending on the issue. Although recognizing that firms obtaining independent/objective input would not prevent ethical failures by itself, participants identified several benefits of independent/objective input, such as:[79]

-   It is a form of challenge which contributes to continuous improvement.
-   It introduces greater accountability by helping to embed ethical values into executive decisions and it ensures decisions are evaluated objectively.
-   It increases confidence in ethical decision-making and significantly supports the CEO. Bringing an external perspective may help convince those who are more resistant to change.
-   It maintains integrity and provides unbiased oversight of management decisions, thereby contributing to the public-interest reputation of firms.
-   It helps to ensure that decisions reflect broader stakeholder considerations and are not solely driven by commercial imperatives.
-   It improves governance for internal purposes (for both partners and staff) as well as for external parties who rely on firms to provide high-quality services.
-   It supports a speak-up environment at a senior leadership level. It might be easier for outsiders (compared to individuals in the firm) to raise issues.
-   It can help ensure ethical standards are upheld across all firms, regardless of their size.

53.   The following costs and challenges were identified in terms of securing independent/objective input, which was seen as particularly difficult for SMPs given their more limited resources:

-   Time required to identify the individuals best suited to provide input. [80]

---

76   PAOs
77   Regulators and oversight authorities
78   For the purposes of this paper, "independent/objective input" is used to refer to impartial input regardless of whether it comes from outside or inside of a firm.
79   Accounting firms, Independent JSS and international standard setting boards, PAOs, Public Sector Organizations, Regulators and oversight authorities, TCWG and preparers, Others
80   Accounting firms, Others

- Compensation of the individuals providing input.[81]
- The pool of individuals to choose from,[82] especially in smaller communities where it might be difficult to find someone who is not affected by conflicts of interest. There were some queries as to the extent of independence needed, e.g. whether it should relate to direct clients only or extend to other firms in the network, etc.

54. There was general support for a principles-based approach that would allow for a flexible, proportionate and scalable implementation, taking into account the differences in resource availability and needs of a range of firms from larger firms to SMPs. Participants agreed that there is not a one-size-fits-all approach in how this could be achieved by a firm.

Purposes of the Independent/Objective Input

55. Independent/objective input was considered helpful to:

- Provide direct and practical advice on specific and strategic topics,[83] e.g. remuneration practices in the firm. Some have made a further suggestion that an advisory role alone may not be sufficient[84] as firms need governance personnel with explicit authority rather than just offering recommendations.
- Monitor governance matters in the firm.[85]
- Consider matters and issues from a public interest perspective.[86]

How Firms Can Obtain Independent/Objective Input

56. Participants noted that there is more than one way to obtain independent/objective input, which can come from within or outside the firm:

- Examples of internal input include[87] an INE within a committee of the board; a committee of stakeholders representing different parts of the business; a committee of independent advisors to the firm; retired partners.
- Examples of external input include[88] regulators or policy makers; PAOs; lawyers or other consultants; clients; and other firms, including within the network.

57. There was recognition of potential shortcomings of internal input which can be valuable for operational issues, while external input was deemed to provide greater objectivity.[89]

58. More participants expressed a preference for using independent/objective input for a specific situation or topic,[90] as opposed to having it as a permanent function or committee[91] due to the potential costs related to the latter option, especially for SMPs.

---

81   Accounting firms, PAOs, Regulators and oversight authorities, Others
82   Accounting firms, Independent JSS and international standard setting boards, PAOs, Regulators and oversight authorities, Others
83   Accounting firms, Regulators and oversight authorities, TCWG and preparers, Others
84   Others
85   Regulators and oversight authorities
86   Accounting firms, Regulators and oversight authorities, TCWG and preparers
87   Academia, Accounting firms, PAOs, TCWG and preparers, Others
88   Accounting firms, PAOs, Regulators and oversight authorities, Others
89   Academia, Accounting firms
90   Accounting firms, Investors and other users
91   Others

Characteristics of the Person(s) Providing Independent/Objective Input

59. Participants noted that individuals providing input should:

- Be objective, impartial, not involved in the chain of command and accountable to someone other than the people who appointed them.[92]

- Have authority within the firm and be able to access all information that is made available to leadership.[93]

- Have the appropriate knowledge, competence and experience of the business.[94]

Network Firms

60. Participants considered that having INEs at the global firm (e.g., a public interest committee at the global level) and allowing them a view of the whole network allows for broader oversight by the global firm.[95]

Accountability Across the Firm

Q8: What mechanisms have you seen work to ensure there is accountability throughout an accounting firm (or organization) in terms of adherence to ethical standards and early detection and internal reporting of potential ethics issues?

General Considerations

61. Participants generally agreed on the importance of accountability mechanisms across the whole firm in embedding an ethical mindset in the partners and staff. Examples of such mechanisms provided by participants include:

- Defining clear expectations and roles that aligns everyone in the firm on ethical expectations, as well as consequences.[96] This would also help to drive consistency across different service lines and jurisdictions in terms of what is the baseline ethical behavior expected.[97]

- Supporting monitoring and assessment efforts, while enabling everyone in the firm to be able to provide feedback without fear of retaliation.[98]

- Creating an environment that encourages proactive learning and improvement.[99] It was suggested that this could be done by recognizing that an important part of learning and improving is making mistakes,[100] and being able to share stories about what went wrong, why it went wrong, and how it could have been done differently. Nevertheless, it was pointed out this should be balanced with a clear expectation of what will not be tolerated.[101]

62. It was suggested that there should be proportionality of accountability mechanisms for junior staff.[102] This is because they may have less experience with ethical dilemmas compared to more senior individuals,[103] and accordingly have less experience with

---

92   Academia, Accounting firms, Independent JSS and international standard setting boards, Public sector organizations, Regulators and oversight authorities, TCWG and preparers, Others

93   Accounting firms, Independent JSS and international standard setting boards, Investors and other users, PAOs, Regulators and oversight authorities, TCWG and preparers, Others

94   Accounting firms, PAOs, Regulators and oversight authorities, TCWG and preparers, Others

95   Accounting firms, Others

96   Accounting firms

97   Accounting firms, TCWG and preparers

98   PAOs, TCWG and preparers

99   Accounting firms, Others

100   Academia

101   Accounting firms

102   PAOs

103   PAOs

how to identify and address such circumstances.

63.   It was further suggested that disproportionate ethical expectations may discourage younger talent from entering or staying in the profession.[104] However, there were also views that such expectations may attract talent whose values align with what firms are looking for.[105]

Clear Expectations of Ethical Behavior

64.   Participants observed that instituting clear ethical policies, such as a code of conduct, is essential to defining what the roles and expectations are for partners and staff within a firm. Participants suggested that these policies could, for example:

- Define what behavior is considered unethical and outline the consequences of not behaving ethically.[106]

- Be applicable to all partners and staff within the firm, across service lines and jurisdictions, to establish a global baseline of ethical behavior throughout the firm.[107]

- Establish a consistent baseline of ethical behavior for a firm with a global network, which local firms must follow. Local firms can add to the expected global baseline of behavior but should not subtract from it.[108]

- Consider proportionality for less experienced staff,[109] who might not have the same level of experience in ethical decision-making as more experienced staff.

    In this regard, ethics training was cited as critical by stakeholders for partners and staff to develop awareness of ethical behavior, particularly through real-life scenarios.[110] It was argued that such training should be tailored to be relatable to all partners and staff, regardless of their seniority, type of engagement, office, or region. It was also suggested that ethical decision frameworks are helpful tools for partners and staff to address potential ethical issues.[111]

65.   It was also noted that communicating breaches of ethical standards[112] and the consequences of poor ethical behavior within the firm is important to set the tone and expectations of what will not be tolerated.

Monitoring and Assessment

66.   Participants reinforced the importance of having mechanisms in place to identify and address potential areas where ethical issues may arise. For example, participants noted that such mechanisms might:

- Monitor employee-related metrics such as staff turnover on engagements,[113] overtime hours,[114] whistleblowing case numbers,[115] and staff churn.

    It was noted that firms can gather input on such metrics through using ethics surveys,[116] 360-degree feedback,[117] exit interviews,[118] or conducting regular ethics audits.[119] Furthermore, participants shared that it is not enough to solely gather information on these metrics, but that firms must also use the data to enact real change and show continuous

---

104   PAOs
105   Others
106   Accounting firms
107   Accounting firms
108   TCWG and preparers
109   PAOs
110   Independent JSS and international standard setters, Public sector organizations, Regulators and oversight authorities, Others
111   Accounting firms
112   Accounting firms, Regulators and oversight authorities
113   Regulators and oversight authorities
114   Regulators and oversight authorities
115   Accounting firms, PAOs
116   Academia, Accounting firms, Others
117   Accounting firms, Regulators and oversight authorities
118   Investors and other users
119   PAOs, Others

improvement.[120]

- Incorporate a level of agility in the monitoring and assessment processes so that continuous improvements can be made following an ethical lapse. This is because ethical breaches should lead to meaningful reflection, process improvements, and stronger preventative measures.[121]

- Embed ethics-related metrics in partner and staff assessments (e.g., balanced scorecards[122]). It was noted that this would send a message to the firm's personnel about the importance of ethics.[123] Accordingly, it was argued that firms may also structure their remuneration practices based on the particular behavior they are trying to reinforce at that time.[124]

- Utilize emerging technologies to assist with early detection measures, such as for test-taking.[125]

Incentives and Rewards that Align with Ethical Behavior

Q9: What incentives or reward mechanisms have you seen be effective in accounting firms (or organizations) in driving ethical behavior?

Q10: What disincentive mechanisms for unethical behavior have you seen in accounting firms (or organizations) that are particularly effective, besides disciplinary action and penalties?

General Considerations

67. There was general agreement that incentive and disincentive mechanisms can impact or reinforce ethical behavior. Examples of incentive and disincentive mechanisms provided by participants include:

- Outlining clear and consistent expectations across the firm for ethical behavior,[126] what is considered exemplary ethical behavior,[127] and the consequences for unethical behavior.[128]

- Driving the importance of ethics by incorporating ethical metrics in performance and compensation.[129]

- Implementing remuneration structures that encourage desired ethical behaviors.[130]

68. It was noted that disincentive mechanisms should be balanced with a learning and growth environment to allow personnel to learn from their mistakes.[131]

Linking Performance Evaluations and Ethical Behavior

69. Participants pointed out that an overemphasis on profit and revenue can undermine ethical culture.[132] To prevent this overemphasis, it was argued that ethical behavior should be linked to performance and compensation,[133] ensuring integrity is part of career progression.

---

120   Accounting firms, Others
121   Others
122   Accounting firms
123   Accounting firms
124   Accounting firms, Independent JSS and international standard setters
125   Regulators and oversight authorities
126   Accounting firms, Others
127   Accounting firms
128   Accounting firms, Independent JSS and international standard setters, PAOs, TCWG and preparers, Others
129   Accounting firms, PAOs
130   Independent JSS and international standard setters
131   Academia, Accounting firms, PAOs, Others
132   Accounting firms
133   Accounting firms, PAOs

70. Visible actions,[134] such as recognizing and rewarding positive ethical behavior at the highest levels, reinforce the firm's values. Examples provided by participants include:

- Clearly communicating ethical expectations and demonstrating ethical values, which also helps partners and staff understand where the ethical baseline is.[135]

- Embedding expectations on ethical conduct within performance evaluations at all levels.[136] It was suggested that firms could use balanced "scorecards"[137] that consider financial and non-financial metrics, including metrics relating to ethical behavior, for performance evaluations and promotion decisions.

- Rewarding ethical behavior through non-financial recognition, such as through sharing stories of exemplary ethical behavior,[138] giving out ethics awards,[139] and senior leadership sending congratulatory emails directly to partners and staff.[140] It was noted that such non-financial recognition could be just as effective as financial rewards.[141] It was observed that in fact, since ethical behavior is expected and assumed, it is challenging to set financial targets or incentives for "expected" behavior.[142] Furthermore, such type of recognition was viewed as helping partners and staff understand what exemplary conduct looks like.[143]

- Rewarding those ethics multipliers who help and mentor others to make ethical decisions, and spread the word on the importance of ethics as they are doing more than what is expected.[144]

Disincentive Mechanisms

71. Examples of disincentive mechanisms shared by participants include losing access to high profile clients,[145] being excluded from leadership roles or other decision-making positions,[146] and being subject to additional oversight.[147] Participants emphasized the importance of having consistency,[148] clarity,[149] and timeliness[150] when applying disincentive measures to maintain credibility and reinforce ethical expectations with partners and staff. Further, disclosing ethical breaches as needed within the firm creates an environment of transparency where partners and staff understand there are real consequences to unethical behavior.[151]

72. However, participants also highlighted the importance of having disincentive mechanisms which are proportionate to the type of ethical breach. For example, it was observed that while it is important to share stories of ethical dilemmas for learning purposes, there can also be a "chilling effect" with public disincentive measures[152] such as communicating unethical behavior to

---

134   Accounting firms, Others
135   Accounting firms, PAOs, Others
136   Accounting firms
137   Accounting firms
138   Accounting firms, Regulators and oversight authorities
139   Accounting firms, Independent JSS and international standard setters
140   Accounting firms
141   Accounting firms
142   PAOs, Regulators and oversight authorities
143   Accounting firms
144   TCWG and preparers
145   Regulators and oversight authorities
146   Regulators and oversight authorities
147   PAOs
148   Accounting firms, Others
149   Accounting firms
150   Others
151   Accounting firms
152   Accounting firms, Others

partners and staff for awareness purposes, leading to a reluctance to speak up about unethical behavior.

73. Therefore, the general sense from participants was that disincentive measures should be balanced[153] with encouraging an environment of learning and continuous improvement.

Culture of Open Discussion and Challenge

> **Q11: In your experience, what are some examples of a culture that encourages open discussion and exchange of ideas, including on ethical issues? What mechanisms have helped establish, encourage and maintain an effective culture of open discussion and exchange?**
>
> **Among other aspects, please cover examples that prevent or address reluctance to speak up and consult, challenge, or exchange ideas.**

General Considerations

74. There was general agreement that fostering a culture of open discussion and challenge is essential to ethical decision-making and accountability within firms.[154]

75. A recurring observation was that formal mechanisms alone are insufficient; leadership tone, interpersonal trust, and accessible communication channels all play a role in shaping whether individuals feel safe speaking up.

Leadership Modeling and Trust-Building

76. Participants emphasized that leadership behavior is central to establishing psychological safety and encouraging open discussion of ethical issues, particularly for younger staff.[155] Leaders who consistently model the firm's values and engage authentically with staff help create an environment of trust and accountability. Specific actions highlighted include:

- Demonstrating alignment between personal conduct and the values promoted by the firm.
- Sharing personal ethical dilemmas and lessons learned to normalize ethical reflection.
- Engaging regularly and informally with staff—for example, through "walking the floor"—to build relationships and invite candid dialogue.[156]
- Maintaining continuous engagement with team members throughout the year, beyond formal performance appraisals, to strengthen ethical accountability and reinforce trust.

Structured Mechanisms and Safe Channels

77. Participants shared that there is a range of tools to support open discussion and encourage challenge in a structured, accessible way:

- Regular, people-led discussions were cited as being more effective compared to the top-down webinar format, where participants discuss "what leads to unethical behavior." [157]
- Annual staff surveys on leadership's ethical behavior and "pulse checks" as mechanisms for continuous improvement.[158]
- Open-door policies and multiple, well-communicated channels for ethical concerns, alongside strict anti-retaliation com-

---

153   Regulators and oversight authorities
154   Accounting firms, PAOs, Regulators and oversight authorities, Others
155   Accounting firms, PAOs, TCWG and preparers, Others
156   Accounting firms, Others
157   Accounting firms, PAOs, Others
158   Accounting firms, Others

mitments.

- Anonymous reporting channels, directly linked to ethics leaders, which allow staff to raise issues without fear.
- Internal ethics committees as a means to maintain a "helpful" tone to encourage voluntary engagement rather than fear-driven compliance.
- The use of independent third-party channels to encourage more open sharing of information.

Speak-up and Whistleblowing Systems

78. It was pointed out that speak-up mechanisms are useful and necessary when the internal conversation mechanisms are not working. It was noted that these mechanisms encourage partners and staff to raise ethical issues and ask questions and check with others in the firm who might have dealt with similar issues before.

79. It was noted that in an ideal world, firms would not need speak-up lines as partners and staff are speaking freely. However, there was a view that speak-up mechanisms are necessary as good governance practices because of potential lack of trust.[159] Furthermore, it was argued that partners and staff should feel a duty, and not only an option, to report ethical failures.

80. On the use of a whistleblowing system, participants highlighted the following:

- If there are not many whistleblowing complaints, it may be an indication that the whistleblowing system is not used properly or that staff do not feel safe using it.[160]
- The more anonymous it is, the more difficult it is to go back to the whistleblower.
- There needs to a proper feedback loop to the whistleblower.
- There is a heightened risk of retaliation in smaller communities or close-knit firms, where whistleblowers may be easily identified despite anonymity protocols.[161]
- Whistleblower data—such as the number and nature of reports—should be analyzed to identify trends and support ethics education and systems improvement.[162]
- Anonymous channels should be supplemented by advisory resources—such as designated ethics advisors—who can provide confidential guidance without triggering formal reporting.[163]

Barriers to Open Culture

81. There was general acknowledgement that persistent challenges can undermine open discussion, such as:

- Fear of retaliation even in firms that have established formal reporting channels. A speak-up culture requires not only policies but also consistent reinforcement and visible consequences for retaliatory behavior.
- Unclear or inconsistent communication about reporting pathways can discourage staff from raising concerns. It was noted that education on how to use available mechanisms and who to approach is essential to enabling open discussion.[164]

---

159 PAO
160 Academia, Accounting firms
161 Independent JSS and international standard setting boards
162 TCWG and preparers
163 Academia, Accounting firms, TCWG and preparers, Others
164 Academia, Accounting firms, PAOs, Regulators and oversight authorities, Others

- If line managers are not open to these conversations, staff will not speak up, hence the importance of tone in the middle.[165]

- In culturally conservative or hierarchical environments, staff may feel unable to challenge authority or speak freely.[166]

Continuous Education and Training

Q12: How can accounting firms (or organizations) ensure that education and training programs go beyond gaining knowledge of ethical standards and bring ethics to the forefront of making judgments and guiding decisions?

General Considerations

82. There was broad agreement about the importance of ethics training and that such training should extend beyond technical instruction to incorporate real-life examples. Participants supported practical and flexible approaches that could be scaled across different firm sizes and functions. It was felt that more consideration should also be given to how smaller firms can have access to the education and training programs needed, given their more limited resources to develop these programs.

Engaging and Practical Learning Formats

83. It was emphasized that ethics training is most effective when it supports real-time judgment and is grounded in relatable, practical experiences. A range of interactive formats was identified as particularly effective in helping professionals internalize ethical principles and apply them in daily practice:

- Storytelling, case studies, and scenario-based discussions that connect abstract principles to everyday dilemmas.[167]

- Role-playing exercises that build ethical awareness, communication skills, and collaborative decision-making.[168]

- Training approaches that develop intuitive recognition of ethical issues, especially where dilemmas may not be immediately obvious.[169]

- Modular and micro-learning formats that accommodate flexible, team-oriented learning, especially for younger professionals.[170]

- Ethical decision-making frameworks and toolkits, modeled on checklists, that support consistent, values-based decisions.

- Real-time ethical case discussions facilitated by external experts to enhance credibility and deepen reflection.

Firm-Wide Applicability and Relevance

84. Participants agreed that for ethics training to be truly effective, it must be integrated across the entire firm, not limited to audit service lines. There was strong support for approaches that are inclusive, relevant, and adaptable to different service lines, geographies, and firm sizes:

- Extending ethics training to all service lines, including tax, advisory, and technology, to reinforce shared values and expectations across the firm.[171]

- Positioning ethics as a core professional skill, on par with technical capabilities, and embedding it into day-to-day workflows is not just a recommendation, but a necessity to foster an ethical culture and ensure ethics is not treated as stand-

---

165   PAOs
166   Academia, Others
167   Academia, Accounting firms, Public sector organizations, Regulators and oversight authorities, Others
168   Academia, Accounting firms, Independent JSS and international standard setting boards, Public sector organizations, Regulators and oversight authorities, Others
169   Academia, Accounting firms, Regulators and oversight authorities, TCWG and preparers, Others
170   Academia, Accounting firms, Independent JSS and international standard setting boards, Others
171   Accounting firms, Independent JSS and international standard setting boards, Public sector organizations, Others

alone content.[172]

- Supporting smaller firms by offering scalable tools and ready-made resources to overcome limitations in internal training capacity.

- Updating training content to address emerging areas such as artificial intelligence, misinformation, data ethics, and automation-related bias.

- For network firms, some education and training programs are being generated from the global firm to promote uniformity across all firms within the network.[173]

Transparency About an Accounting Firm's Ethical Performance

Q13: What information about an accounting firm would stakeholders (such as clients, investors, and regulators) be interested in or should be receiving to inform them about the firm's ethical values, behavior, and accountability? Are the considerations as applicable to smaller firms as larger firms?

General Considerations

85.   Participants acknowledged that transparency about the firm's ethical beliefs and values can play a crucial role in fostering an ethical culture and establishing trust with stakeholders. However, there was generally significant skepticism about the purpose, benefits and usefulness of including disclosures about ethical performance in transparency reports, as well as concerns about the added costs of such disclosures.

86.   While many firms already issue transparency reports either voluntarily or in compliance with regulatory requirements, these were sometimes described as narrowly focused on audit and compliance, with limited insight into the broader ethical environment of the firm. A few participants also observed that transparency reports may sometimes be viewed as marketing materials.

Transparency Reporting Practices

87.   There was agreement that ethics-related disclosures should move beyond compliance to reflect how values are implemented, dilemmas are addressed, and accountability is upheld across the firm.

88.   However, there was a broad range of queries or doubts raised about the effectiveness of transparency reports as a vehicle to speak about firms' ethical performance:

- Many transparency reports remain compliance-oriented, focusing on audit quality, independence, or regulatory requirements rather than broader ethical culture.[174]

- Reports may not, in some instances, be tailored to the needs of external stakeholders, such as clients and investors who may be seeking greater visibility into how ethical values are operationalized within the firm. For example, information such as how conflicts of interest are managed or how breaches are handled is typically absent or addressed superficially.[175]

- Uncertainty as to the purpose of disclosures about ethical performance in the transparency reports, who would use such disclosures and what they would achieve.[176] It was noted that regulators already have direct access to firms in areas they oversee and would be able to obtain information about cases of unethical behavior.

---

172   Accounting firms, Independent JSS and international standard setting boards, Public sector organizations, TCWG and preparers, Others
173   Accounting firms
174   Academia, Accounting firms, Independent JSS and international standard setting boards, TCWG and preparers, Others
175   Academia, Independent JSS and international standard setting boards, TCWG and preparers, Others
176   Accounting Firms

- Should such disclosures be made, there would be a need to determine the metrics for measuring ethical behavior that will lead to measurable outcomes. It was noted that even then, establishing such metrics would be challenging given the wide diversity of firms.[177]

- Some felt that strengthening transparency around ethical behavior and governance could be a key lever to build trust and reinforce accountability[178] but only when disclosures reflect practice and are accompanied by consistent follow-through, where there is evidence that breaches are addressed and not merely reported for compliance purposes.

Channels and Audiences

89. Participants emphasized that how and where firms communicate their ethical commitments play a critical role in shaping credibility and stakeholder trust. It was argued that to be effective, ethics-related communications must be clear, relevant to their audience, and supported by consistent actions:

- A range of channels, such as firm websites, internal newsletters, staff townhalls, and regulatory submissions, can be used to communicate ethics-related information[179].

- Tailored messaging helps ensure that ethical commitments are understood by different stakeholder groups, including staff, clients, investors, and oversight bodies[180].

- Communications are more credible when they include real examples of how ethical values are applied in practice, rather than generic or aspirational language[181].

90. Some participants from firms and PAOs were cautious about public disclosures due to the perceived reputational risk, particularly when stakeholder expectations around transparency are unclear or evolving.

91. Scalability was also flagged as an important factor when considering transparency. Some considerations highlighted by participants include:

- Whether public disclosure would drive change for smaller firms in smaller locations. Instead, it was felt that it is more likely that market forces would drive that change.[182]

- The costs and benefits of such reporting, including whether this would be an extra burden and the reason for providing the information.[183]

- Whilst larger firms have stakeholders who would read their reports, clients of smaller firms would rely more on their interactions with the firms.[184]

Additional Feedback

Q14: Are there any other strategies or mechanisms not covered in the previous questions you have seen being effective in keeping ethical considerations top of mind and part of daily decision-making, and therefore contributing to an ethics-driven organizational culture?

Project Approach and Overall Sentiment

92. There was broad agreement that fostering an ethical culture requires more than just policy statements or compliance frame-

---

177 Investors and other users
178 Academia, Investors and other users, TCWG and preparers, Others
179 Academia, Accounting Firms, Regulators and oversight authorities, Others
180 Regulators and oversight authorities, Others
181 Academia, Accounting Firms, Regulators and oversight authorities
182 Accounting firms, Others
183 Accounting firms, PAOs
184 Others

works. However, there were mixed views on whether the IESBA should focus on developing a new standard, with some participants preferring a flexible, principles-based approach centered on NAM:

- NAMs were seen as a more effective way to encourage and promote ethical behavior, especially when firms vary widely in size, services, and risk profile[185].

- It was highlighted that a one-size-fits-all standard could impose undue burdens, particularly on SMPs, and could risk being misaligned with the operational realities of diverse firm structures and jurisdictions.[186]

- It was suggested that a well-designed NAM suite could offer scalable solutions without introducing unnecessary compliance burdens, particularly for smaller firms with limited resources.[187]

- There is a need for practical guidance—such as templates, case studies, and scenario-based tools—that firms can adapt to embed ethical expectations in their specific context.[188]

- Peer learning and illustrative practices were suggested as impactful ways to reinforce behavior and drive engagement across firms.

Private Equity Investment (PEI) and Ownership Structures

93. There were some discussions on the potential implications of private equity ownership on the ethical culture within a firm.[189] Participants' comments included the following:

- PE ownership might create pressure points that may prioritize profit over professional or public interest obligations.

- The alignment (or misalignment) of governance structures with ethical expectations becomes more complex under non-professional accountant (non-PA) ownership models.

- The need for ethical obligations and public interest responsibilities to be clearly articulated, regardless of firm ownership.

94. Participants noted that the full implications of private equity investment are still unfolding, and regulators are closely observing how these ownership models may affect compliance with professional obligations and ethical behavior.

ISQM 1

95. Participants observed that certain processes and controls required by ISQM 1, such as risk assessments, monitoring and remediation processes, could be informative in considering how to promote consistent ethical oversight beyond the audit function. Participants provided the following related observations:[190]

- These processes are useful for establishing consistent expectations across service lines and building shared accountability.

- Applying similar approaches across service lines promotes shared accountability and strengthen alignment on ethical expectations.

- From past experience, some firms have faced initial resistance from non-assurance teams when extending aspects of ISQM 1 to such teams but overcame this through leadership support and targeted education.

---

185   Accounting firms, PAOs
186   Accounting firms, PAOs
187   Accounting firms, Independent JSS and international standard setting boards, PAOs, Regulators and oversight authorities
188   Accounting firms, TCWG and preparers, Others
189   Independent JSS and international standard setting boards, Regulators and oversight authorities, Others
190   Accounting firms, Independent JSS and international standard setting boards, PAOs, Regulators and oversight authorities

Appendix 1

List of Participants' Organizations at Global Roundtables

This appendix lists the organizations whose representatives participated in IESBA's global roundtables and supplemental outreach meetings on Firm Culture and Governance. These participants represent a broad range of geographic and institutional diversity, encompassing standard setters, regulators, firms, academia, and professional bodies.[191]

#	Stakeholder	Region
Regulators and Oversight Authorities		
1.	Accounting and Corporate Regulatory Authority (ACRA)	Asia Pacific (AP)
2.	Accounting and Financial Reporting Council (AFRC HK)	AP
3.	African Forum of Accounting and Auditing Regulators (AFIAAR)	Africa
4	Australian Securities and Investments Commission	AP
5.	Australian Tax Office	AP
6.	Belgian Audit Oversight Board CTR	EU (Europe)
7.	Canadian Public Accountability Board (CPAB)	North America (NA)
8.	Comisión para el Mercado Financiero (Chile)	Latin America (LATAM)
9.	Committee of European Auditing Oversight Bodies (CEAOB)	EU
10.	Conselho Federal de Contabilidade (Brasil)	LATAM
11.	European Securities and Markets Authority (ESMA)	EU
12.	Financial Reporting Council (UK)	EU
13.	Financial Reporting Council, Australia	AP
14.	Financial Reporting Council, Mauritius	Africa
15.	Financial Reporting Council, Nigeria	Africa
16.	Financial Services and Markets Authority (FSMA)	EU
17.	Haute autorité de l'audit (H2A)	EU
18.	Independent Regulatory Board for Auditors (IRBA)	Africa
19.	International Organization of Securities Commissions (IOSCO)	Global
20.	National Association of State Boards of Accountancy (NASBA)	NA
21.	Netherlands Authority for the Financial Markets	EU
22.	Public Accountants and Auditors Board (PAAB) Zimbabwe	Africa
23.	Public Company Accounting Oversight Board (PCAOB)	NA
24.	Securities and Exchange Board of India (SEBI)	AP
25.	Securities and Exchange Commission, Ghana	Africa
26.	Securities and Exchange Commission, Zimbabwe	Africa
27.	Securities Commission Malaysia (SCM)	AP
28.	U.S. Securities and Exchange Commission (US SEC)	NA

---

191   The views expressed by participants at the Roundtables do not necessarily represent the views of their respective organizations.

#	Stakeholder	Region
Investors and Other Users		
29.	European Fund and Asset Management Association	EU
30.	Institutional Investors Council Malaysia	AP
31.	International Corporate Governance Network	Global
32.	Securities Investors Association (Singapore)	AP
Those Charged with Governance and Preparers		
33.	Australian Institute of Company Directors	AP
34.	Citibank Cameroon	Africa
35.	Dianne Azoor Hughes (Independent Director)	AP
36.	Goldman Sachs Asset Management	NA
37.	Institute of Corporate Directors Malaysia (ICDM)	AP
38.	International Association of Financial Executives Institute (IAFEI)	Global
39.	Kate Spargo (Independent Director)	AP
40.	Merran Kelsall (Independent Director)	AP
41.	Minority Shareholders Watch Group (MSWG)	AP
42.	PIMCO Mutual Funds (on the Board of Trustees)	NA
43.	Quinnipiac University (on the Board of Trustees)	NA
44.	W Peter Day (Independent Director)	AP
Independent[192] Jurisdictional Standard Setters and International Standard Setting Boards		
45.	Accounting Professional & Ethical Standards Board (APESB)	AP
46.	Australian Auditing and Assurance Standards Board (AUASB)	AP
47.	Australian Accounting Standards Board (AASB)	AP
48.	External Reporting Board (XRB)	AP
49.	International Auditing and Assurance Standards Board (IAASB)	Global
50.	New Zealand Auditing and Assurance Standards Board (NZAuASB)	AP
Professional Accountancy Organizations (PAOs)[193]		
51.	Accountancy Europe	EU
52.	American Institute of Certified Public Accountants (AICPA)	NA
53.	Association of Chartered Certified Accountants (ACCA)	Global
54.	Chartered Accountants Australia and New Zealand (CAANZ)	AP
55.	Chartered Accountants Ireland	EU
56.	Compagnie nationale des commissaires aux comptes (CNCC)	EU
57.	Confederation of Asian & Pacific Accountants (CAPA)	AP
58.	CPA Australia	AP

---

192   JSS that have the mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to PAOs are categorized as "Independent Jurisdictional Standard Setters."

193   For purposes of this categorization, a PAO is a member organization of professional accountants, of firms, or of other PAOs. PAOs include but are not limited to IFAC member bodies.

#	Stakeholder	Region
59.	CPA Canada	NA
60.	CPA Ontario	NA
61.	Hong Kong Institute of Certified Public Accountants (HKCIPA)	AP
62.	IBRACON (Brasil)	LATAM
63.	Institut der Wirtschaftsprüfer in Deutschland e. V (IDW)	EU
64.	Institute of Chartered Accountants Ghana (ICAG)	Africa
65.	Institute of Chartered Accountants in England and Wales (ICAEW)	EU
66.	Institute of Chartered Accountants of Scotland (ICAS)	EU
67.	Institute of Public Accountants (IPA)	Global
68.	Institute of Singapore Chartered Accountants (ISCA)	AP
69.	International Federation of Accountants (IFAC)	Global
70.	Japanese Institute of Certified Public Accountants (JICPA)	AP
71.	Korean Institute of Certified Public Accountants (KICPA)	AP
72.	Malaysian Institute of Accountants (MIA)	AP
73.	Malaysian Institute of Certified Public Accountants (MICPA)	AP
74.	Nordic Federation of Public Accountants (NRF)	EU
75.	Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)	Africa
76.	Pan African Federation of Accountants (PAFA)	Africa
77.	South African Institute of Chartered Accountants (SAICA)	Africa
Accounting Firms and Sole Practitioners		
78.	Allen, Gibbs & Houlik	NA
79.	Baker Tilly	Global
80.	BDO	Global
81.	Confidor (Brasil)	LATAM
82.	Deloitte Touche Tohmatsu Limited	Global
83.	Ernst & Young Limited	Global
84.	Forvis Mazars	Global
85.	Grant Thornton International Limited	Global
86.	Hemming Morse	NA
87.	KPMG International Limited	Global
88.	Pitcher Partners (Baker Tilly's member firm in Australia)	AP
89.	PKF	AP
90.	PricewaterhouseCoopers International Limited	Global
91.	Qualitas Consultants	AP
Public Sector Organizations		
92.	Queensland Audit Office	AP

#	Stakeholder	Region
93.	U.S. Government Accountability Office (U.S GAO)	NA
Academia		
94.	Asia School of Business	AP
95.	Eastern Africa Statistical Training Centre	Africa
96.	European Accounting Association (EAA)	EU
97.	National University of Singapore (NUS)	AP
98.	Nova Southeastern University	NA
99.	RMIT University	AP
Others		
100.	Baker McKenzie	Global
101.	Bursa Malaysia	AP
102.	CAF | Banco de Desarrollo de América Latina y El Caribe	LATAM
103.	European Capital Markets Institute (ECMI)	EU
104.	European Stability Mechanism (ESM)	EU
105.	Florence School of Banking and Finance	EU
106.	Friedrich and Friedrich Co.	NA
107.	Gordon Ruth (Consultant)	NA
108.	Inspired Responsibility	NA
109.	International Monetary Fund (IMF)	Global
110.	Karen Horcher (Consultant)	NA
111.	Kelly Knatt (Consultant)	NA
112.	Organisation for Economic Co-operation and Development (OECD)	EU
113.	Public Interest Oversight Board (PIOB)	Global
114.	Sérvulo	EU
115.	United Nations Development Programme (UNDP)	Global
116.	West African Economic and Monetary Union (L'Union Economique et Monétaire Ouest-Africaine (UEMOA)) Permanent Council of the Accounting Profession (CPPC)	Africa

Appendix 2

Summary of NAM Opportunities Raised by Participants or Drawn from Participant Feedback

The following lists opportunities or suggestions for NAM offered by roundtable participants or drawn from participant feedback by the FCG PT. This list was provided for the IESBA's information and consideration. It does not represent recommendations from the FCG PT or imply that the IESBA will commission NAM on any or all of the suggestions received.

Ethical Leadership

- Examples of leaders demonstrating the "tone at the top."
- Examples of cross-cultural considerations for firms whose operations span multiple jurisdictions.
- Guidance for how leaders can foster a psychologically safe environment in their firms.
- Examples of external factors and systemic issues that can impact a firm's culture.
- Case studies of example ethical dilemmas that can happen in a firm and practical guidance on how to approach the issues. For example, this could include how leaders might make ethical decisions even when faced with operational or financial pressures.

Oversight and Governance

- Illustrative examples of oversight mechanisms that can be implemented by SMPs.
- Examples of how larger firms can facilitate the exchange of information and encourage consistency across service lines and jurisdictions, including around shared services.

The Provision of Independent Input

- Developing best practices or guidance encouraging firms to seek external input and giving them ideas for periodic consideration of matters on which to seek external input.
- Identifying high risk areas where firms might periodically seek external input.

Accountability across the Firm

- Examples of frameworks (such as scorecards that contain both financial metrics and non-financial metrics, including those related to ethical behavior), and metrics (such as participation in ethics trainings), that can be monitored as ethics KPI.
- Practical use cases of technology in prevention and early detection of ethical matters.

Incentives and Rewards that Align with Ethical Behavior

- Toolkits containing practical examples of incentive and disincentive mechanisms that can be tailored to firms of varying sizes and jurisdictions.
- Examples of informal incentive practices that celebrate ethical behavior, such as ethics awards, cash prizes for exemplary ethical behavior, and recognizing those who help others in the firm make ethical decisions.
- Material that reviews the impact of alternative firm structures on incentive models, such as research into incentive structures of listed companies regarding how to tie outcomes to the creation of long-term value.
- Coordination with PAOs to share illustrative scenarios of ethical dilemmas, with a focus on matters partners and staff find relatable and matters in the "gray area."

Culture of Open Discussion and Challenge

- Practical or real-life examples of how firms can build a speak-up culture.

Continuous Education and Training

- Case studies illustrating real-world ethical dilemmas and how they were addressed.

- Practice aids or toolkits to support decision-making, such as ethical decision trees, role-play scripts, and self-assessment tools.

- Training implementation guides for PAOs or regional networks to support small and medium-sized practices.

- Content updates and guidance addressing topics with emerging ethical issues such as artificial intelligence and digital transformation.

Transparency About an Accounting Firm's Ethical Performance

- Examples of transparency practices related to ethics.

IESBA™
International Ethics Standards Board for Accountants
AN IFEA BOARD

www.ethicsboard.org | X @ethics_board | in company/iesba