

Firm Culture and Governance (FCG)

Proposed Viewpoints to Form Potential Enduring Principles of an FCG Framework

This paper includes a discussion of which IESBA viewpoints, in the view of the Project Team (PT) and the Board Advisors, can form potential enduring principles of an FCG framework.

The principles identified herein were then used as the basis for developing an illustrative example of option 3 regarding the potential way forward as set out in **Appendix 3 of Agenda Item 2A (Issues Paper)**.

I. Proposed Viewpoints to Form Potential Enduring Principles of an FCG Framework

1. The FCG project team ("PT") reviewed the viewpoints for each of the eight FCG elements and identified those that can form enduring principles of the framework, as set out below.
2. In assessing whether a viewpoint could become an enduring principle of an FCG Framework or would be better presented as guidance for the application of the principles, the PT considered the following factors:

Factors that indicate the potential for a viewpoint to be an enduring principle:

- Whether the viewpoint is an essential characteristic of the FCG element that is relevant and applicable in all circumstances.
- Whether the viewpoint sets clear expectations regarding the desired mindset and behavior relative to the particular FCG element.

Factors that indicate the potential for a viewpoint to be guidance to support application of the principles:

- Whether the viewpoint is more explanatory as to why a principle is important.
- Whether the viewpoint addresses the operational aspects of how a firm might achieve an FCG element and therefore is more in the nature of guidance to support the effective application of the related principle.
- Whether the viewpoint discusses how a firm might consider achieving an FCG element within the context of their specific circumstances, especially with respect to proportionality or network firm considerations.

3. In addition to these factors, the PT considered stakeholder feedback (see **Agenda Item 2**) on the question of enduring principles of an FCG framework, see below table. However, the PT did not consider the findings from the simulation exercises given the timing of the finalization of the report on the simulations.

Key Themes Heard during the FCG Dialogues on the Content of the Viewpoints

Question 3 of the [briefing note](#) asked focus group participants to share views on the following matters in relation to the FCG viewpoints:

- Which of the viewpoints could evolve into key, enduring principles of the FCG framework.
- The clarity, implementability and proportionality of the viewpoints.

Key themes heard include:

- The role of ethical leadership is foundational.
- Some of the viewpoints as currently drafted are too detailed and operational, and may need further reflection to ensure implementability, proportionality, and enforceability. For example:
 - While obtaining input or advice from an independent voice makes sense in some circumstances, the necessity of seeking such input, and the nature and source of input, will vary with the circumstances.
 - There is a need to better understand what the nature of “incentives” for ethical behavior is when it is a baseline expectation.
 - Certain viewpoints as currently drafted present ethics as binary or a simplistic choice (e.g., “prioritizing ethics”). There were suggestions for such viewpoints to instead be drafted as ethics needing to be embedded into the judgment and decision-making processes.
 - There is a need to better understand the viewpoints around the FCG elements of accountability and oversight and governance, especially across network firms.
- Some of the viewpoints as currently drafted may create undue implementation costs and documentation expectations.
- While the viewpoints recognize that some aspects are not necessary in all circumstances (for example, regarding ways of obtaining independent input and types of mechanisms for oversight and governance), it would nevertheless create a default expectation for implementing them.

4. For each of the following viewpoints proposed to form enduring principles of the framework, the PT has noted where the PT is of the view that it is covered by paragraphs 120.13 A1 to A3 of the extant Code (see below extract), citing the specific paragraph and sub-bullet.

Organizational Culture

120.13 A1 The effective application of the conceptual framework by a professional accountant is enhanced when the importance of ethical values that align with the fundamental principles and other provisions set out in the Code is promoted through the internal culture of the accountant's organization.

120.13 A2 The promotion of an ethical culture within an organization is most effective when:

- (a) Leaders and those in managerial roles promote the importance of, and hold themselves and others accountable for demonstrating, the ethical values of the organization;

- (b) Appropriate education and training programs, management processes, and performance evaluation and reward criteria that promote an ethical culture are in place;
- (c) Effective policies and procedures are in place to encourage and protect those who report actual or suspected illegal or unethical behavior, including whistle-blowers; and
- (d) The organization adheres to ethical values in its dealings with third parties.

120.13 A3 Professional accountants are expected to:

- (a) Encourage and promote an ethics-based culture in their organization, taking into account their position and seniority; and
- (b) Exhibit ethical behavior in dealings with individuals with whom, and entities with which, the accountants, the firm or the employing organization has a professional or business relationship.

5. The specific language and drafting of the enduring principles of an FCG framework will depend on the framework's location and related authority which will be determined by the IESBA at its June meeting. The principles identified herein were used as the basis for developing an illustrative example of option 3 regarding the potential way forward as set out in **Appendix 3 of Agenda Item 2A (Issues Paper)**.

Ethical Leadership

IESBA Viewpoint	Potential Enduring Principle	PT View
<p><u><i>Public Interest Rationale</i></u></p> <p>A1. The senior leadership of a firm play a pivotal role in driving and fostering a strong ethical culture within the firm.</p>	No	More appropriate as guidance to support the effective application and operationalization of this FCG element, since it emphasizes the key role of senior leadership in promoting a strong ethical culture from a public interest perspective.
<p>A2. As ethical leaders, a firm's senior leadership demonstrate that they understand that they and the firm have an overarching responsibility to act in the public interest under the IESBA Code in all of the firm's professional services. This responsibility permeates the ethical culture of the firm and is fundamental to safeguarding public trust in, and the reputation of, the firm.</p>	No	More appropriate as guidance to support the effective application and operationalization of this FCG element, since it explains that an important part of being ethical leaders is for senior leadership to show that they understand their and the firm's responsibility to act in the public interest.
<p><u><i>Ethics-Driven Senior Leadership</i></u></p> <p>A3. Senior leadership that are ethics-driven are committed to ensuring ethical conduct at every level of the firm and across all its professional services. They demonstrate this commitment when exercising their role as senior leaders by prioritizing ethics in all their decisions and actions including commercial considerations.</p>	Yes	<p>This viewpoint is an essential characteristic of an ethical leader as it sets clear expectations regarding the mindset and behavior of senior leadership.</p> <p>Gap analysis with extant Code: Already covered –</p> <ul style="list-style-type: none"> • First sentence covered by paragraph 120.13 A3(a) • Second sentence covered by paragraph 120.13 A3(b)
<p>A4. Senior leadership have an ethical mindset with a strong knowledge of the IESBA Code. They take an uncompromising stance in abiding by the IESBA Code's principles when making judgments and decisions, especially in difficult situations involving ethical conflicts or dilemmas.</p>	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved and therefore would be more appropriate as guidance.

IESBA Viewpoint	Potential Enduring Principle	PT View
<p>A5. In their oversight capacity, these leaders embed the firm's ethical values in the firm's overall business strategy. They ensure that the firm's governance, systems, policies, and procedures prioritize those values and minimize the risk of ethical failures. They accept full accountability for maintaining a strong ethical culture within the firm at all times.</p>	<p>Yes</p>	<p>This viewpoint is an essential characteristic of an ethical leader as it specifies what senior leaders are expected to do with regard to how to put the firm's ethical values into practice.</p> <p>Gap analysis with extant Code: Partially covered –</p> <ul style="list-style-type: none"> • First and last sentences covered by paragraph 120.13 A2(a) • Middle sentence, highlighted in yellow, is not covered.
<p>A6. In maintaining a strong ethical culture, senior leadership understand the value of independent input on strategic and governance matters, and they seek such input as needed.</p>	<p>Yes</p>	<p>This viewpoint is an essential characteristic of an ethical leader.</p> <p>PT also notes that this viewpoint overlaps with the key substance of the viewpoints under the FCG element of Independent Input.</p> <p>Gap analysis with extant Code: Not covered</p>
<p>A7. Senior leadership recruit and promote partners and staff who demonstrate alignment with the firm's ethical values. They also reward those who are champions of ethical behavior and hold partners and staff accountable for unethical behavior.</p>	<p>Yes</p>	<p>This viewpoint is an essential characteristic of an ethical leader. It recognizes that an ethical culture is not the product of the decisions and actions of just one individual but takes the contributions of partners and staff who are also focused on advancing the firm's ethical values.</p> <p>However, the PT is of the view that “rewarding those who are champions of ethical behavior,” highlighted in yellow, merits further reflection recognizing stakeholder feedback that ethical behavior is a baseline expectation.</p> <p>PT notes that this viewpoint overlaps with the key substance of the viewpoints under the FCG elements of Accountability and Incentives and Disincentives.</p>

IESBA Viewpoint	Potential Enduring Principle	PT View
		<p>Gap analysis with extant Code: Partially covered –</p> <ul style="list-style-type: none"> • “Promote partners and staff” – covered by 120.13 A2(b). • “Recruit...partners and staff,” highlighted in yellow, is not covered. • “Hold partners and staff accountable for unethical behavior” – covered by 120.13 A2(a).
<p>Tone at the Top</p> <p>A8. Senior leadership that are ethics-driven set the tone at the top on ethical behavior at all levels within the firm by demonstrating their commitment to the firm’s ethical values through their decisions and actions. Their ethical behavior serves as a model for all partners and staff to follow.</p>	<p>Yes</p>	<p>This viewpoint is an essential characteristic of being an ethical leader. It has been widely accepted by stakeholders in the extensive outreach undertaken on this workstream.</p> <p>Gap analysis with extant Code: Covered by 120.13 A2(a).</p>
<p>A9. The tone of senior leadership influences and impacts every aspect of the firm, including how ethics contributes to the strategic direction and overall governance of the firm.</p>	<p>No</p>	<p>This viewpoint is more explanatory and therefore more appropriate as guidance.</p>
<p>A10. Senior leadership emphasize in their communication to all partners and staff the firm’s ethical expectations and the importance of adhering to the IESBA Code in all professional activities and services. They reflect these expectations in the firm’s performance evaluation, incentives and disincentives.</p>	<p>No</p>	<p>This viewpoint addresses the operational aspects of how this FCG element might be achieved and therefore would be more appropriate as guidance.</p> <p>However, the PT is of the view that there is a need to further reflect on the aspect of “incentives,” given stakeholder feedback that ethical behavior is a baseline expectation and therefore would be difficult to incentivize.</p>

IESBA Viewpoint	Potential Enduring Principle	PT View
A11. Senior leadership are transparent in their decision-making, demonstrating how they have prioritized ethics in their decisions and actions, for which they are accountable.	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved and therefore would be more appropriate as guidance.

Oversight and Governance

IESBA Viewpoint	Potential Enduring Principle	PT View
<p><u>Public Interest Rationale</u></p> <p>B1. Oversight and governance are foundational to cultivating a strong ethical culture within a firm.</p>	No	More appropriate as guidance, since it emphasizes the importance of oversight and governance to a strong ethical culture from a public interest perspective.
<p>B2. Ethics-based oversight and governance reinforce ethical expectations across all of a firm's professional services and the accountability of the firm's senior leadership. Such oversight and governance help mitigate the risks of unethical behavior within the firm and safeguard the public interest.</p>	No	More appropriate as guidance, since it explains <i>why</i> oversight and governance focused on ethics plays an important role in contributing to an ethical culture in the public interest.
<p><u>Role of Oversight and Governance in Fostering an Ethical Culture</u></p> <p>B3. Oversight and governance that prioritize ethical values facilitate:</p> <ul style="list-style-type: none"> • Ongoing monitoring of ethical behavior within the firm; • Evaluation of the effectiveness of systems, policies and processes in reinforcing ethical conduct at all levels within the firm; • Assessment of difficult situations involving ethical conflicts or dilemmas; and • Continual improvement of the firm's ethical culture and performance. 	No	This viewpoint explains how, operationally, oversight and governance help achieve this FCG element. Therefore, it would be more appropriate as guidance.

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<p>B4. Implementing effective oversight involves assigning ultimate responsibility for overseeing ethical conduct and culture within the firm to an individual or group of individuals with the appropriate authority for decision-making on matters of ethical conduct, including situations involving the firm's senior leadership. Whether such responsibility is assigned to an individual or group of individuals is a matter for the firm to determine.</p>	<p>Yes</p>	<p>This viewpoint is an essential characteristic of this FCG element in that it sets a clear expectation as to the need for an appropriate individual(s) to hold ultimate responsibility for the oversight role with respect to ethical conduct and culture.</p> <p>Gap analysis with extant Code: Not covered</p>
<p>B5. Firm governance structures, including the organization of the senior leadership's roles and responsibilities, accountability mechanisms, and decision-making processes, that prioritize ethical values contribute to building trust in the firm irrespective of changes in leadership.</p>	<p>Yes</p>	<p>This viewpoint is an essential characteristic of this FCG element as it makes clear the need for internal governance arrangements focused on promoting adherence to the firm's ethical values. However, the PT is of the view that there is a need to further reflect on the aspect of "prioritize ethical values," given stakeholder feedback that ethical values should be embedded/considered in decisions rather than as the singular priority.</p> <p>The PT notes that "Firm governance structures" overlaps with the key substance of viewpoint A5 under Ethical Leadership.</p> <p>Gap analysis with extant Code: Not covered</p>
<p>B6. Good governance that is grounded in ethical values guides the firm's senior leadership in making challenging ethical decisions that uphold those values with integrity and transparency. Such governance also encourages ethical behavior across all levels of the firm, fostering a strong ethical culture.</p>	<p>No</p>	<p>This viewpoint explains how governance that works well helps guide senior leaders in making the right decisions when they are facing ethical challenges. It would therefore be more appropriate as guidance.</p>
<p>B7. The appropriate governance mechanisms, systems and processes depend on the firm's specific</p>	<p>No</p>	<p>This viewpoint is guidance in nature as it makes the practical point that different firms will implement</p>

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circumstances, including its size and nature of professional services it provides.		governance arrangements differently, given their different circumstances.
B8. For network firms, having consistent expectations regarding oversight and governance helps promote a shared understanding of expected ethical behavior across the whole network. In addition, regular dialogue about ethics-related matters within the network promotes shared learnings across the network.	No	This viewpoint would be more appropriate as guidance as it explains why it is important to have consistent expectations regarding oversight and governance across network firms.

Independent Input

The PT is of the view that viewpoint A6 *“In maintaining a strong ethical culture, senior leadership understand the value of independent input on strategic and governance matters, and they seek such input as needed”* above (which the PT has identified as a proposed key enduring principle of the framework) covers the key substance of this FCG element. Notwithstanding, there are two viewpoints under this FCG element that the PT believes could become potential key enduring principles of the framework for the reasons therein stated.

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<p><u><i>Public Interest Rationale</i></u></p> <p>C1. Independent input is impartial and comes from sources that are free from conflicts of interest. Incorporating such input into the decision-making processes for strategic and governance matters provides opportunities to obtain different perspectives and challenges that help achieve a balanced outcome. This contributes to the ethical culture of a firm.</p>	No	<p>This viewpoint would be more appropriate as guidance to support the effective application and operationalization of this FCG element, since it explains what independent input is and why it matters to ethical culture from a public interest perspective.</p>
<p>C2. Independent input, from an ethical and public interest perspective, helps decisions reflect broader stakeholder considerations on strategic and governance matters. This increases confidence and transparency in the firm’s ethical decision-making processes and its commitment to the public interest.</p>	Yes	<p>This viewpoint, yellow highlighted, is an essential characteristic of this FCG element as it emphasizes the broader stakeholder perspectives that are brought to bear through independent input.</p> <p>Gap analysis with extant Code: Not covered</p>

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<p><u>Obtaining Independent Input</u></p> <p>C3. There is no uniform approach to obtaining independent input on strategic and governance matters.</p>	No	This viewpoint would be more appropriate as guidance as it is making a statement of fact about how to obtain independent input.
<p>C4. Not all situations need or benefit from independent input. Identifying and describing the criteria under which independent input is sought promotes consistency in approach and shared understanding among senior leadership.</p>	Yes	<p>This viewpoint is an essential characteristic of this FCG element as it makes the important point that the circumstances in which independent input should be sought should be clearly defined, i.e., independent input is not called for in all circumstances, but when it matters, it can contribute to the right decisions being made.</p> <p>Gap analysis with extant Code: Not covered</p>
<p>C5. Obtaining effective independent input involves selecting the individual(s) or organization with the relevant skills, knowledge, and experience, while being appropriately impartial and free from conflicts of interest.</p>	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved. Therefore, it would be more appropriate as guidance.
<p>C6. A firm can obtain independent input from a variety of sources. This may include independent non-executives (INEs), a committee of independent advisors to the firm, individuals with extensive business experience or regulatory expertise, professional accountancy organizations, other firms including within the firm's network, or retired partners of the firm.</p>	No	This viewpoint would be more appropriate as guidance on proportionality considerations.
<p>C7. The appropriate source depends on factors such as the size of the firm, whether the firm provides audit and other assurance services or other engagements of a public interest nature, and the clients' profile. For</p>	No	This viewpoint would be more appropriate as guidance on proportionality considerations, closely linked to C4.

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instance, firms that audit public interest entities may consider appointing INEs as part of their governance structure.		
C8. A firm may obtain independent input on an ad hoc basis, or through a formal mechanism or role within its organizational structure. The decision depends on factors such as the size and resources of the firm.	No	This viewpoint would be more appropriate as guidance on proportionality considerations.

Accountability Across the Firm

The PT is of the view that viewpoint A7 “Senior leadership recruit and promote partners and staff who demonstrate alignment with the firm’s ethical values. They also [reward those who are champions of ethical behavior and] hold partners and staff accountable for unethical behavior” above (which the PT has identified as a key enduring principle of the framework) covers the key substance of this FCG element. Notwithstanding, there are two viewpoints under this FCG element that the PT believes could become potential key enduring principles of the framework for the reasons therein stated.

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<p><u>Public Interest Rationale</u></p> <p>D1. Accountability of all partners and staff across a firm contributes to the firm’s ethical culture as it promotes personal responsibility, making it clear that each partner’s and staff’s ethical conduct matters and contributes to the ethical standing of the firm.</p>	No	<p>This viewpoint would be more appropriate as guidance, since it explains why accountability contributes to an ethical culture from a public interest perspective.</p>
<p><u>Personal Accountability of Partners and Staff</u></p> <p>D2. All partners and staff share a personal responsibility for adhering to the IESBA Code and upholding the firm’s ethical values from the moment they join the firm, regardless of their role and seniority.</p>	Yes	<p>This viewpoint is an essential characteristic of accountability from an ethical perspective.</p> <p>This viewpoint expands on viewpoint A7 through emphasizing the importance of each partner’s and staff’s responsibility, regardless of their role or seniority.</p> <p>Gap analysis with extant Code: Partially covered –</p> <ul style="list-style-type: none"> “All partners and staff share a personal responsibility for adhering to the IESBA Code” – covered by extant Code’s obligation to comply with the Code and its FPs in paragraphs 100.4 and R100.6. Latter part of the D2, in yellow highlight, is not covered by the extant Code.
<p>D3. Making a commitment to acting in accordance with the IESBA Code and the firm’s ethical values supports the accountability of partners and staff to the</p>	No	<p>This viewpoint is more explanatory in terms of how partners and staff can achieve accountability. Therefore, it would be more appropriate as guidance.</p>

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<p>firm. This includes being answerable for those ethical values and accepting the consequences if ethical expectations are not met. It also includes justifying decisions and actions when warranted in the circumstances.</p>		
<p><u>Promoting Accountability</u></p> <p>D4. Continuous education and training programs on ethics help to promote awareness and understanding of the IESBA Code and the firm's ethical values, against which partners and staff are accountable.</p>	No	<p>This viewpoint would be more appropriate as guidance, as it explains the role of education and training on ethics in supporting accountability.</p>
<p>D5. Performance evaluation that includes evaluating the behavior of partners and staff against ethics criteria helps to support personal accountability.</p>	Yes	<p>This viewpoint is an essential characteristic of accountability as it recognizes that for partners and staff to understand and be able to demonstrate personal accountability, their performance evaluation should take into account whether their behaviors align with the firms' ethical values.</p> <p>Gap analysis with extant Code: Covered by 120.13 A2(b).</p>
<p>D6. Enforcing appropriate consequences for unethical behavior through clearly defined disincentives, including specific sanctions which may vary depending on the circumstances, underscores the importance of ethical conduct of partners and staff.</p>	No	<p>This viewpoint would be more appropriate as guidance as it explains the role of disincentives in supporting accountability.</p> <p>The role of disincentives is more fully addressed under the FCG element Incentives and Disincentives.</p>
<p>D7. Firms' governance structures and mechanisms through which they monitor and reinforce accountability may vary depending on the firm's specific characteristics and circumstances, including their size and nature of professional services they provide.</p>	No	<p>This viewpoint would be more appropriate as guidance on proportionality considerations.</p>

Incentives and Disincentives

Note for this FCG element: The PT is of the view that viewpoint A7 “Senior leadership recruit and promote partners and staff who demonstrate alignment with the firm’s ethical values. They also [reward those who are champions of ethical behavior and] hold partners and staff accountable for unethical behavior” above (which the PT has identified as a key enduring principle of the framework) covers the key substance of this FCG element. Notwithstanding, there are two viewpoints under this FCG element that the PT believes could become potential key enduring principles of the framework for the reasons therein stated.

IESBA Viewpoint	Potential Enduring Principle	PT View
<p><u>Public Interest Rationale</u></p> <p>E1. Incentives and disincentives that promote ethical behavior strengthen a firm ethical culture and underscore its commitment to ethical values and the public interest.</p>	No	This viewpoint would be more appropriate as guidance, since it emphasizes the important role of incentives and disincentives in fostering an ethical culture from a public interest perspective.
<p>E2. Performance evaluation and incentives and disincentives that prioritize expected ethical behavior alongside other performance goals help encourage enduring ethical behavior and the long-term sustainability and reputation of a firm.</p>	No	This viewpoint would be more appropriate as guidance, since it explains how incentives and disincentives help support an ethical culture from a public interest perspective.
<p>E3. Designing and implementing incentives and disincentives that recognize, support and promote ethical behavior, and establish clear consequences for unethical behavior, signal to all partners and staff the importance of ethical values. They also act as motivating factors to achieve the expected ethical behavior and set up a “standback” mindset, reducing the risk of unethical behavior.</p>	Yes	<p>This viewpoint, yellow highlighted, is an essential characteristic of this FCG element as it makes clear that incentives and disincentives need to be designed and implemented in such a way as to contribute to an ethical culture.</p> <p>However, the PT would suggest further reflection on the reference to “incentives ... that recognize ... ethical behavior,” reflecting on stakeholder feedback that ethical behavior is expected or is the baseline.</p> <p>Gap analysis with extant Code: Not covered</p>

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<p><u><i>Incentives Aligned with Ethical Behavior</i></u></p> <p>E4. Incentives that promote and recognize ethical behavior reinforce a firm's expectations on all partners and staff to act in accordance with the firm's ethical values and the public interest.</p>	No	<p>This viewpoint is more explanatory about how incentives can contribute to an ethical culture. Therefore, it would be more appropriate as guidance.</p>
<p>E5. Rewarding outstanding ethical behavior (such as proactively championing the importance of ethical behavior) of partners and staff, whether through compensation, promotion or other incentives, reinforces the firm's commitment to ethical values and contributes to the development of ethical leaders.</p>	No	<p>The PT is of the view that this is not an enduring principle, reflecting on stakeholder feedback that ethical behavior is expected or is the baseline.</p> <p>However, the PT believes that guidance could include the impact of proactively championing the importance of ethical behavior.</p>
<p>E6. Factoring the ethical behavior of partners and staff, such as acting with integrity when confronted with difficult situations, into promotion decisions helps firms select partners and staff with the right ethical values and mindset for leadership positions.</p>	No	<p>This viewpoint explains how ethical considerations can be a factor in promotion decisions. Therefore, it would be more appropriate as guidance.</p> <p>In addition, the PT is of the view that guidance could include the factoring of unethical behavior or partners and staff into promotion decisions.</p>
<p><u><i>Disincentives</i></u></p> <p>E7. Implementing disincentives reinforces the importance of acting ethically and promotes accountability.</p>	Yes	<p>The PT is of the view that this viewpoint is an essential characteristic of this FCG element as it emphasizes the important role of disincentives in promoting accountability.</p> <p>This viewpoint expands on viewpoint A7 through emphasizing the impact that implementing disincentives can have in reinforcing the importance of acting ethically and promoting accountability.</p> <p>Gap analysis with extant Code: Not covered</p>

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E8. Regularly communicating the consequences of unethical behavior helps deter behaviors that fail to meet the firm's ethical values and expectations.	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved. Therefore, it would be more appropriate as guidance.
E9. Responding to unethical behavior in a timely, decisive, consistent and fair manner demonstrates to internal and external stakeholders that senior leadership prioritize ethical behavior as a key performance measure and a strategic objective. This, in turn, contributes to building public trust in the firm.	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved. Therefore, it would be more appropriate as guidance.
E10. The manner in which firms apply disincentives depends on factors such as the nature of the unethical behavior, including its severity and frequency of occurrence, and the roles of the offending partners or staff.	No	This viewpoint addresses the operational aspects of how disincentives might be applied. Therefore, it would be more appropriate addressed as guidance.

Open Discussion and Challenge

IESBA Viewpoint	Potential Enduring Principle	PT View
<p><u><i>Public Interest Rationale</i></u></p> <p>F1. An environment of open discussion and challenge promotes ethical decision-making and accountability within a firm. It encourages partners and staff to feel empowered to raise ethical concerns and seek guidance from others in the firm who might have dealt with similar matters, including ethical dilemmas.</p>	No	This viewpoint would be more appropriate as guidance, since it emphasizes the importance of open discussion and challenge and why they promote an ethical culture from a public interest perspective.
<p>F2. Such an environment enables timely identification, consideration and mitigation of ethical issues, thus contributing to public trust in the firm.</p>	No	This viewpoint would be more appropriate as guidance, since it explains why open discussion and challenge support an ethical culture from a public interest perspective.
<p><u><i>Culture of Open Discussion and Challenge</i></u></p> <p>F3. A culture of open discussion and challenge involves the cultivation of a psychologically safe environment of mutual respect and trust for dialogue, where partners and staff are empowered to engage in dialogues about ethics-related matters and raise concerns without fear of adverse consequences.</p>	Yes	<p>This viewpoint is an essential characteristic of this FCG element as it explains what it takes in all circumstances to create an environment of open discussion and challenge.</p> <p>Gap analysis with extant Code: Not covered</p>
<p>F4. Acknowledging that mistakes are part of the learning process and that ethical dilemmas can be complex encourages and normalizes transparent conversations about ethics-related matters.</p>	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved, especially how mistakes can be openly discussed when there is a psychologically safe environment to do so. Therefore, it would be more appropriate as guidance.
<p>F5. In an environment of open discussion and challenge, partners and staff understand how to engage in constructive dialogue and are encouraged to speak up on behalf of themselves and others.</p>	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved as it explains that constructive dialogue and speaking up are practical manifestations of a culture of open discussion and

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		challenge. Therefore, it would be more appropriate as guidance.
F6. A culture of open discussion and challenge benefits from a firm's policies and internal mechanisms on resolving differences of opinion. Such a culture is also strengthened by clear, accessible and confidential speak-up channels, and where applicable whistleblowing mechanisms, by allowing ethical issues to come to light, promoting transparency and accountability.	Yes	<p>This viewpoint is an essential characteristic of this FCG element as it emphasizes that there is a key role for formal approaches to resolving differences of opinion.</p> <p>Gap analysis with extant Code: Partially covered –</p> <ul style="list-style-type: none"> • Second sentence covered by 120.13 A2(c). • First sentence, highlighted in yellow, is not covered.
F7. Timely and consistent resolution of ethical issues raised reinforces the firm's commitment to ethical behavior and demonstrates to partners and staff that their concerns are listened to and addressed.	No	This viewpoint addresses the operational aspects of how this FCG element might be achieved. Therefore, it would be more appropriate as guidance.
F8. For network firms, having shared expectations of what a culture of open discussion and challenge looks like encourages all partners and staff to communicate openly and freely, regardless of cultural differences across jurisdictions.	No	This viewpoint would be more appropriate as guidance on proportionality or network firm considerations.
<p><u>Role and Expectations of Leadership</u></p> <p>F9. Leaders at all levels of the firm have critical roles in creating a psychologically safe environment where partners and staff feel comfortable and safe in voicing their perspectives and concerns.</p>	Yes	<p>This viewpoint is a key characteristic of this FCG element as it emphasizes the critical role of leaders at all levels in the firm in creating an environment of open discussion and challenge.</p> <p>Gap analysis with extant Code: Not covered</p>
F10. Senior leaders cultivate such an environment when they consistently model the firm's ethical values, engage authentically with partners and staff, and demonstrate alignment between personal conduct and the ethical values promoted by the firm.	No	This viewpoint explains how senior leaders may create an environment of open discussion and challenge. Therefore, it would be more appropriate as supplemental guidance.

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F11. Other leaders, such as engagement leaders and managers, through their regular interactions with partners and staff, can directly support and encourage ethical conversations as a part of day-to-day operations where open discussion and challenge are not only encouraged, but expected.	No	This viewpoint similarly explains how other leaders may contribute to an environment of open discussion and challenge. Therefore, it would be more appropriate as guidance.

Education and Training

IESBA Viewpoint	Potential Enduring Principle	PT View
<p><u><i>Public Interest Rationale</i></u></p> <p>G1. Continuous education and training on ethics matters play an important role in fostering an ethical culture in a firm as they equip partners and staff with the knowledge, skills and judgment needed to navigate ethical dilemmas and act in the public interest.</p>	No	This viewpoint would be more appropriate as guidance, since it emphasizes the important role of continuous education and training in promoting an ethical culture from a public interest perspective.
<p><u><i>An Ethical Mindset</i></u></p> <p>G2. Effective education and training on ethics not only enhance knowledge of the IESBA Code and other relevant ethical standards, policies, rules and regulations, but also develop an ethical mindset of partners and staff across all service lines that brings ethical behaviors to be top-of-mind.</p>	No	This viewpoint is more explanatory in terms of what type of education and training would contribute to an ethical culture and why. Therefore, it would be more appropriate as guidance.
<p>G3. Such education and training strengthen the ability of partners and staff to identify ethical issues, which can be complex in nature, and make judgments and decisions that uphold ethical values and are in the public interest.</p>	No	This viewpoint is more explanatory as it also explains how such education and training help partners and staff in acting ethically. Therefore, it would be more appropriate as guidance.
<p><u><i>Effective Education and Training on Ethics</i></u></p> <p>G4. Embedding mandatory education and training programs at the commencement of employment and throughout the careers of partners and staff with the firm reinforces the foundational role of ethical values. Such programs position decision-making on ethical matters as a core ability on par with technical competence.</p>	Yes	<p>This viewpoint is an essential characteristic of this FCG element as it makes clear what it takes to create meaningful impact with this FCG element and the level of importance it should be given.</p> <p>Gap analysis with extant Code: Partially covered –</p> <ul style="list-style-type: none"> First sentence (beginning and end) partially covered by 120.13 A2(b).

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		<ul style="list-style-type: none"> Second sentence, highlighted in yellow, is not covered.
G5. Leadership's involvement in education and training programs demonstrates the strategic importance of ethical values to the firm and facilitates open discussion.	Yes	This viewpoint is an essential characteristic of this FCG element as it emphasizes that a firm's leadership has a crucial role to play in education and training to promote an ethical culture. Gap analysis with extant Code: Partially covered – <ul style="list-style-type: none"> Middle part of the sentence ("demonstrates the strategic importance of ethical values of the firm") is partially covered by 120.13 A2(a). First part of the sentence ("Leadership's involvement in education and training programs") and end ("facilitates open discussion") is not covered.
G6. Effective education and training programs use practical, relatable, and interactive scenarios that connect abstract principles to everyday ethical dilemmas as well as focus on grey areas.	No	This viewpoint would be more appropriate as guidance as it addresses practical matters that contribute to making education and training effective.
G7. Taking into consideration the partner's or staff's background (professional accountants or not), role, seniority and service line enables a firm to deliver relevant and fit for purpose education and training programs.	No	This viewpoint would be more appropriate as guidance as it discusses practical aspects with respect to delivering relevant and fit-for-purpose education and training.
G8. Regularly updating education and training programs to incorporate developments in the IESBA Code and other relevant ethical standards, policies, rules and regulations enables such programs to address emerging ethical issues.	Yes	This viewpoint is an essential characteristic of this FCG element as it emphasizes that to remain relevant, the education and training must be kept up-to-date with the latest developments from a Code perspective. Gap analysis with extant Code: Not covered

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G9. Firms with limited internal resources to develop their own ethics training programs may use external resources that suit their needs, such as materials developed by professional accountancy organizations, commercial organizations specializing in training, or academia.	No	This viewpoint would be more appropriate as guidance on proportionality considerations.

Transparency

IESBA Viewpoint	Potential Enduring Principle	PT View
<p><u>Public Interest Rationale</u></p> <p>H1. A firm's transparency about relevant ethics-related aspects of the firm's performance highlights its commitment to its ethical values, the public interest, and accountability to its clients, partners, staff, and other stakeholders.</p>	No	This viewpoint would be more appropriate as guidance, since it emphasizes the important role of transparency in supporting an ethical culture from a public interest perspective.
<p>H2. Subject to confidentiality restrictions, reporting as appropriate on a firm's policies or actions to drive ethical behavior, or how a firm has responded to ethical failures, contributes to an ethical firm culture and builds or rebuilds public trust in the firm.</p>	No	This viewpoint would be more appropriate as guidance, since it explains how transparency contributes to an ethical culture from a public interest perspective.
<p><u>Internal Transparency</u></p> <p>H3. A firm's senior leadership being transparent to partners and staff about their decisions and actions to promote and uphold ethical values demonstrates the firm's commitment to ethical values and compliance with the IESBA Code.</p>	Yes	<p>This viewpoint is an essential characteristic of this FCG element. It sets a clear expectation regarding internal transparency for senior leadership vis-à-vis other partners and staff as to how they promote and uphold ethical values across the firm.</p> <p>Gap analysis with extant Code: Not covered</p>
<p>H4. For network firms, sharing ethics-related learnings and experiences promotes consistency of approaches and helps to reduce the risk of similar cases of unethical behavior occurring in other parts of the network.</p>	No	This viewpoint would be more appropriate as guidance on network firm considerations.
<p><u>External Transparency</u></p>	Yes	This viewpoint is an essential characteristic of this FCG element as it may be helpful for certain categories of firms to consider, such as those undertaking public interest work,

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H5. Public disclosure of relevant information by a firm on how it prioritizes ethical values helps demonstrate the firm's commitment to ethical behavior and responsibility to act in the public interest.		and not necessarily all firms. It would merit further development. Gap analysis with extant Code: Not covered
H6. External transparency may also contribute to building and strengthening public trust in the firm.	No	This viewpoint would be more appropriate as guidance as it explains how external transparency help reinforce public trust in the firm.