

IESBA Firm Culture and Governance Project

Prototype Labs Report

Respectfully submitted by independent researchers from Live Both And, LLC
Christine H. Shaefer, Ph.D. and Enrique Martínez-González



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.

F4

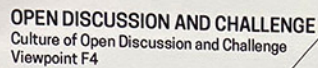
Open Discussion and Challenge

OPEN DISCUSSION AND CHALLENGE
Culture of Open Discussion and Challenge
Viewpoint F4

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.

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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.



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.

principle is great, but how.

Does this
= link to
"enforcement?"

Individual viewpoint sheets with participant comments.



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IESBA FCG Prototype Labs
EXPOSE

What stood out for you today? OR
What challenged your thinking today?

What challenged our thinking was

- Has to be more open to what we were reading at a basic level and not automatically overlay expectations.
- taking a step back to and be open in thought or working in a group but as an individual was a great experience and positive to be able to be involved.

IESBA FCG Prototype Labs
EXPLORE

Appreciation of someone's contribution
OR ways the group worked together:

Different perspectives from diff parts of business - see things differently. Everyone contributing.

IESBA FCG Prototype Labs
EXPOSE

What stood out for you today? OR
What challenged your thinking today?

- Difference between a code vs a framework and how this applies in practice.
- Some of it is very relevant to how a firm is set-up but how is it maintained thereafter and the implications.

The contrast between the code principles and how it applies in setting with a tick-box

IESBA FCG Prototype Labs
EXPOSE

What stood out for you today? OR
What challenged your thinking today?

between abstract and reality day-to-day being exercise.

- loved opportunity to be curious
- Struggled with not being comfortable with concepts therefore difficult to challenge

IESBA FCG Prototype Labs
EXPOSE

What stood out for you today? OR
What challenged your thinking today?

Challenged myself to consider our position as FIC compared to other firms. General rather than not new

What challenged your thinking

- ↳ Different interpretation where ethics their roles

IESBA FCG Prototype Labs
EXPOSE

What stood out for you today? OR
What challenged your thinking today?

have different thinking points embedded in an environment

How difficult it is to apply a framework in a context that needs to be applicable internationally, to different sectors

End of day participant reflections.

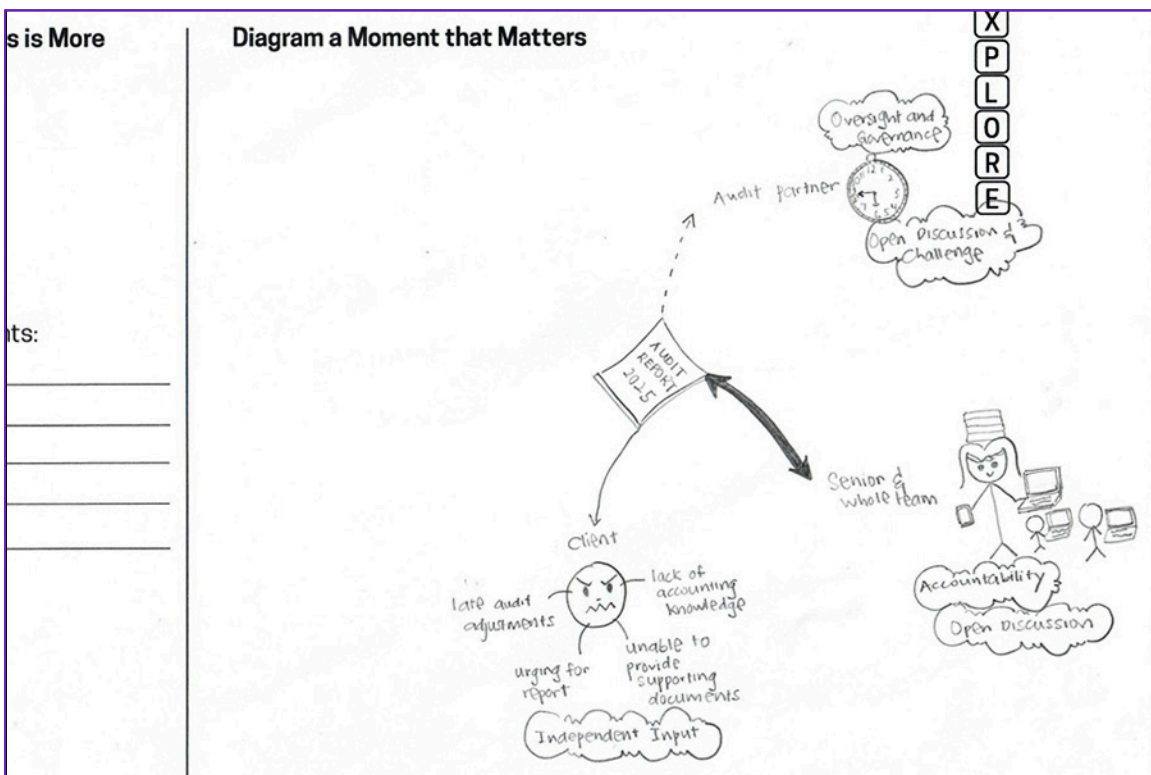
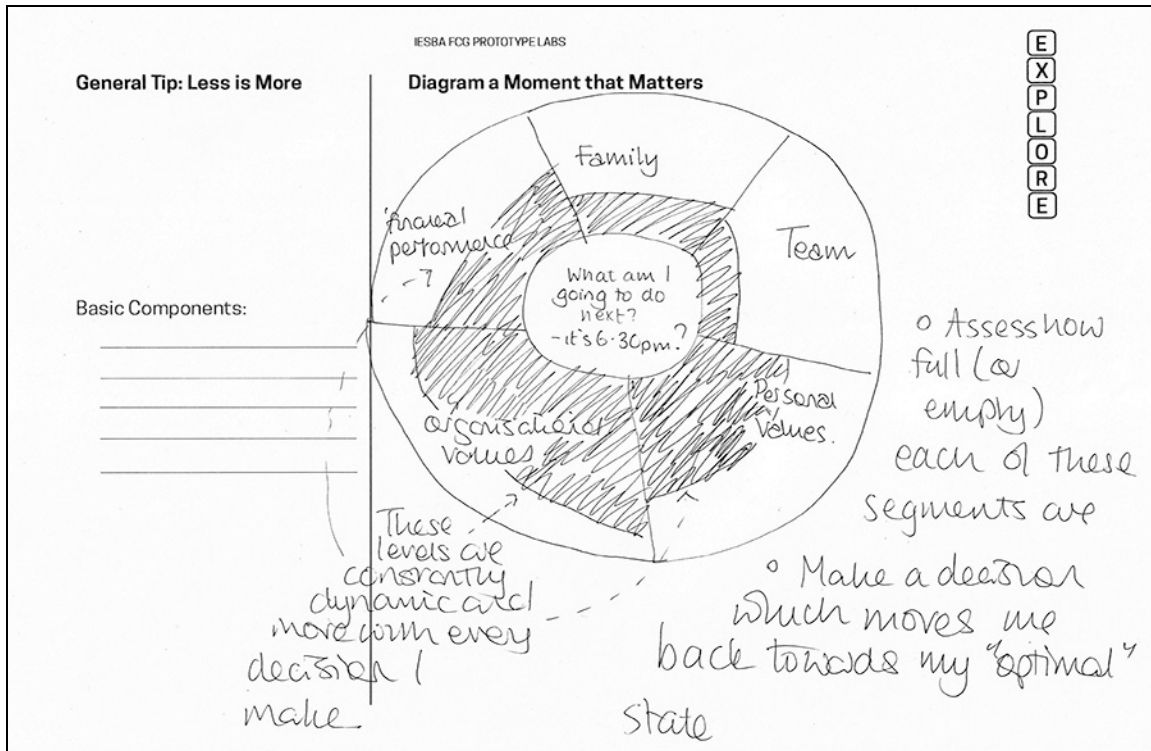


1

Key Findings

The research outlined in this report brought a set of viewpoints drafted by the International Standards Board for Accountants (IESBA) that are intended to reflect key characteristics of eight elements of a Firm Culture and Governance (FCG) framework to two accounting firms, testing the applicability of the viewpoints in the day-to-day work of professional accountants. Key findings from four “Prototype Labs” include:

1. Overall, there was support for the underlying intent of the viewpoints and a principles-based framework that could emerge from them.
2. Participants acknowledged that an FCG framework that is principles-based, without creating either stated requirements or implied expectations for organizations to demonstrate alignment, could allow for the flexibility and dynamism needed to support diverse firms around the globe in their efforts to embed ethics throughout their firm cultures.
3. Participants recognized that for an FCG framework to set common expectations and achieve a level of consistency across firms, which in turn could strengthen the reputation of the industry through its clear articulation of public service rationale, it will need to be simple, clear, flexible, and enduring.
4. Despite questions about how an FCG framework would drive meaningful behavior change, participants saw that an FCG framework could be a helpful lever for ethically mature firms to review, refresh and reinforce their supports for ethics. For new firms or those with less developed ethical cultures, participants appreciated that an FCG framework could be the catalyst for ethical development, both at the individual and firm levels.
5. Participant discussions generated interest in potential opportunities for innovation in how an FCG framework is shaped and communicated by IESBA and experienced by firms around the world. New approaches driven by reflection, community-building, storytelling, and more could facilitate the framework’s adoption and impact.



Diagramming exercise aligning FCG principles with everyday workplace situations.



2

Introduction

An initiative of the IESBA's FCG project, FCG Prototype Labs complement the extensive work undertaken by IESBA through activities such as global roundtables and stakeholder meetings held during 2024-2026. The Labs represent a novel approach to collecting data about the FCG viewpoints, which are intended to reflect key characteristics of eight elements of an FCG framework, by immersing in them the people most directly impacted by them – the very employees who create a firm's culture.

Ethical culture lives in the individual so it may thrive in the group – the firm, the line of service, the team, etc. This simple premise was the core of the FCG Prototype Labs, designed to overlap the two modalities – me and we – shifting participants' perspectives so their contributions at both levels would generate data and insights that reflect the complexity of organizational culture.

Modality (Labs)	Exploration tool	Value
Individual activities (me)	Single-point perspective	Individual values on display
Group activities (we)	Integrated perspective	Negotiated values (that may or may not coincide with organizational values)

Over two weeks in April-May 2026, four Labs were conducted, two at one large network firm in Europe and two at one medium-sized network firm in Asia. This report outlines the Lab method, highlights findings aggregated from the four Labs, and offers a closing distillment to help inform the deliberations of the IESBA board as it weighs next steps for the FCG project.

Q. Why simulations?

A. Simulations are powerful data gathering activities that...

Are based on common situations, recognizable to the participants, that include a high degree of ethical ambiguity

Call on the players to draw on their expertise and lived experiences to add details to the situation and make swift decisions about their actions and the potential consequences of them

Randomly assign roles, pushing players to understand situations from perspectives different from their own, which demands key culture-building behaviors like empathy, imagination, and psychological safety

Put participants, at varying times, on stage and in the audience, connecting them to tenets of ethical culture from both the perspective of someone involved in an ethically ambiguous situation and the perspective of a bystander observing such a situation, helping them build a holistic rather than narrow ethical understanding

Allow participants to determine their level of engagement in the role play, mirroring real-life situations in which the degree of personal involvement can vary greatly

Lack detailed guidance about how to play the roles, forcing participants to select a course of action on their own and without any indication of how the other players in that simulation are going to act, generating spontaneous responses based on personal experience and tacit knowledge



3

Method Overview

Organizational culture lives in everyday interactions, so a powerful way to test the viewpoints is to engage a wide range of firm employees in participatory activities that surface deep insights that go beyond those typically garnered in surveys or general discussions. The FCG Prototype Labs took an innovative approach to making the abstract tangible through a design rooted in ethnographic and grounded theory research. The creation and facilitation of the Labs by third-party researchers ensured the neutrality and psychological safety needed for participants to be fully candid.

The researchers' time at each firm began with an Observation Day during which they directly experienced the firm culture, providing valuable background to support the customization of each Lab to its audience and data relevant to this report.

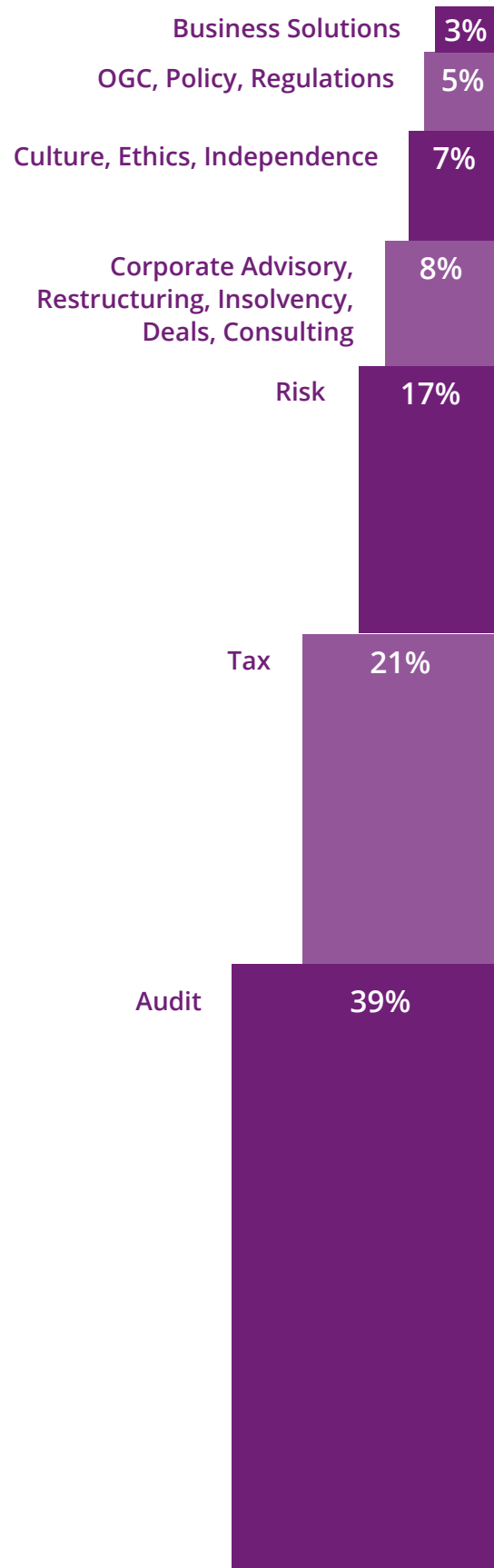
Each Lab spanned three days, three hours per day. This multi-day approach stepped participants into the FCG viewpoints slowly and supported them to go deeper as the Lab progressed. As one participant wrote in a closing activity, "It [the Lab] was a great experience. At first, I had no clue what this workshop was, and on the first day, I was nervous with an unfamiliar environment and no familiar faces. Now on Day 3, I'm getting used to the environment, and I'm more willing to share my thoughts with the group." This and similar comments underscore the value of the Labs' extended interactions with the FCG content to generate rich and candid insights and understandings.

The Labs implemented a "3E Process" (Expose – Explore – Experiment), custom created for this project. **Details of the full method are found in Appendix A.**

Participants

Across all four Labs, there were 75 participants. In each firm, the two Labs were divided by participant level with one group being primarily partners and directors and the other group ranging from associates to senior managers. This approach of reaching across lines of services and levels of seniority ensured data from diverse professionals with varying perspectives.

Participants represented a cross section of professional accounting lines of service, broken down as shown in the chart.





4

Firm Culture in Context

The participating firms generously opened their facilities to the researchers, not only during the Observation Day but also by hosting the Lab sessions in their office buildings. This allowed formal and informal glimpses into cultures an FCG framework intends to influence and served as valuable context for participant comments and questions. Relevant findings include:

Open-plan, open-door

The office space of both firms features open floorplans with some permanent desk assignments, transient desk spaces, reservable meeting rooms of varying sizes, and very few fixed offices with doors. Employees reported that the openness of the space supported their ability to have conversations at any time with leaders of all levels.

Impact of hybrid work

Both firms offer a combination of at-home and in-office work, in varying ways, providing flexibility to their workers. Employees cited this flexibility as a valuable and important factor in their satisfaction. However, some leaders pointed out that “culture is both taught and caught,” and when employees are not in the office, it is harder for them to benefit from informal learning and catch cultural cues. Additionally, ethical concerns were raised by some employees who perceive work location flexibility is not equitably enforced.

The people make the difference

In both firms, it was made clear that the people are what make each a great place to work. Words like, “care,” “support,” and “family” were repeated many times. This matters, because organizational culture is experienced person-to-person, and strong workplaces are built through collective effort. Even small individual choices can reinforce or reshape the broader culture over time.

Employees at one firm expressed that they feel the care and support most directly from their supervisor and perhaps one level above and from close colleagues. Those feelings are still present, though less consistently, on a firm-wide level. This is not necessarily a detriment; it simply points to the importance of people throughout the firm embodying the desired culture.

When in doubt, consult

In addition to people describing the approachability of leaders at all levels as easy and positive, in both firms, an ongoing emphasis is placed on internal consultation.

From the moment they join the firms, employees receive the message that if they have questions, “ask, ask, ask!” Everyone expressed the ability to reach out to anyone at any time for help or guidance. Still, some found time pressures (their own or those of the person with whom they want to consult) can impact whether they actually consult or not, and some felt that the answers they receive reflect a narrow view or seem contradictory to positions of others.

Culture of cultures

Neither firm saw its culture as monolithic. Rather, “firm culture” was recognized as a web of many cultures, holding differences in generations, ethnicities, languages spoken, lines of service, sectors, tenure, client-facing/non-client facing roles, and more. Additionally, as network firms, further layers of culture come from the networks’ global leaders.

This complexity points to the challenges of unifying culture. Employees realized, for example, how even something as seemingly clear as “accountability” may look very different in the Facilities Department than it looks in the Tax Department. Still, if a framework can support values alignment without suggesting behavioral homogenization, it can create enough coherence for people to work toward common principles while allowing subcultures to evolve around the realities of their work.

Pride in ethics

Both firms indicated that ethics are a consistent focus for them with policies, practices, and trainings in place and the overall importance of them communicated regularly. While not everyone throughout the firms knew the IESBA Code in particular, everyone the researchers spoke to was aware of ethical standards

with which the firms must comply and understood that an ethical reputation is valuable for the firms.

The tone from the top related to the high importance both firms place on ethics was clear. As a partner at one firm stated, “We are in the business of integrity,” and that statement was recognized as a core tenet of the firm by interviewees and participants alike.

An ethical mindset seems to surround the professional accounting work and to varying extents, all areas of the firms. Both firms acknowledged that despite everyone’s best efforts, unethical issues will still arise, and the firms believe they have appropriate systems in place to address unethical occurrences and leverage them as learning opportunities.

Both firms expressed high confidence in their efforts regarding ethics, though neither claimed perfection. It was noted that they have little insight into how other firms manage ethics, and it was suggested that IESBA’s FCG project may be a place from which such connections could grow. The firms took great pride in setting a high bar for themselves when it comes to ethics, and both acknowledged the potential value of periodically reviewing and refreshing some of their ethics-related efforts as well as the potential for an FCG framework to help with that.



5

The Viewpoints

From broad considerations of the current FCG elements and viewpoints as a whole to nuanced reflections on specific words, participant engagement with the content as presented generated detailed comments (see Appendix B) and revealed some common themes summarized here:

Defining the audience

Whether a function of the Lab itself – bringing together individuals and soliciting their thoughts – or a matter needing closer attention, it was perceived that the audience for the viewpoints and the eventual framework is not clear. Participants wondered if it is intended to guide senior or ethics leaders only or all employees. Additionally, they perceived that some viewpoints seemed to speak to the firm as a whole (structural) whereas others appeared to be for individual workers (behavioral).

Editing, curating, synthesizing

Taking the text verbatim from IESBA's 2026 document, *Firm Culture and Governance Dialogues: Building and Sustaining a Strong Ethical Culture*, the Labs exposed participants to each element description and its related viewpoints with a request to consider them in detail. This presentation of 78 separate pages (one each for the 8 element descriptions and the 70 viewpoints) may have shaped some early reactions about the complexity of what was offered.

As participants dug into the content and considered its application, the refrain remained that simplification would be beneficial. Comments repeated across the Labs included the need to eliminate or consolidate some elements and many viewpoints and reduce the length of some text across both. Participants universally suggested that a concise framework of clear principles would be needed to make it usable in practice.

Refining the language

A significant point universally raised was the ambiguity of the term “senior leadership,” which is used throughout the viewpoints. Likewise, participants pressed for a definition of “ethical values,” which seems fundamental to the viewpoints and the eventual framework.

A lack of clarity was cited around other words, too, that likely merit attention in the eventual framework (i.e. “standback,” “appropriate authority,” “broader stakeholder”).

Similarly, some concerns were raised about the tenor of certain words (i.e. “challenge,” “disincentive,” “unwavering”). While wordsmithing will come later in the process of developing an FCG framework, it is worth noting the importance of the language to the people who will be expected to adopt the framework.

Searching for certainty

As currently presented, the elements and viewpoints seemed to most participants like something with which they would need to comply in particular ways, driving a repeated plea for guidelines for implementation. For example, some viewpoints call for “ethical behaviors” (another term for which a definition was sought), yet participants suggested that behaviors are culturally dependent, so participants were uncertain about how a framework could be universal across the globe.

This relates to participant comments about the language in the viewpoints not consistently reading as principles-based. Participants felt some viewpoints read as more detailed implementation considerations, which brought them back to concerns about universality. This potential to conflate principles and implementation items is something to be mindful of as development of the framework and related guidance materials continues to ensure clear principles are universal while related materials allow for adaptation.

Clarifying the purpose

Acknowledging that the materials presented in the Labs were elements and viewpoints intended to inform an FCG framework and not the framework itself, participants questioned the overall purpose of the eventual framework.

Participants seemed to understand the primary premise as publicized in IESBA materials, to promote, support and reinforce a high standard of ethical behavior within and across firms, yet some wondered if “ethical behavior” should be clarified as behaviors that make it easier to align with the five fundamental ethics principles of IESBA’s Code – if indeed that is the purpose of the framework.

Additional considerations of purpose raised concerns about the framework’s ability to adjust for cultural differences across regions and to adapt for firm size, maturity, and related differentiations among firms. Further, for firms with well-established practices that support ethical compliance, as the two participating firms say they have, participants wondered how the current elements and viewpoints would add value and not become just additional things requiring metrics and reporting.

While only a few viewpoints speak to measurement (e.g. performance evaluations in “Accountability Across the Firm” and taking into account ethical behavior in promotion decisions in “Incentives/Disincentives”), participants inferred the need for metrics from some of the language presented (i.e. “demonstrate” and “ensure”) as well as the belief that regulators may press for reporting in relation to an IESBA FCG framework, whether IESBA intends that or not. More than just a reporting burden, participants also voiced skepticism about the ability to measure in meaningful ways the human behaviors that drive firm culture such as those suggested in some elements and viewpoints. These concerns can be alleviated by clarifying that the FCG framework does not intend to prescribe specific metrics to which firms would be held accountable.



6

Using the Viewpoints

Participants considered the usefulness of the FCG elements and viewpoints in their current form, first in context of their specific line of service, then across the firm, and then more broadly in relation to firm values and the human nature that underpins behavior. They also leveraged FCG elements and viewpoints in simulated scenarios and debated the overall helpfulness of them to support an ethical culture in their firm. This in-depth work generated valuable insights:

Audit driven

A general sentiment expressed by some participants across all Labs was a sense that the current content feels particularly audit driven. While perhaps an understandable interpretation given the large number of Lab participants from the audit line of business, the large role audit plays in both participating firms and the significant compliance requirements related to audit, such a view may make some people less inclined to see the eventual FCG framework as something that benefits the whole firm. As a final framework takes shape, IESBA may be well-served to reflect on the ways in which some current viewpoints may unintentionally be more closely aligned with audit rather than firmwide work.

Some participants acknowledged that a highly compliant audit department is good for the firm which in turn is good for everyone in the firm, so everyone should want to follow the framework. That train of logic is valid, yet perhaps not as

compelling as may be needed to generate firmwide commitment to the framework. In communicating and socializing the framework, IESBA may want to ensure the rationale and benefits are positioned to speak to everyone in the firm.

Additionally, some of the audit driven perceptions may result from current element and viewpoint language, because some of the terms have specific meanings related to audit. Expanding the phrasing to be more applicable firmwide may be a helpful consideration. For example, “Independent Input” may be more representative as “Collaboration and Consultation” and perhaps “Transparency” becomes better accepted as “Candor and Clarity.”

Avoiding misconduct

Across all four Labs, there was a clear sense that at its core, ethics means not violating standards.

Policies, procedures, and training programs are designed to ensure people comply with the standards and to prevent ethical misconduct. At a fundamental level, especially among the associate through senior manager level Lab groups, when the firm is in compliance, it is ethical. An often-repeated phrase in one Lab was “comply or die” – while meant lightheartedly, it underscored the strong emphasis on formal ethics structures already in place around things like independence, confidentiality, objectivity, documentation, conflicts of interest, etc.

More broadly, though, an organization being ethical extends far beyond avoiding misconduct, and Lab activities expanded participants’ thinking on this. As the diagramming and scenario work surfaced, ethics are felt through things like workload allocation, a psychologically safe environment in which to speak up and to admit mistakes, revenue and performance pressure, and other things that don’t show up in rules and procedures. These are among the organizational culture pieces that make it easier to comply with standards and merit ongoing attention in the development of the eventual FCG framework and related materials.

Recognizing that the materials presented in the Labs were a collection of elements and viewpoints, not a framework, it is still worth giving attention to the challenges the eventual framework will face in moving ethics beyond required processes to behaviors that embed ethics throughout the firm’s culture. As summarized by a participant, “The framework [elements and viewpoints] presented seems to be designed for compliance rather than actual culture building.” As the framework continues to take shape, it will be important to develop and emphasize principles and guidance

that can meaningfully shift or sustain culture.

Micro-failures, not epic failures

Through individual participant diagrams and discussions following simulated scenarios, participants recognized (or remembered) that the danger to firms and to the public interest is rarely a single unethical act. The danger comes from gradual desensitization to small acts not seen as unethical but that are framed as being practical, helping the client, meeting deadlines, protecting the team, etc.

At the outset, participants maintained that they and their firms represent the pinnacle of ethical excellence. Small shifts were detected during the Labs as statements such as “That would never happen here” were contradicted, and participants identified many places in their day-to-day work that ethical issues come into play and are not always met with fully ethical behaviors.

There are varying gaps between the “official cultures” and the “working cultures” of the participating firms, as is true in most, if not all, organizations. These gaps stem from the realities of organizational life (time and resource constraints, commercial pressures, etc.) and from the fact that firm culture is ultimately enacted by imperfect people navigating a complex world. The development of the FCG framework recognizes human vulnerabilities and conveying that understanding through the final framework and the materials that accompany it will help set realistic expectations for what the framework can achieve.

Ethics with vs. ethics first

Participants suggested the final FCG framework will benefit from making it clear that its focus is on professional ethics, not personal morals, to avoid misinterpretations and potential deviations into unintended areas. While few things within the presented materials were individually flagged as implying morals, some participants felt taking phrases like “ethical behaviors” and “ethical mindset” on their own could lead someone to think of ethics and morals in general rather than in specific relation to professional ethics. Arguably, neither the phrases nor the framework would be “taken on their own” because its very title, “Firm Culture and Governance Framework,” implies it relates to a professional setting. Still, this was raised more than once across the Labs, so it is a potential point of consideration for IESBA going forward.

Significantly, while no one disagreed with the importance of having an ethical culture or even the basic concepts of the elements and viewpoints as universal values, concerns were raised about the materials seeming to position ethics first (“prioritize ethics”) in a firm’s culture. Because professional ethics are just one pillar within an organization’s overall culture, participants suggested rather than asking firms to “prioritize” ethics, the future framework could instead use “embed

ethics,” “integrate ethics,” or similar language that conveys ethics is one of several key components of a firm’s culture. Further, it is worth noting that several FCG elements (i.e. Open Communication and Challenge, Accountability Across the Firm, Transparency) are useful tenets to support strong firm culture overall, not just in relation to ethics.

Tensions

Several organizational tensions arose through the Labs that have bearing on the FCG framework. The accounting profession’s unusual role as simultaneously commercial enterprises and stewards of financial integrity means firms are businesses, and they are entrusted with public confidence. This reality relates to the concern about prioritizing ethics and ties to the most prominent tension identified, which was between revenue (“commercials”) and ethics. Other tensions were raised, such as organizational alignment and operational flexibility, workload and deadlines, and client demands and the firm’s established practices.

Strong organizational cultures do not attempt to resolve these tensions, rather they hold and navigate them. This is difficult to do, yet a framework that is neither rigid nor prescriptive can help support this work.

Inspire vs. require

Participants strove to identify the “Why” behind the FCG Framework – less about why the framework is being considered (though that was mentioned by a few) and more about why would firms adopt it and why would employees across the firm care about it. These questions point to an important role IESBA can take in providing clear and compelling communications to stakeholders about the benefits of a global framework in support of ethical firm culture and governance efforts.

Significant discussions revolved around why firms should adopt an eventual FCG framework. Among these were the ability of a framework to shift culture, whether firms need it to enhance the ethical nature of their cultures, and the concern that firms will approach the framework as a check-box list of things that they will claim they are doing, even if they are not. Primary among the concerns was that if it is deemed necessary to require firm adherence to the framework, it will become extremely burdensome to set up metrics and monitoring, and it will be one more compliance item that requires many resources and likely generates only performative behaviors. Additionally, there was concern that requiring compliance adds to the high scrutiny already on firms and could create a culture of fear of noncompliance rather than a culture of ethics as embedded “second nature.”

As to the second point about employees caring about the framework, it was suggested that its language could be more inspirational, and some participants thought a compelling framework might serve as a motivating reference for employees. A framework in this light could shift firms’ thinking from, “How do we get people *want* to comply?” to, “How do we help people want to contribute to an ethical culture?”

Participants spoke in generalities about the formal versus inspirational tone of the language across the viewpoints. Listening carefully to the statements and the emotions surrounding them, the researchers interpreted these points as a desire for language to be less detached and directive and more relational and participatory. As the framework and supporting materials are solidified, a useful “test” for inspirational language may be to ask, “Could a respected employee say this sincerely in conversation?”

As an example of humanizing the language, the researchers randomly selected viewpoint 4 associated with the element “Open Discussion and Challenge” and offer that a change may be from “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” to “Learning together by feeling safe to talk openly about mistakes, difficult decisions, and ethical challenges.”

Tangentially, it was suggested that IESBA could help the public to care about the ethical culture of accounting firms through greater promotion of the Code and potentially the FCG framework. Participants in one Lab in particular thought it might be helpful for the public to better understand how hard professional accountants and their firms work to deserve the public’s trust and that IESBA could take an active role in raising awareness through media campaigns and other public service marketing efforts.

A starting point

Participants recognized that an FCG Framework could set some common expectations and achieve a level of consistency across firms which in turn could strengthen the reputation of the industry through its clear articulation of public interest rationale.

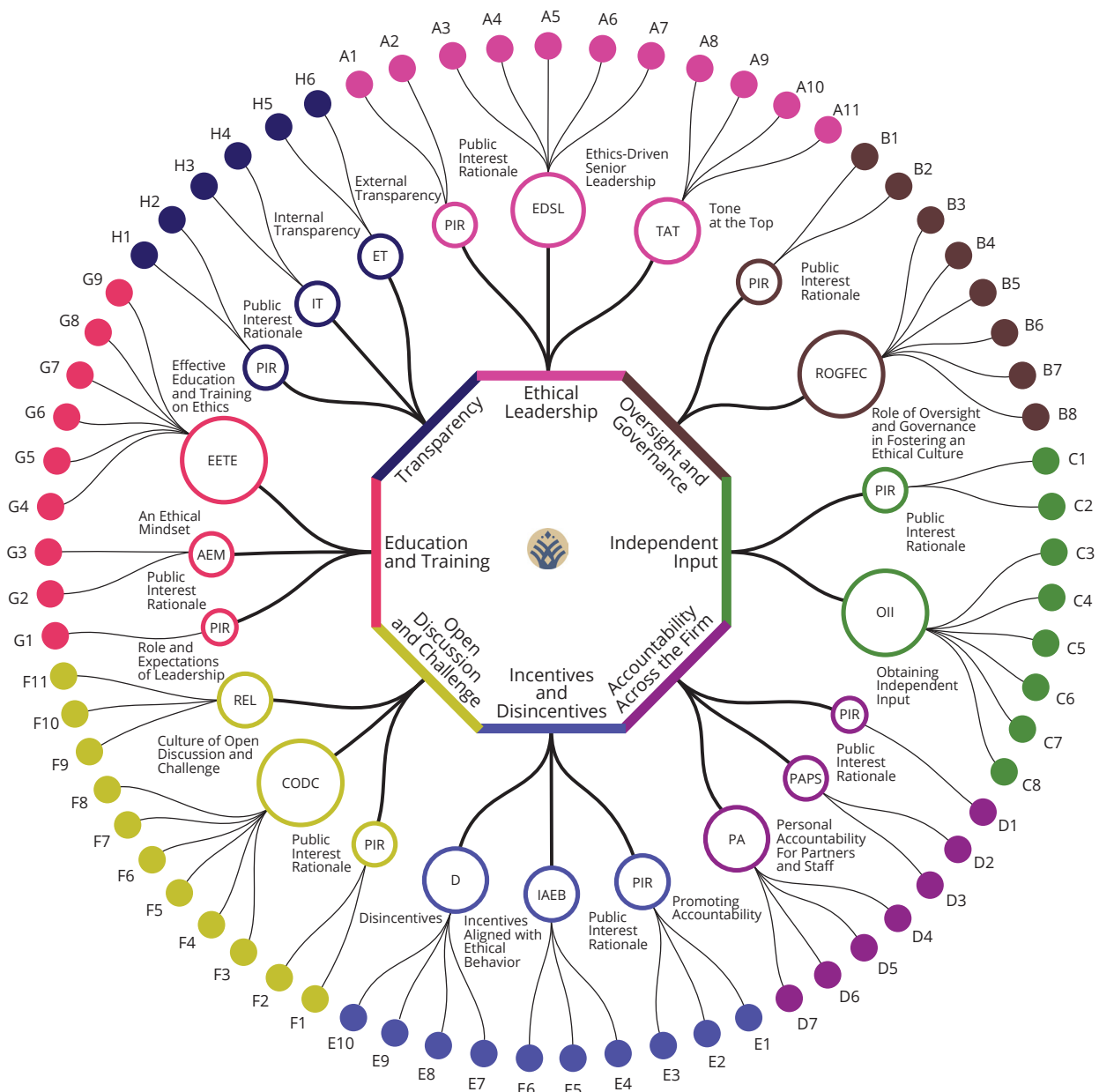
Additionally, a framework was seen as a potential opportunity to review, refresh and reinforce supports for ethics already existing in highly ethical firms, as a useful structure for firms in need of bolstering their efforts around ethics, and as a helpful starting place for new firms to establish ethical cultures.

Throughout the Labs, participants urged simplification, clarity, flexibility, and timelessness through universal principles that can withstand changes that affect firms and their abilities to maintain ethical cultures (i.e. currently, technology and Artificial Intelligence) as necessary to create a meaningful FCG framework.

The FCG components as a map

In addition to the written descriptions of the FCG elements and viewpoints, a map designed specifically for the Labs linked together the 8 elements, 15 categories, and 70 viewpoints.

This showed the totality of relationships as a whole and facilitated inquiries that bypassed the sequential nature of text-only documents. Posters of the map were displayed in the work spaces during the Labs for everyone's information and direct interaction.





7

Synthesis

Limitations

In their design, the FCG Prototype Labs constitute a research project, and as such, readers of this report are cautioned to consider the study's limitations. The sample size (2 firms, 75 participants) is quite small in relation to the number of accounting firms worldwide. Relatedly, IESBA operates globally, and this study occurred in only two regions. These factors limit the generalizability of the findings.

Considerations

Both firms participating in this study purport to have strong ethical cultures, and Lab participants perceived that their firms "already have most of this," in reference to the content of the elements and viewpoints, and that the materials, "don't offer much that is new." These are positive comments for IESBA, because they mean that much of what is presented in the FCG materials is familiar to some firms already and is achievable.

The work of the FCG project itself, even without a formal framework yet, is having positive impacts on firms. The Labs made what are sometimes implicit supports for ethical behaviors explicit, at least for three days. Participants across all four Labs offered closing comments that indicated a heightened awareness of the IESBA Code

and of the importance of ethical behavior throughout the firm. For example, "Before the Lab, I never thought about 'ethics,' as we learnt them in our work. It reminded me that I should take ethics more seriously as part of my day-to-day job and to be a good example for my peers." Comments such as this underscore the value of rich educational opportunities in conjunction with the FCG framework.

The accounting profession tends to attract people who value fairness, like order and accountability, want systems to work properly, and genuinely seek to protect public trust. Many senior professionals in the field are profoundly earnest about ethics – as were the leaders of the firms in this study.

While accounting as a field is associated with precision, in practice, many important judgments, some relating to the application of technical standards and some not, involve incomplete information, competing interpretations, uncertain estimates, and materiality thresholds, among many others. Professional accountants often want "black and white" ethical guidance when the realities are sometimes gray, which can create frustration when ethics are communicated as though the answers are obvious.

The Labs surfaced this frustration with participants frequently suggesting that the FCG framework needs specific guidance and clear examples of ethical behaviors.

This quest for certainty becomes a challenge where firm culture is concerned. Generally, shared values or principles become most durable when they are experienced as sources of meaning, identity, and professional pride rather than as expectations with which people need to comply. Also, intrinsic motivation research consistently finds that people are more committed to behaviors they feel they are choosing rather than merely obeying. This is corroborated by research in organizational development that shows employees tend to embrace initiatives that appear to help them become more effective, respected, or more aligned with the kind of work and workplace they genuinely want to be part of than initiatives that feel forced and directive.

The seeming incongruence between interest in specific guidance and a desire for shared principles likely drove some of the questions participants raised about how an FCG framework could meaningfully shape complex human behaviors that create firm culture. To address this, as IESBA continues its FCG work, it can create both a streamlined and articulated framework and associated guidance materials. Whatever the final products, their abilities to gain sustained traction within firms and across firms around the globe will be most likely if they serve as an invitation rather than a mandate.

Innovations

Through the Labs, participants cultivated the notion that culture is not about extremes but about the distance that separates them. Clearly ethical and clearly

unethical situations are the bookends for the space where ethical culture thrives or languishes. This is the cultural nuance that many participants across all four Labs mentioned. In fact, it is more than nuance; it is basic, good drivers for ethical culture growth: communication, trust, a sense of collective strength and honest critical thinking.

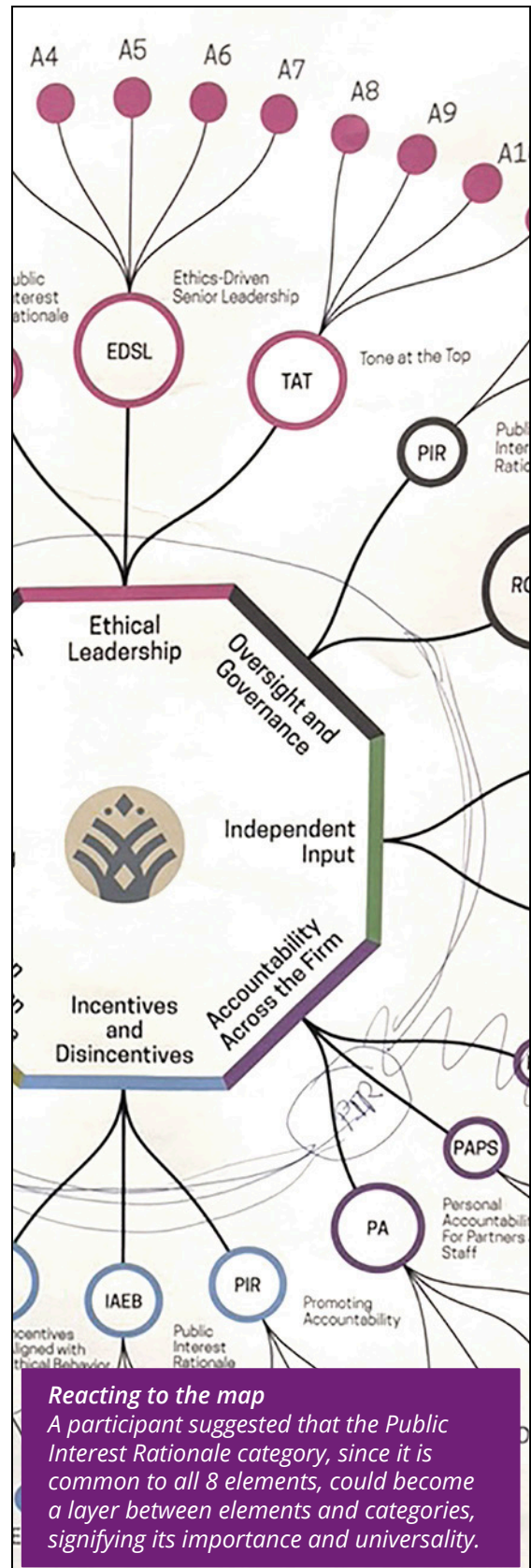
Speculation, a word that in its origin meant “intelligent contemplation” of the kind that seeks the truth, was a natural result of toggling between individual and group understandings of the role that a strong ethical culture plays in strengthening firms’ ethical behavior from a place of commitment, not compliance. Beyond the value to IESBA in shaping the FCG framework, the FCG Prototype Labs created spaces for speculation to explore innovative approaches that push the boundaries of the role that an ethics framework could play in strengthening ethical culture. Some of these conversations were prompted by reflections around the meaning of the word “framework” in context of ethics for accountants. One general interpretation discussed was that a framework can mean compliance requirements in the regulatory environment rather than guides for ethical behavior in culture-rich environments. Ultimately, IESBA’s FCG project is about ethical culture, which is dynamic and constantly evolving. This led to considerations of how to reconcile that dynamism with the potential static nature of a framework if it were shaped around regulatory compliance.

One idea was to understand the framework as a scaffold that supports existing ethical cultures in firms. A scaffold is adaptable, modular and suitable for all situations. It ensures integrity and stability. Because of its adaptability,

it allows those firms that have more advanced ethical cultures to refine and sustain them while meeting those with less mature ethical cultures where they are and helping them build. In practical terms, this does not mean that the FCG Framework would change from firm to firm; rather, it means that it would be engaged by different firms differently. It would be up to the firms themselves to adapt it to their specific context and needs.

Another idea was a dynamic understanding of ethical culture emanating from ongoing reflection among practitioners from around the world. In a way, this notion of framework as reflection was at the core of the Prototype Labs, designed as inclusive spaces for reflection, critical thinking and discussion that tested the boundaries of the basic principles of ethical culture as they currently are in the two hosting firms. Taking this idea further, the FCG Framework would be the attractor that could bring together a global community of practitioners and stakeholders of interest called to be active contributors as part of this reflection space, sharing their professional experiences, points of view and cultural efforts, bringing the FCG Framework to life and nurturing its value.

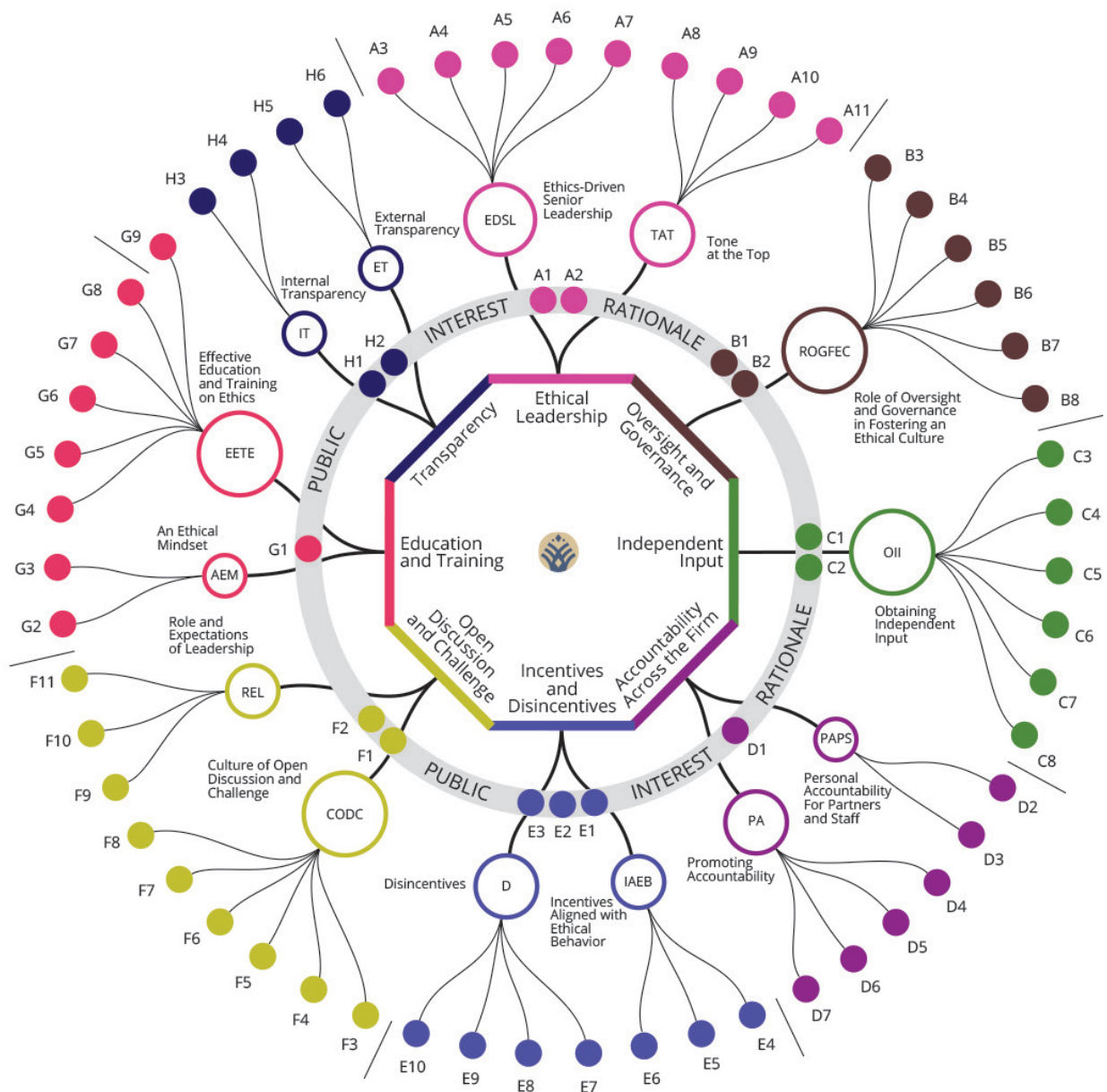
Such ideas do not speak to the FCG Framework's disposition in terms of content or placement; they simply strive to innovate and add to it new views and formats that increase its significance. Central to these ideas is the implication that the public interest would be better served with approaches that understand that nurturing an ethical culture for the accounting profession is founded in two fundamental commitments: One, it is a long-term proposition, not an instant achievement; two, it requires the contribution of all, not just a few, to make a meaningful impact.



Redesigning the map

A modification to the original FCG component map incorporates a participant's suggestion to consolidate the Public Interest Rationale (PIR) category into a shared ring around all the elements.

Whatever the final FCG framework includes, a visual representation will invite engagement and signal the intentionality of the components' organization. A framework that can be "seen" is often easier to remember and apply.



Possible Directions Forward, At-a-Glance

FROM: 8 elements and 70 viewpoints.	TO: The minimum amount of elements and viewpoints necessary for a proactive, principles-based framework that serves the user without sacrificing meaning or usefulness.
BECAUSE... Clear, concise materials are compelling, allowing people to quickly understand, remember, and apply what matters most. Brevity reduces the cognitive load, making ideas feel more approachable, actionable, and relevant in the flow of everyday work.	HOW? Honoring the extensive work that went into the materials to date by continuing to work toward a truly useable and impactful framework through combining, curating, and eliminating some viewpoints and perhaps even some elements. This requires critical thinking and likely difficult decisions around items in which various stakeholders may feel heavily invested.
FROM: Uncertain purpose and audience.	TO: Certain purpose and audience.
BECAUSE... When firms are asked to embrace the framework, they want to know what the framework is intended to accomplish for them and the accounting profession that cannot be accomplished (or accomplished as well) without the framework. Relatedly, they need to know who at the firm the framework is primarily intended to support.	HOW? Articulating the benefits of framework adoption in practical and convincing ways. Stating plainly if the framework is targeted toward the firm as a whole (for structural attention), to individual workers (for behavioral work), or both -- and if both, ensuring delineations are made between which parts are intended for which audience.

Possible Directions Forward, At-a-Glance

FROM: Some language that feels ambiguous, inconsistent, detached and at times directive.	TO: Well-defined, congruent, and inspirational language throughout that is sensitive to cultural and organizational nuances.
BECAUSE... Language matters. People need not only to understand the content but also to see themselves in it and able to use it.	HOW? Understanding the needs and perceptions of the users/beneficiaries of the framework to craft language that is as universal as possible while providing the inspiration needed to encourage use of the framework and related materials.
FROM: Perception of prioritizing ethics over other things.	TO: Noticeably positioning ethics as an integrated part of overall firm culture.
BECAUSE... Firm culture doesn't have a protagonist but a solid cast of characters, and ethics is one of them.	HOW? Acknowledging that while IESBA's focus is ethics, it also recognizes that firms must hold competing obligations responsibly. For example, replacing the word "prioritize" with "integrate" may be a helpful starting place. Going further, resources might be provided that help firms build skills in navigating paradox and embedding ethical reflection into decision-making processes.

Possible Directions Forward, At-a-Glance

FROM: Ethical leadership primarily from the top.	TO: Ethical leadership by all.
BECAUSE... In addition to the undeniable value in senior leaders setting the tone from the top to consistently convey the firm's commitment to ethics, every employee leads from where they are and becomes the embodiment of ethical values and behaviors that drive culture.	HOW? Differentiating between content that is intentionally top-down (e.g. tone, role modeling) and that which can and should build from all directions (e.g. psychological safety, personal accountability).
FROM: "One more thing" firms have to manage.	TO: Complementing and strengthening ethical operational architectures that firms already have in place.
BECAUSE... Everyone's plates are full. The idea of adding more "To Do" items can feel overwhelming. Positioning principles to support ethical behavior as ways "To Be" helps frame ethics as core to professional identity, shared purpose, and collective responsibility -- not something that has to be managed separately.	HOW? Encouraging firms to actively consider ways in which the framework complements and enhances other cultural aspects such as firm values, mission, etc. and clarifying that firms will not be held to specific metrics related to the framework.

Possible Directions Forward, At-a-Glance

FROM: A framework to which firms have to adapt.	TO: A framework that firms can adapt.
BECAUSE... Countless factors (size, location, business structure, personnel, etc.) create a firm's culture (or culture of cultures). There is no "one size fits all" for organizational culture; however, within and across firms, there can be a small number of shared principles paired with decentralized interpretation and contextual application.	HOW? Structuring the framework as a scaffold onto which each firm builds its ethical architecture, shaping it to meet the firm where it is now, elevating it as needed to reach at least a baseline of ethical culture and allowing it to shift on a solid foundation as the firm (and the world) changes over time.
FROM: Static principles.	TO: Dynamic foundation.
BECAUSE... Firm cultures constantly evolve. A timeless framework that provides for ongoing adaptations in practice allows it to be more than just a document. It can be a platform for innovative ways to make ethical principles actionable and applicable and support iterations to the principles over time.	HOW? Building a global community that facilitates ongoing conversations and idea sharing opportunities about ethics and culture was one suggestion made. Others included activating the framework within and across firms through reflection and dialogue, creating story-driven understandings, and inviting the whole workforce, not just the senior leaders, to actively participate in bringing the framework to life.

Possible Directions Forward, At-a-Glance

FROM: Published framework.	TO: Practiced framework.
BECAUSE... No one wants the framework to become just words on a website or wall. Engaging with the framework makes it real, relevant and understandable by all.	HOW? Involving people from all levels and service lines in activities like the simulations and mock debates included in the Labs demonstrated that leveraging participation and critical thinking can drive understanding of the elements and viewpoints as well as the application of them to minor and major ethical situations easily recognizable by the workforce overall. On an ongoing basis, making ethical deliberation an expected operational practice across the firm shifts ethics from a compliance event to an ongoing conversation. As examples, firms of most sizes could hold “pre-mortems” to think through how a seemingly straight-forward decision could still create harm, create structured dissent roles in meetings, and build ethics review checkpoints into standard processes.
FROM: Training focused primarily on standards literacy and ethical dilemma recognition and resolution.	TO: Learning and development opportunities that build skills needed to support ethical behaviors.
BECAUSE... Technically-focused training around ethical standards and ethical decision-making can overlook fundamental skills needed to live the principles of a framework for ethical culture. Communication and emotional intelligence skills, as examples, make things like “Open Discussion and Challenge” and “Accountability” easier to do.	HOW? Designing experiential learning that engages participants in application rather than theory expedites and enhances the development of fundamental skills, serving as a valuable link between knowing helpful behaviors and doing those behaviors.

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Appendix A: Method in Detail

Lab objectives

- Evaluate the proposed elements of a potential FCG framework (the viewpoints)
- Identify areas of ambiguity or interpretive risk
- Determine relative priority among the elements
- Apply the elements in simulated scenarios to study practical usability
- Strengthen/refresh participant communication, collaboration, and critical thinking skills

IESBA outcomes

- Assess strengths, gaps, and risks within the viewpoints
- Make informed decisions about the possible placement and authority of each element
- Hypothesize applicability based on participants' behaviors during simulations
- Compare FCG elements and viewpoints to the everyday behaviors that shape ethical culture

Participant firm outcomes

- Promote innovative approaches to complex challenges
- Gain insights into internal culture and cross-firm alignment
- Provide participating employees with a unique opportunity to work collaboratively and hone skills

Individual participant outcomes

- Explain their role in shaping and sustaining organizational culture
- Recognize what supports or undermines each element in their environment
- Engage an ethical mindset
- Demonstrate fresh approaches to communication, collaboration, and critical thinking



Pre-Lab Observation Day

Prior to the Labs at each firm, an Observation Day allowed the researchers to directly experience the firm's culture, noting some of its artifacts, listening for espoused values, and gaining insights into informal values and underlying assumptions. This information, gathered through presentations, small group and one-on-one interviews, meeting attendance and facility tours, provided valuable background to support the customization of each Lab to its audience and data relevant to this report.

Because culture includes everyone working in a firm, during the Observation Days, researchers spoke primarily with employees other than professional accountants, though some professional accountants were among the approximately 65 individuals researchers spoke with across both Observation Days.

The Labs

Each Lab spanned three days, three hours per day. Each day built on the previous one, stepping participants into the FCG viewpoints slowly and supporting them to go deeper as the Lab progressed. This multi-day approach allowed participants to gain comfort with one another, the activities, and the researchers, resulting in more and richer insights every day. The Labs implemented a "3E Process" (Expose – Explore – Experiment), custom created for this project.

Day 1 - Expose

Participants engaged with the current iteration of the FCG elements and viewpoints in whole and in parts.

A map, created by the researchers specifically for the Labs, allowed participants to see the eight elements and associated 70 viewpoints (grouped within 15 categories) all at once. Presented on large-format posters, participants were invited to draw on the map, making their own connections and suggesting additional structures.

In small groups, participants delved into the elements and viewpoints in detail. First, groups read and commented on the first two elements, Ethical Leadership and Oversight & Governance, via provided sheets with one viewpoint per page and reported out to the rest of the group some of their key insights.

Then, six smaller groups each received one of the other six elements and associated viewpoints for similar reading and analyzing. All individual sheets (78 in total) were hung on the walls, and participants engaged in a "Gallery Walk," inviting them to read and comment on any/all elements and viewpoints as they saw fit.

The day concluded with open discussion about insights and questions raised, followed by a short closing activity in pairs.

Day2 - Explore

The groundwork established on Day 1 in familiarizing participants with the FCG elements and viewpoints set the stage for them to explore the framework in the context of their own work – the first step in moving from abstract to concrete.



Based on rosters provided by the firms, participants were first grouped by line of service. These small groups considered the application of the FCG viewpoints for their specific work areas, discussing such things as: where interpretations may vary by individual, what barriers to implementation might arise, and what concepts may be missing, etc. Groups captured their insights on flipcharts which they posted on the walls before moving into a second, similar activity.

In new small groups, each representing a cross-section of service lines, participants deliberated about the application of the FCG viewpoints across the whole firm. With prompts similar to those in the previous activity, groups thought from a firmwide perspective about usefulness, challenges, and realism of expectations.

Again, groups used flipcharts to record their insights; they also engaged in a report-out, surfacing similarities and differences among the groups.

Day 3 - Experiment

The Lab culminated in activities that encouraged participants to combine what they learned about the FCG elements and viewpoints with their considerations of them in relation to their work. First, participants role-played scenarios simulating common situations that occur in accounting firms. Each scenario had four roles, and when not players, participants were active observers, capturing insights about the simulated situations in relation to the FCG elements and the cultures of their firms.

A second key activity was a mock debate for which participants were randomly divided into three groups, each assigned a debate position: Position 1 – The FCG elements and viewpoints as they are will help build, assess, and sustain a strong ethical culture in our firm and how; Position 2 -- the FCG elements and viewpoints as they are will NOT help build, assess, and sustain a strong ethical culture and why; Position 3 -- a FCG framework with some of the current elements and viewpoints will help the firm: these are the elements/viewpoints and why.

The Labs concluded with an additional round of open dialogue and a short closing activity.



Appendix B: Individual Content Comments

On the first day of each IESBA Firm Culture and Governance Prototype Lab, participants interacted in detail with potential FCG framework elements and their underlying viewpoints as presented in the January 2026 document, *Firm Culture and Governance Dialogues: Building and Sustaining a Strong Ethical Culture*. This Appendix supplements the summarized and analyzed data in the Prototype Lab Report by listing all individual written comments from participants across the four Labs, randomized and anonymized.

Ethical Leadership: Element "A" Description
Can Ethical Leadership be measured?
What does it mean? Might be different for different people.
What is "senior leader"? Different at different levels of the firm.
How can it be demonstrated that senior leaders are unwavering in their commitment to the other FCG Elements?
Lots of overlap - the ethical leadership Element covers many of the other elements.
Could reduce the viewpoints to 5 or 6.
Clear language.
Who is senior leadership? This can feel opaque as a new joiner.
Not sure what the scope of Public Interest is.
Given the high-level summary, feels like it sets the stage well for detail.
(Pointing to "Acting in the public interest") This is an important aspect of the need for ethical leadership. If the senior leaders don't practice what they preach, the ethical standards dilute down in the leadership hierarchy.
(Pointing to "Senior leaders are unwavering and take the necessary steps to reinforce the importance of other elements") With the appropriate safeguards in place, flexibility should be put in practice in managing the ethical matters that can't be cultural.
Between two different teams it may be unethical but firm wise it is manageable. How to balance this?
Ethical Leadership: Viewpoint A1
Is this just a statement?
Truism.
Obviously true.
Should this apply to all leadership?
The viewpoints are sometimes simply justifications for why the category is important -- duplicates and not practical.
To define "ethical culture," too general.
Needs clearer language, to indicate specifically: What is "senior leadership"? and What is an "ethical culture"?
Professional service -- hard to apply some culture and leadership message across different services.
The term "ethical" might be defined differently by each individual.
The viewpoint doesn't advance the purpose of its Element as the Code require(s) further enhancement on the definition.
Key terms definition (needs to be clearer).



Actions to words.

Doing vs. seeing -- be clear on what we need to do to showcase this. Bring it into our everyday -- what measure?

Clear language: simple terms used for the point that is being made.

The purpose makes sense as it talks about how senior leadership plays a part. Does "senior leadership" need to be defined?

Agree to the statement.

Tone set at the top will be followed by everyone.

Minimum baseline should be the rule to meet when there are such circumstances.

Ethical Leadership: Viewpoint A2

Some bits of the Element should apply to all leadership.

("Senior" crossed out.) Should this be all?

How do we demonstrate this (the word "demonstrate" underlined)?

To clearly define; language to improve - key terms to be well defined.

(The terms) can be defined differently -- causes misinterpretation.

A3 - A4 are repetitive.

All written in the lens of a leading firm, public interest. But how does that impact wider employees within the organization? i.e. if we are in a situation, do I look up to those around me to have the confidence in guiding us to do the right thing?

Why only senior leadership? And by that do we mean the Board? Partners and Directors? Or those who are "team leaders" on a day-to-day?

Public Interest should be clearly defined and not assumed.

("Public interest" underlined): Does this relate only to a firm's professional services ... or other areas/activities?

Senior leaders' comprehensive understanding of their responsibility.

Application in day-to-day operations emphasized by proper guidance/rules.

A3 - A4 -- repetitive?

Ethical Leadership: Viewpoint A3

How is "prioritizing" demonstrated in practice? A lot of this will come down to who we provide services to, as what purpose and what levels.

Who is "senior leadership?" Executive Committee? Executives? Partners?

To be impactful and consistent across the organization needs to be partners and directors and ...

("Senior leadership" circled): shouldn't this be everyone's responsibility?

Shouldn't we all be ethics drivers?

I don't think "ensuring ethical conduct at every level" is realistic. We employ humans.

Refer to A1.

Can senior leadership still prioritize ethics in commercial consideration without external influence from stake/shareholders.

It is likely to be adopted into the commercial decision making process?

"At every level" -- messages lost through levels? Leadership relatability is important.

"Prioritizing" -- transparency on why for decisions? Proactive rather than reactive?

Senior leadership should be clearly defined, because in [firm] that can be different.



Appendix B

Language seems mainly clear apart from text referring to "every level of the firm." What is "every level of the firm"? Is it different grades? Different lines of work?

Re: commitment to prioritize ethics: the viewpoint emphasizes how senior leadership will need to actively demonstrate it themselves.

("Commercial considerations" underlined). Good to include example and emphasize how commercial considerations are of importance.

Lead by example.

Individually may not be ethical but overall, it is manageable.

Apply appropriate safeguards.

Instruct team members to do ethical work (to correct, for instance, stealing clients from other teams).

Build strong foundation: start from juniors.

Unwavering: too strong; ethical leadership might be inflexible.

Ethical Leadership: Viewpoint A4

(Pointing to "senior leadership have a strong knowledge of the IESBA Code") Is this practical/needed?

("Senior leadership" circled) "?"

Very similar to A3.

Is the idea that we should be regularly referencing the IESBA Code? Or is it that the Code guides and shapes our guidance around client acceptance, engagement acceptance, code of conduct, etc.?

All senior leadership probably have different points of view of "ethical." Hence, different mindset.

Senior (leadership) should have strong knowledge to guide the junior and being the role model for other(s) to follow.

("An ethical mindset" referring to senior leaders underlined). Is that needed? They should have an ethical mindset?

Again, this implies a tone from the top. Maybe change to just leadership instead of restricting to senior leadership.

Using "especially" leaves this very wide and open for judgment -- potentially includes a "get out" clause -- maybe take out "especially" in difficult situations so just reads when making judgments and decisions involving ethical conflicts and dilemmas.

Lead by example.

Strong foundation to cultivate ethical leadership starts from the junior level up to the senior levels.

Ethical Leadership: Viewpoint A5

What do we mean by "senior leadership"? Just the Executive Board... more?

Overlap.

Separate responsibilities between "real" strategic business plans and day-to-day business decisions/tone from the top which should be "all" leaders.

"Minimize," "Ensure" -- strong words.

("Minimize the risk of ethical failures" underlined). "Minimize"/the risk capacity? "Minimum," how to determine?

Definition of "ethical failures" (arrow) examples.

Very wordy/long viewpoint. Suggest the last sentence could be: senior leadership are accountable for maintaining a strong ethical culture within the firm at all times.

No need for the initial "in their oversight capacity," it dilutes the accountability.



Appendix B

Define "ethical failure"?

Embedding ethical values into the overall business strategy feels like the most important element of this.

Very critically important point in being public about this if possible (referring to last sentence: They accept full accountability...) I agree with what is being said here but it feels like a separate point to the two statements, above it, which are more about setting strategy, policies, processes, instead of consequences.

(Pointing to "the firm's overall business strategy:"): apply the appropriate safeguards when there is a conflict between ethics and culture.

Should the conflict continue, a thorough discussion shall be conducted especially if the decision is affecting the firm's value.

Regarding the firm's overall business strategy, apply the appropriate safeguards when there is a conflict between ethics and culture.

If the conflict continues, a thorough discussion shall be conducted especially if the decision is affecting the firm's value.

Ethical Leadership: Viewpoint A6

Everyone should demonstrate ethical leadership and contribute to culture.

Overall, are the key messages getting lost in the number of words?

IESBA should really ask AI to summarize each viewpoint into 3 points max. and draw out all the overarching principles from the beginning.

Strong ethical culture is needed. Maintaining integrity in our work is essential as to maintain public interest.

It is better to set the tone and receiving input based on the criticism. This promotes healthy communication within the firm.

"Independent" should be "independent and diverse." Define "independent."

Independent input is ideal however hard to implement due to resources.

("Input as needed" double underlined.) Why not all the time?

It's not clear what's "independent input" -- who will provide this input?

"As needed" is subjective.

Strategic matters and governance matters felt like points that should be addressed separately. Strategy being the direction the firm decides to take and how they do it and governance being how ethical culture is maintained and being compliant with regulations.

Is "independent" independent to the firm or to senior leaders in the firm?

This feels nice in principle but not sure how it could be practically implemented. Sounds like it's saying that, once in a while, the firm should hire someone external to review governance and strategic matters.

Ethical Leadership: Viewpoint A7

("Recruit and promote partners and staff..." underlined). How does this work in practice? Recruitment and promotion processes differ. They are complex processes already.

("Reward" underlined). How? Do you just reward the standout? Penalize for unethical behaviors but if ethical behavior is standard/baseline...

"Senior leadership" -- who is this?

What is "reward"?

("Hold partners and staff accountable" -- This is hard to do

Duplicates across category E.



("Recruit and promote," "reward" and "hold partners accountable" underlined). Partners and staff were recruited if they have demonstrated the value and requirements that match with the firm's experiences. In fact, the capability and experience of that person should be taken into consideration to recruit or promote.

Sometimes, management have to make sure that the person matched the qualifications in terms of their experiences and quality of work before promotion/reward to avoid "shaking the boat" in the firm/department -- to avoid people questioning the management's decision.

Discussion with the partner/staff should be in place first to understand the initial point of their ethical behavior before holding them accountable. Management must be reasonable before making any unfavorable decision.

By promoting, it helps in creating awareness, as well as motivating ethical behavior!

How would you determine champions of ethical behavior?

Recruit -- difficult to apply at all levels of grades across the firm e.g. how would a person just starting their career demonstrate application of the firm's ethical values?

Promotion -- this is important but one part of the decision for promotion so would need some very good application guidelines to not leave it open to different teams/leadership interpretation.

This particular viewpoint only works well in conjunction with other viewpoints and the firm ethos as interpretation could be too wide as a standalone statement.

("Alignment" underlined) Who decides and defines the baseline to ensure "alignment"?

("Champions of ethical behavior" underlined.) To put a balance? Otherwise, how to drive revenue growth if too rigid?

Ethical behavior should not be taken at words only, it should be flexible for contemplation.

A standardized reward/reprimand system across the board?

Ethical Leadership: Viewpoint A8

Saying vs. doing vs. knowing.

"Their ethical behavior serves as a model..." -- how would this be seen?

Yes, senior leadership should set the tone at the top on ethical behavior for all the levels within the firm. By doing this, language is being made clear for the whole organization first.

With the tone being set, action is needed by demonstrating their commitment to the firm's ethical values, not just by a word of mouth.

Then, the ethical behavior serves as a model for all partners and staff to follow. I would say start from the level of new joiner as they are freshest, easily to adapt.

("Ethical behavior" underlined). No tolerance for unethical micro behaviors?

Tone from the top is incredibly important and including the demonstration of commitment is powerful to all staff.

Where are ethics defined? Are these assumed to be in place -- do they need to be defined clearly?

If all the senior leaders follow a customary line of behavior, it creates too much uniformity at a certain point and eventually, we lose individuality. Our senior leaders' ethics are demonstrated through their actions which serve as examples for the rest.

Notwithstanding, there would be gaps in alignment due to lack of understanding as to the ways certain actions/behaviors are adopted.

(Pointing to "tone at the top"): Checks and balances required? How to ensure that the senior leadership are indeed following?

What if the tone is already incorrect at the starting point? Who will point this out / inform the senior leader?



Appendix B

Ethical Leadership: Viewpoint A9

Define "tone."

"Influences" much less than incentives.

Right to trade vs. strategic direction.

I totally agree. In terms of clear language -- occasionally. Key terms are well defined but not used consistently.

In every project/job we get assigned to, the seniors/managers/engagement partners do play a role in setting the tone - which create what's essential, the environment for the team to get started with. However, personally I believe the team itself does play an important role as well, as we may be meeting the team for the first time. For example, assuming a leader (in my case - audit/manager/partner) is trying their best to set the tone - actively engaging, but the team is not responsive and actively participating, it may affect the outcome. This may happen as some may have their beliefs / do not agree with the leader.

Yes, this viewpoint enhances the purpose of its FCG Element.

I don't think it is ambiguous, instead, I think it's really important and we should include the higher-ups in this project!

Tone impacts acts and behaviors of the employees.

How does "every aspect" work in practice? Different for different firms (size/location, etc.) how does this balance with: commercial pressures; unpleasant choices; choice of clients; other controversies where ethics aren't universal/absolute?

Senior leadership may comprise many leaders with different views: collective decision + one voice = firm's tone.

Ethical Leadership: Viewpoint A10

Is this once a year in compliance training?

How? (regarding "the firm's performance evaluation")

Do we really have incentives or do what expected to do/not?

The IESBA Code would be part of the DNA of the organization. We would not specifically be referencing the IESBA Code. What the Code contains are in many cases universal values which are already ingrained through other sources, so we would be pointing people primarily to our code of conduct.

It is clear and understandable to the whole item.

This also help(s) the senior leadership in using (the) IESBA Code as a guideline to promote ethics.

They can use the guideline to add more if necessary depending on the senior leadership style.

Who is a senior leader? Many partners, lines of service, business units, etc.

Does everyone need to know about the IESBA Code in a large firm? Is the firm specific code more relevant? I've not heard of the IESBA Code (not an accountant).

How is "performance evaluation" measured?

Could the language be clear? Disincentives = sanctions? Similar to all -code of conduct which should (must) be based on IESBA Code of Ethics.

Clear that compliance is with the firm code of conduct. Challenge our people won't know IESBA vs. ICAEW or code of conduct.

("Firm's performance evaluation" underlined): ISQM and transparency report.

("incentives and disincentives" in last sentence, pointing to): job assessment or performance.

Ethical Leadership: Viewpoint A11

I don't think there would necessarily be an overt reference to "ethics" in the decisions. Rather, adherence to ethical values would be demonstrated in the actual decisions themselves.



Ethics in this context is virtually never clear-cut or simple. I don't think "prioritizing" it really means anything meaningful.
How is this practical? Not possible for lots of decisions; or is this just within certain groups?
It's clear for the whole organization ((A1, A2, A4, A5)) (double parenthesis in the original).
("Transparent" and "demonstrating" in double parenthesis). Probably, the term "transparent" is too vague and maybe the senior leadership need(s) to be ((consistent)), in order to be transparent other than only being transparent.
Other than demonstrating, probably need(s) to (be) ((demonstrating and explaining)) -- maybe some of us will follow better by word, some by action.
Ethics should contribute to decision-making. Are they always the top priority? (especially when this is ambiguous).
Accountable to who? ("Accountable" circled).
How + What. Would the expectation be to for example always point back to our code of conduct? What would "bad" look like (referring to "transparent decision making"). What does transparent mean, inward or outward? Who makes the decision?
To impose on all levels, not just senior leadership.
Oversight and Governance: Element "B" Description
We don't have long enough to critique this!
70??? (viewpoints). We can't remember more than 3 things.
"Performance" What does this mean in ethical context.
This is hard to read, dense, wordy. What is this for? There is no "aha" moment.
This is a mix of broad statements of truth with more "outcome focused" statements. Can these be more practical?
Some are contextual... and there's lots of duplication.
How do these respond to the root cause failures of ethical debacles?
Who is senior leadership? Contradicts B4.
("Proper" circled) -- not needed
What does good oversight + governance look like?
Language is dense and theoretical a bit contractual sounding.
Replace "ensure" with "enable (more supportive).
Incentives: celebrating and showcasing, how do you incentivize to be more ethical? Disincentives is too loose: if not ethical, needs to be dealt with.
("Holding leadership" and "monitored by senior leadership" underlined in the original). Would senior leadership be the right party to hold and monitor leadership and others accountable? There would be a lack of independence. As leadership would report to senior leadership, should oversight be done by an independent consultant/advisor work for the firm solely to provide this oversight?
This section's write up is too lengthy.
Lacks clarity on the targeted goal and outcome can be interpreted differently.
Agreed with the all statement under the codes but what is the expected governance if a senior leader is accountable to perform?
Ethical culture and performance -- continuously monitored but who is one to judge/measure ethical behavior? - Degree of rightfulness, e.g. what is how wrong/right?
Very wordy.
What do values mean -- broader definitions...



Appendix B

Too long.

Repetition in summary in intro and B1 and B2 -- combine them.

What constitutes "independent input" e.g. the regulator?

"Should"?

Wordy and vague: who do we mean by "others" (holding leadership and others accountable...)?

Oversight and Governance: Viewpoint B1

Good, clear and concise.

100% agree but needs to be effective oversight.

Why is this related to the public interest?

What is this for? We think this is obvious... am I meant to do something with this?

Combine with intro.

In general, it would be useful to define or understand what an "element" is versus a "VP" and how regulators or firms are able to use this.

I agree: what is the point of the viewpoints?

Wouldn't use the word "cultivating."

Category "Public Interest Rationale" may be misleading to context? Can it just be "rationale"?

Viewpoint is concise, straight forward.

Oversight and Governance: Viewpoint B2

Good, clear and concise, although language is quite legalistic.

It's not just oversight. It's what the culture is in the rank and file. Are people consulting? Are they thinking? Are they taking personal responsibility?

Not sure this adds anything (referring to the first half of the paragraph).

("Such" at start of second sentence crossed out) Ethics-based

A culture of taking personal responsibility and consultation is more effective than this (or is equally important).

In our opinion, ethics-based oversight and governance reinforces ethical expectations across all members and all services of a firm rather than specifically mentioning professional services only.

Similarly, each and every individual should be held accountable for ethics-based oversight and governance instead of senior leaders only.

Combine with intro.

Oversight and Governance seem to be repeats unless the difference is clearly defined.

Is IESBA only for professional service firms?

Public Interest -- same for accountants/auditors as other services? (e.g. confidential deals work?)

Is there too much focus on "senior leadership"? Senior leadership is subjective.

Rationale: different levels in the organization may have different levels of accountability.

Oversight and Governance: Viewpoint B3

("Prioritize" circled). Need to take balanced view. Not appropriate to prioritize ethics over all else.

Iteration, regular review.

Proactive/anticipate where we feel there could be upcoming ethical areas. How AI and use of AI has ended. (?)



(Bullets 3 and 4) Duplicative and overlap.

("Oversight and governance that prioritize ethical values facilitate:") This is written as a truth but it may or may not be true should the word "should" be added before "facilitate"?

("Improvement") Wrong word. Reinforce/Evolve -- it needs to be kept on the agenda and it's never 'done.'

General use of American English doesn't land well. Too many "zs" rather than "ss"

Prescriptive.

American spelling may give off impression that it is not applicable to us.

(First bullet) "Monitoring" may give impression that you are being watched.

How is a difficult situation defined and identified and categorized as difficult?

I like the bulleted list as it is clear. Clear, actionable tasks is good.

The "Evaluation" bullet, is it two-way? It needs to be about feedback.

Consolidate VPs to be more specific on the relevant ethics.

Crossed out/added words to: "Oversight and governance should prioritize ethical values to ensure:"

Rationales can be grouped as addenda for clarity and explanation.

Guidance to be given on judgement areas? e.g.: how to measure size and resources of a firm?

Oversight and Governance: Viewpoint B4

Too wordy.

Advance(d) purpose -it allows monitoring of ethical conducts. in the case where there are issues/red flags that are raised (i.e. reports of unethical behavior), the board will be able to reassess, find the root cause and come up with plans/actions to tackle the issues.

Ambiguity -- should the people responsible of oversight be independent from the company? How do we ensure that the oversight boards will be able to implement ethical conducts monitoring fairly?

Example.

Centralized team? How independent?

"Appropriate authority" -- how is this determined? May default to senior leadership?

Independent, no management override of controls.

Process of selecting the individual/group of individuals

There should be an independent oversight body to govern this and it could not be left to the firm to decide the effectiveness of the governance.

Oversight and Governance: Viewpoint B5

Should do alongside rather than "prioritize."

Reference throughout to "firm" may mean sole traders are disenfranchised.

Misinterpreted? Prioritize ethical value: building trust. Honest(y) and trust are part of the ethical, which is important to the organization.

Language is important, this can lead to trust issue if language is not clear.

How would you demonstrate this viewpoint? Independent committee (arrow) TOR (?).

Ethical values have to be defined.

The structure and system of an organization is important to enforce ethical value and build trust in the firm. The confidence is built on the system and not on the individual leadership. The question is that if there are no changes of leadership for a long period of time, is it hard to verify whether the existing structure/system is effective.



Oversight and Governance: Viewpoint B6

("Good" circled) This implies a value "moral" judgment. Is "effective" a better word here? Or just start the sentence with the word "governance."

The language used to define good governance is clear.

The terms of good governance are well defined. But I doubt that these terms have been used consistently while making some decisions.

Different level of firms may understand/interpret the term of good governance differently. As when different firms apply the good governance to reality, it may result in different decisions.

Broadly fine, not very prescriptive, mostly common sense.

This point is too idealistic.

The behaviors of all levels may not be consistent across the board. Thus, enhancements/improvements on such would need to be considered.

Making challenging ethical decisions would need to be supported with valid and strong basis as this decision would become a precedent case in the future.

Oversight and Governance: Viewpoint B7

Make this a single statement upfront - probably applies to all categories.

The language is clear as we use English to communicate across the firm and it should be appropriate, systematic and compliant to the firm's direction.

In term across the firm (referring to the element description for Oversight & Governance) might not be the same for different work scope. Hence, we do need further explanation and elaborate further to another division in order to have mutual understanding.

It could happen to misunderstand on the services if client does not explain clearly or we might be offering the wrong services to them.

May have challenge for smaller firms to invest in resources/system to achieve a good oversight and governance practice.

Applies to all points (B3 - B8). Scale/range. Move into intro.

Provides flexibility but then leaves a lot to interpretation.

Who is intended to be involved?

Ethical culture can't be owned by one area, but is there a risk this wording will mean firm try to "operationalize" this as opposed to assessing what's in existence?

To have a baseline of governance mechanism and systems instead of leaving it to the firm to decide.

Baseline to be determined based on the firm size.

Any guidance on this (the point)?

Specific circumstances of size and nature? Is this measured by value/monetary?

Is it appropriate, as in measurement by value?

Oversight and Governance: Viewpoint B8

"Consistent expectations" too loose. Need consistent frameworks.

"Shared learnings" need feedback loops.

Centre of excellence - celebrate success, learn from errors/mistakes.

Move this to upfront context ... Surely not only relevant to B.

"Consistent expectation" shall be defined clearly.



Appendix B

What is the difference meant between oversight and governance?
How do you ensure there is a balance between highlighting what is going well and "sanctioning" what's not aligned?
Is this (expected ethical behavior) a risk in this whole exercise that certain cultures/philosophies/points of view dominate?
("Shared learnings" underlined). This is positive but assumes all network firms will engage in sharing equally.
Sharing of knowledge is important among the network firms to handle practicality.
Consistency of sharing, knowledge among the network firms (e.g. four times a year).
Independent Input: Element "C" Description
Could be much shorter, e.g. Scene-setting, Rationale: promotes balanced outcomes; increases confidence and transparency.
In practice: decision to get and source of independence will depend on specific circumstances.
"Independent" is very hard to let in. Every input would have an agenda.
Too lengthy.
Some people will take a while to understand or comprehend.
Individuals/organizations that are not involved in day-to-day operations may not fully understand and provide the accurate inputs.
Without understanding it correctly, the input provided may be too general.
Not involved in day-to-day operations -may be free from conflict of interest (arrow) BUT NOT BIASES! (written in all caps).
Idealistic. Challenge would be getting someone independent to the firm's day to day operations to be involved. (Whether do / able / would want to be in the role? If the firm is small, how would this be implemented?)
Challenge -- how to ensure that there is no conflict of interest since the independent individuals may be known to the appointer?
How would having all independence checks rightfully safeguard an appointee is truly independent of all influence?
Independent Input: Viewpoint C1
(First sentence crossed out.) Not necessary, just defining "independent."
Suggest adding word "could" to second sentence.
We have a risk management function, an Office of General Counsel, Ethics Team and Independence -so long teams to help guide independency, these are internal.
Individual input varies and it should be your own personal input. If your input is deemed impartial and comes from sources free from conflict of interest, then it defeats the purpose of this.
Appears idealistic.
How do we ensure that an individual is truly independent, especially when firms are not public interest entities?
How to ensure confidentiality of the information discussed, especially when the independent input or person is not a member of the firm?
Independent Input: Viewpoint C2
This sentence (first one of the paragraph) duplicate C1.
"Broader stakeholder" This conflicts with C6 which then defines.
What defines a "broader" stakeholder group ("broader stakeholder considerations" is underlined in the text).



Does setting a benchmark on defining the group totally safeguard independence in its entirety?

Independent Input: Viewpoint C3

("Obtaining Independent Input" circled.) This suggests input on specific things you have asked for only - should allow scope to be wider than that.

Do we need this as standalone? C6 and C7 cover this in more detail.

This is a statement of something very obvious.

The concept of scalability and no one size fits all comes out a number of times. Does this need to be said? More an overall principle.

No comments, quite straight-forward.

Maybe it'd be helpful to set a guideline on how to obtain independent input though there is no uniform approach.

Better to have a guidance to help the process of decision-making.

Overarching point levels all VPs, maybe doesn't need its own one.

("No uniform approach" underlined.) Should there be minimum guidelines instead of several approaches?

Confidentiality.

Outcome's quality.

Although this may give flexibility, there should be some clear guidelines to ensure the independent input is relevant and appropriate.

Independent Input: Viewpoint C4

Yup, agreed!

We like this viewpoint -- it feels like it encourages principles-based approach.

("Not all situations need to benefit from independent input" underlined). Cannot really see the link between both sentences at first 2 reading.

At first, saying the importance of getting the independent input, but in C4 the first sentence saying not all situations will benefit from such independent input maybe can elaborate a bit of scenarios in which independent input may not be beneficial?

Feels like the linkage is there. It depends on situations or circumstances, that doesn't mean independent inputs are not valued.

Nice to not have to do something.

Good boundary to allow for flexibility.

Very subjective and subject to interpretation.

Different situations may require different approaches.

Too vague -- leaves room for manipulation.

Independent input would vary from individual to individual. What is the baseline that needs to be advanced?

Independent Input: Viewpoint C5

Missing a category? See "broader stakeholder" in C2

Should Independent Input/Consultation be wider than just senior level; internal independent input is also helpful.

It is very difficult to find/select an individual/organization with the relevant skills, knowledge and experience and free from conflict of interest.

May be contrasting to the description paragraph of independent input.



Difficult to determine impartial(ity).

Independent Input: Viewpoint C6

Too skewed towards professionals -- doesn't reflect value of 3rd party.

Yes, totally agree.

Independent input may be biased/subjective to affect/decide the ethical value.

Provides good examples of individuals to select to support C5

Similar to previous comments on definition.

If variety, will it cause difficulty as to which to follow?

Independent Input: Viewpoint C7

We are comfortable with this.

This sentence, firms that audit public interest entities "may" consider appointing INEs.

The word "may" seems weakening the sentence, letting the users confuse when making strategic decisions.

Shouldn't every firm have a standardized independent source? The experience or viewpoints of an INE, independent advisor or retired partner would differ. Therefore it will be hard to maintain consistency in the level of ethical practice and applicability.

There should be baseline/guidance on implementation based on firm's size.

Firm would usually comply with guidance applicable to them only.

Independent Input: Viewpoint C8

This works too.

Yes, the strength of this firm is the consultation culture: getting other views.

Individuals benefit from independent input too.

C7 and C8 similar points.

So what are the factors to determine when does the firm need to appoint an independent non-exec?

Not clear factors on when the firm need(s) to appoint INEs.

Examples of scalability of involvement?

So they could be external independent input?

("Size and resources of the firm" underlined.) Appropriate guidelines would be the least to be developed as a start.

Any guidance on this size and resources? What is the measurement criteria?

Accountability Across the Firm: Element "D" Description

True.

Is this defining accountability well?

The overview is clear and well defined. Key terms are used consistently (accountability and responsibility).

The Elements are supposed to be about accountability across the firm but the key takeaway of the details emphasizes a lot about individuality. In my opinion, it has to be more inclusive of everyone in the firm.

Could this whole section combine with Transparency?

Accountability, incentives and disincentives are interlinked and that is not clear in the viewpoints.

Personal responsibility key to professional conduct and behaviors.



("Accountability" underlined and pointing to): Needs clarification as the responsibility differs at every level of the firm.

("Personal responsibility" underlined and pointing to): Accountability as a team on a job by job basis reflects responsibility of each team member.

Accountability Across the Firm: Viewpoint D1

Agree with this statement.

Mix of responsibility and accountability: be clear on responsibility and apply accountability.

The overall meaning is clear.

Accountability if very broad.

Accountability goes hand-in-hand with responsibility.

A more defined write-up for governing partners and staff should be considered as what the partners are thinking may not be the same as the staff.

"Promotes personal responsibility" -- the word "personal" emphasizes the whole sentence as individual. Maybe it is better to emphasize more on the contribution as a team.

Accountability Across the Firm: Viewpoint D2

("adhering to the IESBA Code" underlined) I don't think many in the firm would understand or agree with this... Why do they?

Question: should it be a firm commitment or firm responsibility?

If you take out references to "adhering to IESBA Code" then it works. Individuals are responsible for upholding firm's values.

Uphold the firm's values which should reflect the relevant ethical standards.

Objective is clear.

Should firms better communicate how they're adhering to IESBA so staff can make the personal responsibility statement?

("regardless of their role and seniority" underlined.) Clear and important

The word "personal" sounds ambiguous (not very objective). May be confused with personal interpretation.

Perhaps "individual" is a better term.

The responsibility at each level shall be well defined.

Accountability Across the Firm: Viewpoint D3

("Commitment" circled) What does this mean?

("Supports the accountability" underlined). This is different to making a commitment.

Presumably the second sentence is just repeating what's in the IESBA Code.

General population are disassociated from IESBA.

Reasonable and clearly explained.

Difference between "being answerable" and "justifying decisions."

("Justifying decisions" underlined.) Transparency.

Requires a more definitive guideline to act, specifically to the # (of) levels accordingly.

("Justifying decisions and actions" underlined and pointing to): Does it mean that I am accountable on to areas that I am not responsible (for)?

Emphasis on clarity.



Accountability Across the Firm: Viewpoint D4

("Continuous" circled) I suggest, delete this word.

Is this needed if you have Education and Training? Repetitive.

The objective is clear.

Adding the word "as a team" to be a bit more inclusive of everyone in the firm.

("continuous" underlined) Consistency and reminders.

How frequent is "continuous"? Is there a minimum amount of time to be spent?

Embedding the idea of ethics by making it a habit. It should start from the beginning level of staff.

Training frequencies?

Accountability Across the Firm: Viewpoint D5

("Ethics criteria" underlined) What does this mean?

Performance evaluation suggests "more ethical" is better. Life isn't that straight forward

Agree. Performance evaluation reflect back to promoting accountability.

Who is the appropriate personnel to evaluate the partners?

("Performance evaluation" underlined) Upfront clarity on how? Explicit on ethics or on adhering to culture?

General point, but where a viewpoint links to another, then it can be referenced.

("Performance evaluation" underlined) Agreed.

("behavior" underlined): 2-way evaluation.

Accountability Across the Firm: Viewpoint D6

("Specific" circled and crossed) This word could be deleted.

Standardize the "appropriate consequences" and "unethical behavior" across the firm (both elements underlined in the original).

("Clearly defined" underlined). Fairness/consistency.

May vary is appropriate, it would be good to show scalability in examples.

("May vary depending on the circumstances" underlined). Should be appropriate to the level of responsibility that entails the accountability.

Accountability Across the Firm: Viewpoint D7

Should this be moved/consolidated into the Governance Element?

Why do we need D7? The intro says a firm needs to define accountability so this will be firm specific already.

The whole explanation is well defined, clear to understand.

This applies to all.

Good approach as long as well defined. (What is proper within the firm given the size/nature, etc.?)

Needs a baseline based on the size of the firm.

At least, it is a starting point.

Incentives and Disincentives: Element "E" Description

("Effective" underlined). Sounds very binary, how to measure?



Appendix B

This needs much more nuance. "More ethical" is a problematic concept... and incentivizing "more ethics" is therefore also problematic. Is "more ethical" better?
Ultimately, we do need people to take risks and innovate. We need a "responsible framework" for this but if people can't make mistakes, then we are doomed as a business.
Ethical should be a baseline for promotion rather than a driving factor, i.e. how people deliver should be ethical at the core and not be a differentiator other than adversely.
Well defined, no further comments.
Accountability should be taught and encouraged as well as emphasized so often until everyone is able to adapt. However, in my opinion, incentives and disincentives to encourage accountability is rather harsh and forced. It lacks genuinity.
Why this is important? Combine with E1-E3. Distinguish from viewpoints?
This needs the greatest prominence I feel. Everything is lip service. What you actually reward and sanction is where behavior often happens.
Feels more fundamental: show me the incentives and I'll show you the outcome.
Incentives and Disincentives about in year performance reward not just career progression?
("Influencing career progression" underlined). How much weight to put on ethical behavior in the reward system to make it effective?
To provide a certain guidance to well define the weightage.
It is effective if it comes with weightage system.
Incentives and Disincentives: Viewpoint E1
Same as the overall category? Not specific or clear on what needs to be done.
Agree with the statement.
How are Incentives and Disincentives defined? Monetarily? Could this drive wrong behaviors?
Agree with incentives can strengthen firm's ethical culture
Incentives and Disincentives: Viewpoint E2
("Prioritize" underlined) How does this work in practice? Does this mean staff will see it as a "tick box" for year-end performance evaluation rather than a full year behavior.
Difficulty in adopting ethics as part of individual performance evaluation. As currently, evaluation is based on individual performance on task deliverables.
We agree that the performance evaluation and incentives and disincentives would be able to promote and sustain ethical behaviors if there is a transparent system for the incentives and disincentives program.
With disincentives, regulations might backfire and lower employee morale
Incentives and Disincentives: Viewpoint E3
("Disincentives" underlined) Too weak a word.
("Clear consequences for unethical behavior" underlined). Yes. Impactful where something is <u>clearly</u> unethical but in many cases it's more nuanced.
("Standback mindset" underlined) What does this mean?
Balanced scorecard but "zero tolerance" for extreme cases?
Agree as disincentive will serve as a medium of accountability.
"Standback"?



Consistency in application of incentives and consequences should be ensures for fairness and should be proactively decided and communicated (not decided as a reaction).

Similar to E2, this would be effective if the program rolls out transparently.

What is "Standback"?

Incentives and Disincentives: Viewpoint E4

Duplicative of E1?

Recognize based on the performance/work done.

We can't measure ethical behavior.

Ethical behavior can be measured generally based on the process of delivering the tasks.

What if there is a gap between the firm and the public interest?

Incentives and Disincentives: Viewpoint E5

This is a lovely statement. But does it really translate into everyday reality. Lots of "ethical behavior" is invisible and embedded in 100s of tiny decisions.

Hard to incentivize the micro actions (which are the things that have more impact).

Very dependent on opportunity to demonstrate outstanding ethical behavior.

Difficulty in determining the factors that should be considered to compensate ethical behavior. For example, how do we determine/validate an individual is ethical?

Examples of "outstanding ethical behavior" in responding to situations? Can you have "more ethical" response than baseline?

This might encourage behavior which isn't necessarily ethical?

The question is if the rewarding system is only done on an annual basis, are we to assess the actual conduct of the partners and staff on a real time basis?

Suggest to do spot checks from time to time.

Incentives and Disincentives: Viewpoint E6

Not all black and white decisions. So, is this saying if you do one "wrong" thing you can't learn from it and go on to succeed and progress? Does this stifle innovation? Does this have unintended consequences of reducing reporting of issues? Or people stop raising concerns/issues they are facing? Less consultation?

You should promote people who consult well. Knowing you have an issue you can't deal with on you own is key.

The example stated acting with integrity when confronted with difficult situation -- how certain that the company can believe on the behavior (statements) of partners/staff in those situations?

Helpful to have practical example on how to apply in practice.

E6 seems similar to E5

Being ethical is a professional requirement

Incentives and Disincentives: Viewpoint E7

("Disincentives" boxed) Not strong enough? Sanctions?

Agree, but risky.

Might act ethically, rather than they really behave ethical.

Different levels of accountability. What should be different disincentives?



Disincentives creates tensions where people would worry about doing nothing wrong than doing the right thing.

Incentives and Disincentives: Viewpoint E8

("Regularly communicating" underlined). How regularly? By whom? Sharing stories rather than blacklists.

To define how regular the communication shall be? Is it similar to refresher training?

By whom (the communication)?

Consequences for both individual and the firm as a whole

Need to be very objective and constructive

Incentives and Disincentives: Viewpoint E9

("Prioritize" circled). We don't like this word. Ethical behavior needs to sit alongside our responsibilities to (e.g.) be a great employee and deliver excellent client service.

Prioritize is used repeatedly: need to change to "consider."

Who can carry out the disincentives on the senior leadership in a transparent way to make sure it is fair to the firm and public interest?

Incentives and Disincentives: Viewpoint E10

Some of the "disincentives" will be set by regulators.

Agree: Apply disincentive on unethical behavior. If unethical: disincentive. If ethical but poor performance, also: disincentive.

Cannot recognize mainly on ethical behavior. (?)

How do you determine on the severity of the unethical behavior?

The levels of disincentives have to be communicated to all levels.

Disincentives may create tension if exposed for transparency.

Open Discussion and Challenge: Element "F" Description

("Challenge" circled). Further clarity on that it is important. The person being challenged needs to be able to listen too. Challenge is two way.

("Psychologically safe" circled). Used a number of times -- is the reader aware of what this means?

Overall principle is very important but 11 viewpoints feels too many for a general point.

This section could be written in a couple of bullets.

Too long, this can be condensed to 3-4 points overall in the section.

Clearly defined, straight-forward. No misinterpretations. Spell(ed) out in formal, layman terms.

Aligns with [firm]'s professional ethics. No changes required on the framework.

Consistency of the words: Using "discussion" instead of "dialogue." Maybe use the same word without introducing the new word so it is more concise and easy to understand.

Challenge is a strong word, perhaps define.

Is this not speak up? Should it be referenced more?

Be clear on psychologically safe, which often means being uncomfortable with the uncomfortable.

Agree with the statement on open discussion

Challenge could sound more detrimental when it happens between junior and senior level

Mode of how it is being done is important. May create conflict if not handled properly.



Open Discussion and Challenge: Viewpoint F1

Repetitive

Sometimes your boss/peers might judge you for your ideas during discussions, which makes you feel demotivated

Evaluation: How should firms evaluate ethical behavior, especially for good ethics?

What's an ethical dilemma?

Whistleblowing? Speak up?

is the expectation that people will feel comfortable opening up?

Subject to confidentiality.

Platform to share knowledge of ethical concern and way to handle it

Open Discussion and Challenge: Viewpoint F2

Repetitive.

("Enables" circled.) Better word than "ensures" that was in B.

A statement -- this is hygiene?!

I think psychological safety is broader than this?

Provided that everyone is giving objective and constructive opinion

Open Discussion and Challenge: Viewpoint F3

Could F3 and F6 merge?

Repetitive.

("Partners and staff" circled). There are a lot of terms used throughout - do they refer to all employees? e.g. partner, staff, leader, senior, engagement managers, etc.

Using dialogue. I believe the framework should be consistent, as the whole F section. Maybe use "discussion" also (in) F3 and F5, instead of using more new words.

It's hard to see an alternative to this -- "mutual respect"

Can there be something about an independent channel for larger firms? i.e. speak up for [firm].

As above, provided everyone is giving objective and constructive opinion - maturity of thinking.

Open Discussion and Challenge: Viewpoint F4

Replace "normalizes" with "reinforces."

Does this work with E Incentives and Disincentives?

All mistakes? e.g. Fraud?

Too hypothetical: it doesn't actually define anyone's role in making this happen (referring to "acknowledging that mistakes are part of the learning process"...)

(Referring to the same): this is good but the actual practicalities of this are very hard.

Transparent example would be good here.

Agreed.

Tension created when senior leadership has to take accountability for the mistakes and receiving disincentives

Open Discussion and Challenge: Viewpoint F5

As a principle, this is great, but how? (referring to "an environment of open discussion and challenge")



Appendix B

What does "constructive" mean ("constructive dialogue")
How does this link to reinforcement?
Again, consistent terms would be helpful (dialogue, discussion, etc.)
This works when the cultures are set right at mutual levels (i.e.: teamwork, friendly environment)
Depends on motives and agendas
Open Discussion and Challenge: Viewpoint F6
Linked to F3, almost identical.
("Opinion" circled). Is this the right word when considering ethical situations?
This feels more difficult to achieve by smaller firms without the structure or resources of [firm] e.g. speak up channels, etc.
It doesn't acknowledge the systemic barriers which may exist e.g. marginalized communities may already find it hard.
Challenge is not culturally neutral (referring to open discussion and challenge)
System/ <u>protocol</u> to handle and resolve the difference of opinion is important
Open Discussion and Challenge: Viewpoint F7
Linked to F2 (almost identical).
"Consistent" indicates every issue can be resolved in a similar way, which isn't the case.
Broadly agree but reframe to there should be timely and consistent rendition of ethical issues raised. Timely is subjective, so best practice examples here should be good.
Listening and understanding of the resolution of the ethical issues are important factors
Categorize the level of ethical issue to determine the urgency of handling the resolution
Open Discussion and Challenge: Viewpoint F8
Duplicate, but for network firms?
I think there is a debate to be had here. Personally, I think "challenge" in (e.g.) a Japanese culture may well look/feel different to "challenge" in an Australian culture.
"Having shared expectations" not easy in practice.
Cultural differences difficult to overcome... How is this possible in practice?
Open Discussion and Challenge: Viewpoint F9
In some countries/cultures it is more difficult. Voicing may happen outside of team environment (e.g. ethics helpline).
("Leaders at all levels" underlined.) So everyone?
("psychologically safe environment" underlined.) Define.
Challenge and collaborate.
Define "leaders" to avoid inconsistencies. Everyone has a responsibility to a certain extent; anybody is a leader.
<u>Protection</u> to safeguard the staff who voice out the concern
Open Discussion and Challenge: Viewpoint F10
Duplicated across themes A and B.



Wording throughout almost disconnects individuals from the firm/leadership/environment.
(Pointing to "senior leaders") Who?
"Personal conduct" at work or broader?
("consistently model" underlined.) How?
Senior leaders, how is this defined? Is a partner not a senior leader?
Personal conduct -- where are the parameters here?
Check and balance to ensure senior leadership is doing the right thing
Open Discussion and Challenge: Viewpoint F11
Ambiguity re: roles in general -- senior leaders, partners, staff, managers, firm, etc.
("Other leaders ..." bracketed.) So everyone?
(Pointing to "directly support and encourage.") How?
Not always expected. Rather, if it is clashing with your own ethics and beliefs.
Good to talk about managers.
Part of the team's role to ensure no ethical matters are being breached
Education and Training: Element "G" Description
Surely a lot of "ethics" is based on lived experience, not training?
This can be condensed to 3-4 points overall; 9 is too many.
(Last sentence, starting "Such programs..." -- is this needed?
A reminder/refresher for all staff to follow certain conducts can help to remind employees of do's and don'ts.
G4 -"embedding mandatory education" What kind of education, is it just a training? Is it useful to help new staff?
Training should not be the only education. Should be day-to-day implementation.
Should focus (be) more on higher-level, since they are in decision-making positions?
Application wise can be tricky.
Very similar to G1-G3. It reads more clearly.
Could ethical values be called out to be linked to IESBA Code of Ethics? As well as ethical behavior.
How would a firm assess the difference between delivering training and learning?
Do you expect every organization to design training programs? Or they can source/introduce?
Education and Training: Viewpoint G1
(Arrow pointing to PIR) Feels forced in, should Public Interest Rationale be an overarching principle?
Depends what sector you work with as to the impact.
Education/training has three directions: Yearly training mandatory, including -- Reminder/refresher; Should not just be education, it should be day-to-day implementation.
Higher level/Senior management in decision-making positions.
Embedding mandatory education: What kind of education? Just training? Useful for staff?
Application wise - tricky.
Practicality of organizing training at firms of different sizes?
A bit wordy.



Define "continuous" -- situations that may need more frequent (new recurring themes) such as overworked individuals/client pressure, etc.

Mandatory and yearly renewal of having? For all levels.

Education and Training: Viewpoint G2

("IESBA Code" circled) Why just the Code?

Ethical mindset is independent of training: you have it or you don't. Training can help but not the whole story.

Dependent on standards being defined by the firm.

[Partners and staff circled] Should be across the firm

Education and Training: Viewpoint G3

("Public interest" underlined) Is this necessary?

C - Independent Input and F - Open Discussion and Challenge need to work together

D - Accountability and H - Transparency, it is not simple to cover several professional services.

Important to identify judgments. Can be complex.

Feels similar to G2.

Just a rationale?

Education and Training: Viewpoint G4

("as a core ability on par with technical" underlined) Agree.

Could be the starting point that sets the tone.

Currently mandatory training for [association] members ... to impose for everyone? Increase the number of hours?

Education and Training: Viewpoint G5

Is this a "nice to have"? Training is mandatory often. Training often is watching a video not have a discussion.

Define leadership's involvement

Necessary?

Would G9 suffice?

Education and Training: Viewpoint G6

Examples really important to bring to life.

Storytelling and practical scenarios should be emphasized more.

Sounds reasonable.

Like the suggestion of interactive scenarios as it feels a practical way to learn and test understanding.

Ethics, education and training, professional conduct: how we treat others fosters ethical behavior and a positive ethical culture.

G6 + G8 + G9 – FOC training materials, videos and practical scenarios; not all firms have the practical scenarios and regular updates

What would the consequences be of being unethical within the firm? Any penalty?



Education and Training: Viewpoint G7

Ambiguous, why is "background" relevant and what does it mean?

("PAs" circled). What is this/why here?

How different should training be for different levels? Don't we want consistency?

Be clear on acronyms (PA).

G7 could be reworded -- baseline of ethics training need for all.

Why call out PAs specifically?

Why need to consider partners' or staff's backgrounds?

("PAs" circled, pointing to) ?

Ethical behavior should be universal

Education and Training: Viewpoint G8

All training should reflect current rules and market environment, etc.

Good to include this.

Time consuming

May not have enough resources

Need to pay

A strong foundation is needed. Regular updates will not help if the foundation is weak.

Education and Training: Viewpoint G9

How does this work with G8? What if the external partner doesn't update them?

Sounds practical. When does this get defined?

Would it be possible for IESBA to provide these external resources? Maybe for a small token of subscription?

Transparency: Element "H" Description

Degrees of transparency: it's a linked concept -- how transparent can you be?

Legal and regulatory requirements vs. "being transparent."

Can be counterproductive if overly transparent.

Not all areas we are able to be transparent e.g. government/defense.

Reduce to 3-4 viewpoints

People, employment mechanisms

Anonymized and collective

Somehow signal that this underpins all.

What could measures be?

Transparency is important but may not always be implemented.

Repetitive H1 to H5

Description of element may not flow exactly to viewpoints.

Transparency may create tension among all levels



Transparency: Viewpoint H1

This is a nice statement. But I'm doubtful whether any external reporting could be anything other than bland and meaningless.

Dependence on degree of privacy: shareholders require some information that may require more "ethical" explanation.

It relates as the work we do must be diligent.

Without adhering to professional ethics, our work is not deemed credible. We must maintain trust with the public.

Same as H5.

Audit transparency report

Transparency: Viewpoint H2

("Confidentiality restrictions" circled). This is massive. Most of the time we will simply not be able to share these matters due to client confidentiality, etc.

Being made an example of may encourage lack of speak-up and/or consultation.

Should clearly define "confidentiality restrictions."

How about putting consistency as a framework, together with transparency as they go along with each other. And without consistency the framework won't uphold.

Similar. H6 could be part of this section.

Confidentiality restrictions subject to interpretation

There is a possibility of a breach when certain scenarios call for it (i.e. in a court of law)

Set a basis/line for confidentiality

Transparency vs. confidentiality – draw a line, set guidelines

Subject to confidentiality restrictions seems to contradict transparency. Need some guidelines.

Transparency: Viewpoint H3

Could spend all day explaining decisions.

Who is "senior leadership"?

Terms: partners, staff, engagement leaders... need to be consistent.

Agreed.

Reads well.

Question on setting expectations on ethical values and measure.

Could fit into H2

Communicate and being transparent of management plans/strategies to staff level – staff feel they are part of the firm.

Transparency: Viewpoint H4

Control?

H4 (and others) aren't specific to just one category, e.g. network, for applicability.

Not sure how this can be executed to ensure consistency amongst network firms as every leadership would have their own judgment on the level of ethics.

Sharing via what method?

Agreed. This is why we have this training.



Transparency: Viewpoint H5

Rather than "prioritize" -- "embeds" or "emboldens"

It is better to be transparent if we breathed our ethical values.

The important part is that we admit our wrongdoings and take accountability. This links back to accountability across the firm. It is also important to build back the trust with the public.

Same as H1.

Public disclosure as in their financial statement or on their website? Even for a small company?

Transparency report

Any impact from overly disclosing info?

Transparency: Viewpoint H6

Again, if public vs. privately owned, how much is required?

Redundant: it's a truism not really required.

Not only limited to this but also build a global strong awareness and base for ethical values, behavior and culture.

H6 could be part of the Public Interest Rationale.

So is this required or suggested with "may" wording? How could it be interpreted by regulators?

Cross over with H2?

Public interest rationale repetition?

This highlights the benefit of transparency but is it really needed as part of the governance code?

Transparency report = public

What to disclose under external transparency = guidance

Need to assess the risk for sensitive information

Training to staff (set guidelines)
