Meetings:	IESBA and IAASB Meetings	**Agenda Item**
Meeting Locations:	IESBA: New York, United States IAASB: Madrid, Spain	**4C | 7C**
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Joint IESBA-IAASB Reference Material – Stakeholder Feedback Analysis

The tables below provide a detailed analysis of the stakeholder feedback[1] emerging from the information-gathering activities undertaken by the SSB PTs, including stakeholder questionnaire responses and outreach. The analysis summarizes the perspectives and observations received, highlighting areas of commonality, differing views, and matters warranting further consideration from an ethics, independence, and quality management perspective.

Theme I: Organizational Structures, Ownership Models and Financing Arrangements

Section I – Organizational Structures and Ownership Models

The following themes were identified regarding the non-traditional firm structures and ownership models present in the stakeholders' geographical regions:

Ref.	Themes	Key Messages from the Feedback
A. Organizational Structures		
A.1	Holding companies and layered corporate structures	• Majority of stakeholders identified holding-company arrangements in which ownership is held through a parent company and subsidiary accounting firms have limited operational integration. These arrangements may coexist with platform-company models, PE ownership, or other group structures. • One regulator and two stakeholders from the profession also described ownership through multiple intermediate entities, illustrating how external investment may be linked to an

[1] The following qualifiers are used consistently throughout the stakeholder feedback analysis to indicate the extent to which particular views were expressed to relevant questions:

- "Nearly all" refers to over 90% of stakeholders;
- "Majority" refers to more than 50% of stakeholders, but no more than 90%;
- "Some" refers to three or more stakeholders, but no more than 50%; and
- "One stakeholder" or "two stakeholders" are used where applicable.

Ref.	Themes	Key Messages from the Feedback
		accounting firm without the external investor directly holding shares in the audit practice. • One stakeholder from the profession described an arrangement that operates through a holding company structure with audit and non-audit trading subsidiaries using separate and shared platforms. Ultimate ownership comprises of private-equity and minority non-private equity interest, with intermediate holding companies.
A.2	Platform companies and centralized services across accounting firms	• Majority of stakeholders also identified platform companies, often alongside holding companies, with PE-backed ownership. Under these arrangements, a parent or investment entity (i.e., the platform company) holds interests in multiple accounting firms and provides centralized management or shared services, such as technology, human resources, finance, and marketing.
A.3	Multidisciplinary professional services firms and alternative practice structures	• Some regulators, two JSS and some stakeholders from the profession identified mergers creating multidisciplinary professional services firms involving PE&OEI. • One regulator and one stakeholder from the profession described an arrangement in which a PE firm invests in the non-assurance services of a multidisciplinary firm, while the audit and non-assurance entities operate under a service level agreement. Under the arrangement described, audit personnel are employed by the non-assurance entity, and the audit entity reimburses that entity for actual personnel operating costs.
A.4	Common ownership structures	• Some regulators and some stakeholders from the profession identified multiple accounting firms operating under common PE ownership. • UAG members noted the importance of understanding contractual and related-party relationships, beyond legal ownership.

Ref.	Themes	Key Messages from the Feedback
B. Ownership Models[2]		
B.1	Growth of PE-backed ownership	• PE involvement is a prominent theme across stakeholder feedback. Majority of stakeholders identified both accounting firms directly backed by PE investments (i.e., direct ownership model) and arrangements in which a PE firm owns or controls a group of entities associated with accounting practices (i.e., indirect ownership model).
B.2	Publicly traded accounting firms	• One regulator and two stakeholders from the profession identified publicly traded accounting firms. • One stakeholder from the profession referred to an example where a firm operates as a publicly listed entity. It notes that the implications of dispersed public shareholders were still being examined and identifies listed-entity transparency obligations as a potential competitive disadvantage.
B.3	Employee ownership as an established or complementary model	• Majority of stakeholders identified employee-owned accounting firms, including by a stakeholder indicating that employee ownership was the only applicable model known to it in that jurisdiction. • One regulator identified employee ownership also appearing alongside PE-backed structures describing a combination of PE ownership and employee ownership.
B.4	Venture capital-backed accounting firms	• Venture capital-backed accounting firms are less frequently reported. One JSS reported it while one stakeholder from the profession specifically indicated that no venture-backed firms had been brought to its attention to date.
C. Prevalence of Non-traditional Firm Structures and Ownership Models		
C.1	Private equity-backed models are the most prominent non-traditional structure in markets with established activity	• One regulator, one JSS and one stakeholder from the professions identified PE-backed accounting firms as the most prevalent non-traditional ownership model.

[2] Excluding traditional firm structures and ownership models.

Ref.	Themes	Key Messages from the Feedback
C.2	Platform structures and consolidation are increasingly important	• One regulator and two stakeholders from the profession described growing PE investment through individual firm investments and consolidation of smaller firms under a single brand or platform. • One regulator and one stakeholder from the profession identified PE-backed platforms and common ownership arrangements involving multiple professional services firms under centralized governance and investment structures.
C.3	Traditional partner ownership remains predominant in some jurisdictions	• One regulator and one JSS from the same jurisdiction indicated that accounting firms are predominantly owned by individual partners, rather than corporate investors or PE funds. • One regulator cited that the regulatory framework in their jurisdiction is the reason non-traditional structures and ownership models are not prevalent.
C.4	Separation of audit and non-audit practices is an emerging structural response	• One regulator indicated that in their jurisdictions the separation of audit from non-audit firms is becoming increasingly prevalent, particularly in firms seeking to accommodate external investment while maintaining compliance with audit independence and ownership requirements.
C.5	Market prevalence remains limited or difficult to establish in some jurisdictions	• Two stakeholders from the profession noted very limited PE&OEI activity to date. • One regulator noted that identified external investments involve different structures and that the sample is too small to identify a prevailing model.

Section II – Financing Arrangements

The following themes were identified regarding the variety of financing arrangements through which the accounting firms may obtain capital and reasons for accepting them:

Ref.	Themes	Key Messages from the Feedback
A. Financing Arrangements		
A.1	PE investment with majority or minority interest is the most frequently identified financing or capital model	• Majority of stakeholders identified PE investment in one or both majority and minority ownership forms. Majority-stake investment was identified more frequently than minority-stake investment. Of these, some stakeholders selected only majority ownership, and one regulator selected only minority ownership.

Ref.	Themes	Key Messages from the Feedback
		• Whether external investors take a minority or majority stake depends on jurisdictional requirements. One stakeholder from the profession indicated that, where a firm provides combined services, the investor (which is the holding company) holds only a minority interest because of local ownership restrictions on audit firms.
A.2	Traditional financing remains an important part of accounting firms' capital models	• Traditional financing and capital models, including borrowings and partner capital, were selected by a majority of stakeholders. This indicates that traditional financing remains a prominent feature of the reported financing landscape, notwithstanding the use of PE&OEI. • Some stakeholders from the profession emphasized traditional financing as the established approach. They reported that local audit firms widely use borrowings and partner capital, while noting that details of other arrangements involving PE were not known.
A.3	Mergers and acquisitions are commonly identified routes for firm consolidation and growth	• Mergers with, and acquisitions by, other accounting firms were each identified by some regulators, the majority of JSS and some stakeholders from the profession.
A.4	Employee ownership arrangements offer an alternative or complementary ownership model	• Majority of stakeholders identified an employee stock ownership plan (ESOP) or similar arrangement. These arrangements were often reported alongside PE investment, traditional financing, or firm consolidation, rather than as standalone alternatives. • One regulator explicitly described a combination of PE investment and employee ownership.
A.5	Capital-market and private-placement models are identified, but their use is less clearly established	• One regulator and two stakeholders from the profession identified initial public offerings (IPO). • Two regulators, two JSS and one stakeholder from the profession identified private placements.
A.6	Venture capital is rarely identified	• One regulator and one JSS identified venture capital investment with a majority or minority ownership stake. Venture capital therefore received substantially less recognition than PE investment.

Ref.	Themes	Key Messages from the Feedback
A.7	Sovereign wealth fund investment	• One stakeholder from the profession identified sovereign wealth fund investment as a financing model in their jurisdiction.
B. Reasons for Accepting External Investments		
B.1	Access to capital for technology and infrastructure investment is the most frequently identified motivation	• Majority of stakeholders identified access to capital for technology or other infrastructure investment as an important reason for accounting firms to accept external investment.
B.2	External investment supports growth through mergers, acquisitions and consolidation	• Majority of stakeholders identified growth through mergers or roll-up strategies and acquisitions or bolt-on/add-on strategies as reasons for accepting external investment.
B.3	Talent attraction and retention are important motivations for external investment	• Majority of stakeholders identified talent attraction and/or retention as a reason for accepting external investment.
B.4	External investment may address existing capital needs, including succession and retirement planning	• Majority of stakeholders identified existing capital needs, including retirement and succession planning, debt repayment and pension liabilities, as reasons for accepting external investment.
B.5	Operational efficiency and enhanced management capabilities are commonly identified motivations	• Majority of stakeholders identified improvements in operational efficiency as reasons for accepting external investment. • Majority of stakeholders also identified enhanced strategy, management, and operational capabilities as reasons for accepting external investment.
B.6	External investment may support diversification and expansion into new service lines	• Two regulators, majority of JSS and some stakeholders from the profession identified expansion into new service lines as a motivation for accepting external investment. Additional commentary highlighted organic business growth in response to increasing market competition, while another stakeholder identified narrowing the competitive gap with the largest accounting firms as a possible motivation.

Section III – Firm Size, Network Participation and Professional Services Provided

The following themes were identified regarding the sizes of accounting firms that external investors are targeting for investment, including their network participation and the types of professional services they provide:

Ref.	Themes	Key Messages from the Feedback
A. Firm Size[3]		
A.1	Small firms (up to 20 partners) are a prominent target for external investment	• Nearly all stakeholders identified small firms (up to 20 partners) either as the sole target or alongside medium-sized and large firms.
A.2	Medium-sized firms (21 to 50 partners) are also frequently targeted	• Majority of stakeholders identified medium-sized firms (21–50 partners) as targets for external investment. In each case, medium-sized firms were identified alongside small firms.
A.3	Investment interest may span the full spectrum of firm sizes, including large firms (over 50 partners)	• Some regulators, two JSS and some stakeholders from the profession identified small, medium-sized and large firms (over 50 partners) as targets.
B. Network Participation		
B.1	Predominance of international network affiliation	• Nearly all stakeholders indicated that the accounting firms with PE&OEI include those that are part of an international network.
B.2	Overlapping local and international affiliations	• Majority of stakeholders reported that firms with PE&OEI include those that are part of both local and international networks.
B.3	Limited standalone or non-network affiliation	• One regulator identified a firm as belonging exclusively to a local network, while one stakeholder from the profession indicated that the firm is not part of a network.
C. Types of Professional Services		
C.1	Broad range of assurance and non-assurance services	• Nearly all stakeholders indicated that accounting firms provide both assurance and non-assurance services. These may include financial statement audits, sustainability assurance, other

[3] The stakeholder feedback is based on stakeholders' knowledge and understanding of firm sizes targeted for external investment and does not establish the relative scale or frequency of actual investments across the different firm-size categories.

Ref.	Themes	Key Messages from the Feedback
		assurance engagements, accounting, tax, consulting, and advisory services.
C.2	Financial statement audits remain a core service	• Majority of stakeholders identified financial statement audits or statutory audits as a central component of firms' activities. This could include audit of public interest entities (PIEs) and non-PIE audit clients, as well as public and private sector financial statement audits. • One regulator described a typical business model as comprising a core financial statement audit practice, complemented by a range of audit-related and non-audit services.
C.3	Distinction between PIE and non-PIE audit firms	• One stakeholder from the profession emphasized the importance of distinguishing between audit firms that audit PIEs and those that do not, noting that PIE auditors represent a relatively small proportion of firms receiving external investment. The feedback indicated that: o Investors in PIE auditors may have a greater understanding of their professional and regulatory obligations, while investors in smaller non-PIE firms may take a more commercially focused approach. o Regulators' concerns primarily focus on PIE auditors, whereas concerns about the risks of external ownership often arise from transactions involving non-PIE auditors. In its view, the public interest implications differ between these groups, and risks associated with investment in non-PIE firms may not necessarily apply to PIE auditors.
C.4	Growth and diversification of sustainability and other assurance services	• Majority of regulators, one JSS and some stakeholders from the profession identified sustainability assurance and other assurance engagements alongside financial statement audits. • One stakeholder from the profession noted that sustainability assurance in their jurisdiction is primarily undertaken on a voluntary basis. • One regulator indicated that audit-only firms may be broadening their activities into services related to audit.
C.5	Non-assurance services may be provided separately or	• Some regulators, one JSS and two stakeholders from the profession identified non-assurance-only businesses or specific non-assurance service lines, including bookkeeping, financial accounting, tax, deal services, and finance function services.

Ref.	Themes	Key Messages from the Feedback
	independently of audit services	• One stakeholder from the profession reported PE investment in the bookkeeping and financial accounting component of an international audit firm. One stakeholder from the profession described a firm established with PE investment rather than a change in ownership or control.
C.6	Service offerings vary by firm and jurisdiction	• Two regulators and the majority of JSS identified differences among firms that include the breadth of services provided, ranging from audit-only or primarily accounting practices to firms offering a wider range of assurance, tax, advisory and consulting services. One regulator explicitly noted that "there is no single model," while another regulator highlighted differences between large audit firms and accounting firms that primarily provide accounting services. • Two JSS and two stakeholders from the profession provided jurisdiction-specific responses that also identified differences in the regulatory and ownership environments and in the types of firms involved in private equity investment. • One stakeholder from the profession indicated that the firms acquired by the holding company primarily serve small and medium-sized entities (SMEs).

Theme II: Impact on Governance and Culture

Section IV – Governance and Culture

The following themes reflect jurisdictional responses to these developments, including any additional regulatory requirements introduced:

Ref.	Themes	Key Messages from the Feedback
A. Governance		
A.1	Potential benefits of external investments	• Both SAC and UAG members highlighted potential benefits of PE&OEI relating to improved governance and internal controls, greater operational efficiency and increased competition in the industry. • One stakeholder from the profession reported that external investment had encouraged a more corporate approach to managing some member firms, professionalizing practice management and improving operational efficiency. It noted that traditional partnerships may not always manage business operations effectively, while investors generally focus on improving business management rather than directing audit engagements or other professional services.
A.2	Leadership remuneration and performance measures	• UAG members raised concerns that investors' expectations regarding financial returns, profitability targets and changes in partner remuneration or firm priorities could create pressures on professional judgment and the resources available for audit engagements. • Both SAC and UAG members emphasized the importance of aligning incentives with audit quality and protecting audit practices from undue commercial or investor influence.
A.3	Governance arrangements and independent oversight	• Both SAC and UAG members emphasized the importance of effective governance arrangements, appropriate checks and balances, independent oversight and clear accountability in maintaining an ethical culture and safeguarding professional independence. • Suggestions included appointing independent directors and establishing independent oversight mechanisms within firms' governance structures. • One stakeholder from the profession requires firms to conduct due diligence on governance arrangements, decision-making processes, and whether professional partners retain responsibility for professional matters.

Ref.	Themes	Key Messages from the Feedback
A.4	Transparency regarding governance arrangements	• Both SAC and UAG members emphasized the importance of transparency regarding changes in ownership, investor interests, financial leverage and governance arrangements, including changes in audit leadership, in maintaining stakeholder confidence in firms' ethical conduct and independence.
A.5	Investor influence over decisions	• Some stakeholders from the profession reported external investors influence across key aspects of firm governance and operations, including firm strategy, market segment or sector participation, budget approval, technology investments, quality objectives, quality management, and ethics and independence policies. Both stakeholders indicated significant investor involvement in quality-related matters, while the extent of influence over client acceptance and continuation, and the implementation of policies and procedures, varied according to the governance arrangements. • One stakeholder from the profession further noted that, while external investors influence broader strategic and financial decisions, including budget approvals and resource allocation, audit partners retain authority over engagement-level decisions. Another stakeholder from the profession noted that external investors are strictly excluded from decisions regarding audit quality, methodology, practice management, and disciplinary or oversight actions. Budget discussions follow the exact protocols of a conventional partner-led model. • One stakeholder from the profession highlighted challenges in balancing financial and operational priorities with quality and public interest considerations. They noted the need to continually assess potential independence implications for client acceptance, particularly where firms and prospective audit clients have common private equity investors, as investment in the accounting and audit sector continues to grow. • One stakeholder from the profession noted that the private equity investor has limited influence over local firms and provides strategic direction through the holding company's board. The investor expects the group to maintain its decentralized operating model and SME client focus, while supporting investment in digitalization, commercialization, and compliance. As the investor seeks to build a sustainable business, and its reputation affects its ability to continue investing, audit quality is a priority for the investor.
A.6	Experience across ownership	• SAC members encouraged consideration of experiences from different ownership models and other sectors, where external investment has demonstrated both positive and negative outcomes.

Ref.	Themes	Key Messages from the Feedback
	models and other sectors	
A.7	Code of Conduct	• One stakeholder from the profession noted that the holding company has established a group code of conduct, based on the five fundamental principles in the Code, intended to provide a minimum standard applicable across acquired firms. The purpose is to establish a common ethical baseline while allowing firms to maintain their existing cultures,
B. Jurisdictional Regulatory Approach and Additional Regulatory Requirements for Non-Traditional Firm Structures or Ownership Models		
B.1	Ongoing monitoring and impact assessment by regulators and professional bodies	• Nearly all stakeholders noted that they are continuing to monitor developments in this area. • One stakeholder from the profession raised concerns about the pace and scale of developments and questioned whether continued monitoring was sufficient, given that private equity investment and platform structures had been emerging for several years.
B.2	Additional regulatory requirements	• Two standard setters noted that their jurisdictions are considering, or may consider, additional regulatory requirements.
B.3	Regulatory engagement	• The majority of stakeholders reported that firms consult with local regulators, oversight bodies, or PAOs before finalizing external investment arrangements, with the majority doing so on a voluntary basis. • SAC members highlighted emerging practices in certain jurisdictions involving pre-transaction discussions among regulators, firms and external investors to identify potential independence, governance and audit quality concerns at an early stage.
B.4	Guidance issued by regulators and professional bodies	• Two regulators and majority of the other stakeholders have published some form of guidance or educational materials to help accounting firms interpret statutory provisions relating to PE&OEI.
D. Nature of the Engagement with the Local Regulator, Oversight Body, or PAO before Finalizing External Investment Arrangements		
C.1	Regulatory engagement	• [linked to A.3 above] The nature and timing of the engagement and information shared is on a case-by-case basis and could include for

Ref.	Themes	Key Messages from the Feedback
		example the potential investment structure, treatment of individuals and entities within the proposed structure, draft agreements, and independence considerations. • One stakeholder from the profession noted that the arrangement was reviewed during the latest private-equity ownership cycle and shareholder change.
D. PE&OEI-Related Inspection Findings		
D.1	Independence	• One JSS raised a finding that independence policies and procedures are not designed, revised or complied with to address the firm's network structure after accepting PE&OEI investments.
D.2	Quality management	• One JSS raised a finding that Quality management policies and procedures are not updated to reflect changes in firm network structures arising from PE&OEI arrangements.
D.3	Financial reporting practices	• One stakeholder from the profession raised concerns about the financial reporting practices of the audit firms or connected entities, which were not consistent with the auditor firms' ownership structure and governance arrangements.

Theme III: Exit Strategies

Section V – Exit Strategies

The following themes were identified regarding exit strategies and stakeholder concerns about exit strategies:

Ref.	Themes	Key Messages from the Feedback
A. Type of Exit Strategies Used		
A.1	Limited transactions	• The majority of regulators, two JSS and some stakeholders from the profession noted that they have not observed any exits in their geographical region. However, stakeholders identified the following potential exit strategies for PE investors: o Most prominent were the sale to another PE investor; o Sale through a continuation vehicle; and o IPO utilization.
B. Concerns Raised About Exit Strategies		
B.1	Audit quality	• UAG members, as well as two regulators and one stakeholder from the profession, noted concerns about how the accounting firm maintains and/or continues to invest in audit quality due to the potential conflict with short term objectives of the PE investor.
B.2	Exit	• One regulator raised concerns about the potential consequences if a PE investor cannot exit due to the expected valuation not being achieved. • Two regulators and one stakeholder from the profession emphasized the need to manage exits without destabilizing the firm. • One stakeholder from the profession noted that professional practices: o May not have contractual rights to determine who ultimately purchases the investor's interest. This creates uncertainty about the extent to which the firm can influence future ownership changes. o May retain certain rights to object to proposed future investors, including where a sale could affect their network membership.
B.3	Investor influence and relatively short investment horizon	• SAC and UAG members, as well as two regulators, expressed concerns that a short investment lifecycle could enable investors to exert significant influence/pressure over an accounting firm. • One stakeholder from the profession highlighted the potential risk that investor pressure to maintain client relationships and stable revenues

Ref.	Themes	Key Messages from the Feedback
		could lead to a superficial audit approach, including pressure to issue unmodified audit opinions, emphasizing the need for appropriate measures to mitigate this risk.
B.4	Conflict of interest	• One regulator and two stakeholders from the profession noted that governance structures may create tension between the investor's objectives and the public interest role of the accounting firm
B.5	Role of regulators	• One regulator expressed the view that while firms should be required to establish appropriate exit strategies, further consideration is needed to how regulators can assess the reliability and appropriateness of the strategies. They also noted that it is unclear how firms could demonstrate compliance with these strategies and what monitoring and enforcement mechanisms might apply in cases of non-compliance.

Theme IV: Application of Key Definitions

Section VI – Definitions

The following themes were identified where questions arise with respect to definitions of key terms as per the Code:

Ref.	Themes	Key Messages from the Feedback
A. Definition and Application of "Firm"		
A.1	Applicability	• One JSS noted uncertainty regarding application to other types of accounting organizations beyond audit firms. A regulator noted it was unclear if the term applies to a single practitioner, two or more associated practitioners, etc. • Two regulators noted that it is dependent on whether it is applied only to the audit firm or the broader structure which involves multiple entities.
A.2	Jurisdictional requirements	• One JSS noted that the firm is defined in local laws and regulations.
A.3	Guidance	• One regulator and two stakeholders from the profession requested guidance on the following: o How "control" should be interpreted in the context of complex investment structures, where the nature of control may take varied forms.[4] o Whether the definition of control extends through the entire ownership chain to the ultimate beneficial owner.[5] o Which entities form part of the firm when ownership, management influence, service delivery, and quality management responsibilities are divided between an audit practice and an external investment or holding structure.
B. Definition and Application of "Network"		
B.1	Uncertainty	• One regulator and some stakeholders from the profession noted that it is not always clear whether, and under what circumstances, a PE investor and/or its portfolio companies should be considered part of a "network" under the IESBA Code. One stakeholder from the profession

[4] The respondent noted that it is unclear whether "control" is intended to capture financial or ownership control, rights to returns, operational control, or some combination thereof.

[5] The respondent requested noted clarity on this point would be particularly relevant in structures involving intermediate holding entities or tiered ownership arrangements, where the ultimate beneficial owner may be some steps removed from the accounting firm itself.

Ref.	Themes	Key Messages from the Feedback
		indicated that the principal area of uncertainty is how the "network" definition applies to businesses under common ownership. • Two stakeholders from the profession noted that firms that share common ownership, but have separate management, quality management policies and brands, and are not principally aimed at cooperation. Nevertheless, their local regulator has indicated that they should be treated as a network. As a result, the stakeholder assesses potential independence conflicts across all firms within the ownership structure. • One stakeholder from the profession explained that assessing cooperation can be difficult when relationships involve non-audit or other professional services firms rather than direct relationships between audit firms.
B.2	New network with multiple firms and common investor	• Some stakeholders from the profession questioned whether new platform or group structures create network-type relationships among small firms outside international networks, even when the firms remain in separate legal entities. • One stakeholder from the profession noted that investment agreements may contain provisions relevant to determining whether a network relationship exists. Examples include common branding, sharing client lists and jointly marketing services. • One stakeholder from the profession considered the prospect of one member firm simultaneously being associated with another branded professional services network unacceptable.
B.3	Applicability	• One JSS noted uncertainty regarding application to other types of accounting organizations beyond audit firms. • One stakeholder from the profession considers all firms within the platform to be part of its network for independence purposes and applies regardless of whether the acquired firm provides audit, non-audit services or both. The same stakeholder includes the PE sponsor's other portfolio companies within its network for independence assessment purposes.
B.4	Guidance	• One regulator and some stakeholders from the profession noted the need for practical guidance on the interpretation of "network". Specific guidance include: o The meaning of cooperation in the context of PE&OEI, as traditional networks use an association of firms which implies cooperation.

Ref.	Themes	Key Messages from the Feedback
		○ When firms may belong to two or more networks, whether within the same jurisdiction or across different jurisdictions, and the impact of this on independence. ○ How the network definition may extend across different investment funds or when there are multiple investments in different firms by a PE investor. • One JSS and one stakeholder from the profession noted that the term is aligned with the EU law[6] and any changes to the definition would create challenges and inconsistency in application. The stakeholder from the profession noted inconsistencies across jurisdictions in how the "network" definition is interpreted and applied and sought clarification on: ○ The extent to which the definition should apply within PE ownership structures, including whether other portfolio companies of a common private equity sponsor form part of the network. ○ Clarification on assessing independence where entities operate separately and have little or no interaction, applying the reasonable and informed third party test in practice, and considering differences in regulatory interpretation and application across jurisdictions.
C. Definition and Application of "Network Firm"		
C.1	Link to firm definition	• One regulator and one stakeholder from the profession noted that any uncertainty depends on the definition of a firm
C.2	Dependent on existence of a network	• One regulator noted that the determination of a network firm depends on the existence of a network and that uncertainty regarding the network assessment may result in inconsistent conclusions regarding independence requirements within PE owned structures.
C.3	Common ownership	• Some stakeholders from the profession noted that questions concerning "network firm" may arise where audit firms are commonly owned (directly or indirectly), participate in shared infrastructure, or are subject to common policies or strategic direction. • Two stakeholders from the profession noted the potential gap in relation to PE investors' other investments (portfolio companies), especially when held in separate funds.

[6] Directive 2006/43/EG

Ref.	Themes	Key Messages from the Feedback
C.5	Applicability	• One JSS noted uncertainty regarding application to other types of accounting organizations beyond audit firms.
C.6	Guidance	• Some stakeholders from the profession and one JSS noted the need for practical guidance on the interpretation of "network firms" in the form of illustrative case studies or non-authoritative material outside the Code.
D. Definition and Application of "Audit Team", "Review Team", "Assurance Team" and "Sustainability Assurance Team"		
D.1	Covered member	• One JSS suggested comparing local definitions with the Code's definition.
D.2	Applicability	• One JSS noted uncertainty regarding application to other types of accounting organizations beyond audit firms.
D.3	Guidance	• One stakeholder from the profession noted that in PE&OEI structures, questions may arise where individuals employed by or acting for an investor, holding company or shared services entity influence staffing, budgets, technology, engagement performance or quality decisions. Additional guidance may be useful to clarify when such influence brings individuals within the scope of independence and ethical requirements.

Section VII – Additional Considerations Regarding Definitions in the Context of Quality Management Standards

The following themes were identified regarding whether there are specific or additional matters that the IAASB should consider regarding the definitions and application of "firm", "network" and "network firm" in ISQM 1:

Ref.	Themes	Key Messages from the Feedback
A. Definition and Application of "Firm," "Network" and "Network Firm"		
A.1	Provide practical guidance on application of definitions to PE&OEI	• One stakeholder from the profession and one JSS considered that the application of the definitions should be sufficiently clear to identify which entities and relationships fall within the relevant quality management requirements, including where external investors are involved.

Ref.	Themes	Key Messages from the Feedback
		• Two JSSs and two stakeholders from the profession identified potential value in practical interpretative support, while some prefer guidance over amendments to the definitions themselves.
A.2	Address jurisdictional differences in the application of definitions in local legal frameworks	• One regulator and one JSS highlighted that the meaning and application of the definitions may depend on the jurisdiction's legal framework, including how accounting firms and audit firms are structured.
A.3	Ensure that the firm's SoQM covers all structures, people and resources that can influence audit quality	• One regulator and one stakeholder from the profession provided feedback that the scope of the firm's SoQM should address the substantive sources of influence over audit quality, including resources and arrangements that may sit outside the traditional audit firm.
A.4	Retain existing definitions to maintain consistency between SSBs' standards	• One JSS and one stakeholder from the profession expressed a preference for not amending the existing definitions, noting that changes could create inconsistencies between the IESBA Code and the IAASB Standards. • Majority of regulators and some of the other stakeholders did not identify any specific or additional matters for the IAASB to consider. This reinforces the view that changes to existing definitions may not be necessary and that any further work should be proportionate to the issues identified.

Theme V: Specific Ethical and Independence Threats

Section VIII – Ethical and Independence Threats

The following themes were identified regarding certain potential ethical or independence threats:

Ref.	Themes	Key Messages from the Feedback
A. Ethical or Independence Threats That Arise from PE&OEI		
A.1	Commercial incentives and investor influence	• Some regulators, two JSS and two stakeholders from the profession noted that commercial incentives and pressures related to profitability, growth, financial expectations, or remuneration could create self-interest or undue influence/pressure and that could strain the balance between commercial and public interests. • One regulator and one JSS noted that threats could also emerge from limited attention to quality and the fundamental principles. • One stakeholder from the profession noted that professional services practices must generate returns irrespective of their ownership structures, whether under traditional partnership or alternative practice structures.
A.2	Impact of exit strategies	• One stakeholder from the profession noted that uncertainty about private equity investors' eventual exit strategies raises concerns about future ownership, business continuity, and the long-term sustainability of the accounting firm's obligations and operations.
A.3	Impact on ethical culture and governance	• SAC members recognized that external investment may affect ethical culture and governance, positively or negatively, but cautioned against assuming that PE&OEI-backed firms inherently present greater ethical risks than firms with traditional ownership structures. • One regulator and two stakeholders from the profession noted that the involvement of an investor may have an impact on the ethical culture of the firm. • One JSS noted that when services or resources are shared with or provided by an interdependent entity, firms must address confidentiality, supervision, and resource allocation while ensuring CPA leadership retains responsibility and authority for attest services.
A.4	Complex or opaque structures	• Two regulators and two JSSs noted that complex and opaque structures may create independence and ethical compliance challenges. One of the JSSs also noted that opaque PE & OEI structures can increase the risk of conflicts of interest or prohibited relationships occurring.

Ref.	Themes	Key Messages from the Feedback
		• One JSS and one stakeholder from the profession noted that the ethical and independence threats depend on the facts and circumstances, and how the deal is structured. • Two stakeholders from the profession noted that PE structures may create inconsistent interpretations because ethical and independence requirements assume conventional corporate structures. Feedback expressed concern about the potential for divergence in how jurisdictions interpret independence requirements as approaches to PE&OEI evolve. A transaction acceptable under one jurisdiction's requirements could raise independence concerns for a member firm in another jurisdiction, creating challenges for international networks. Where requirements differ, networks may need to apply the more stringent requirements. The feedback emphasized the importance of timely international guidance to help prevent further divergence in jurisdictional interpretations. • One stakeholder from the profession expressed concern that independence assessments are becoming increasingly extensive, particularly when considering how a third party might perceive the firm's independence and whether such a party might question certain relationships.
A.5	Awareness	• One stakeholder from the profession noted that compliance with the fundamental principles and independence requirements may result from a lack of awareness of the public interest roles of auditors.
A.6	Portfolio-company relationships	• One stakeholder from the profession noted that threats to independence may arise due to new network relationships being created. • One stakeholder from the profession noted that threats to independence may arise due to the size of portfolio companies the PE fund invests in. • One stakeholder from the profession highlighted the practical difficulty of assessing independence across multiple funds and changing investor portfolios, particularly where information is subject to confidentiality restrictions. • SAC and UAG members, some regulators, one JSS and one stakeholder from the profession noted that a potential independence risk could arise if the firm audits companies in which the investor also holds an interest.

Ref.	Themes	Key Messages from the Feedback
A.7	Covered member	• One regulator noted that PE management personnel may also qualify as "covered persons/members," [7] defined as individuals able to influence the conduct or outcome of an engagement.
A.8	Guidance	• One stakeholder from the profession recommends providing illustrative guidance on applying and interpreting the Code's provisions, together with best practices to support firms considering PE&OEI. Proposed issues to address include: o The nature of the relationship between the investor and the firm, and circumstances where the firm acts for other entities in the investor's portfolio; o Whether or not the auditor and the client are within the same investment funds; o Situations in which an audit firm has one or more PE backers and whether this might dilute any perceived influence; o M&A activity might result in conflicts of interest between previously independent firms e.g. separate firms that were previously on opposite sides of a transaction, are now part of a firm acting on both sides; o Inadvertently assuming public interest entities (PIEs) as clients; o Conflicts of interest in terms of the provision of audit and non-audit services; o Different policies on long association for acquired firms; and o How the independence rules apply to audit clients which are owned by PE, and how this impacts the services the audit firm may provide.
A.9	Other considerations	• One JSS is also reviewing commissions and contingent fees to determine whether outside investment arrangements require changes or can be addressed through existing provisions (and specific NAM).
B. Instances Where PE&OEI Has Led to Auditors Resigning from Engagements for Independence Reasons		

[7] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations*, paragraph 44: "The concept of a "covered person" under certain regulatory frameworks may be broader in scope compared to the concept of an "audit team" as defined in the Code."

Ref.	Themes	Key Messages from the Feedback
B.1	Auditor resignation from engagements	• Two regulators, one JSS and some stakeholders from the profession were not aware of any instances where auditors resigned from engagements for independence reasons, with one stakeholder noting that they were unable to comment. • For those stakeholders that noted such resignations, the reasons provided included: ○ Situations similar to that of traditional firms undergoing M&A. ○ Long association policy alignment. ○ New network relationships being created. ○ Close connection between the investors in both potential new clients and the firm.
B.2	Changes in culture	• One stakeholder from the profession noted change in culture due to a firm accepting PE&OEI.
C. How Ethical and Independence Requirements Are Applied To Private Equity Investors, Including Personal Financial Independence Requirements		
C.1	IESBA Code definitions	• One regulator noted that the assessment of whether the investors are part of the “firm” or “network” as set out in the Code would first need to be considered. Where investors are assessed to fall within the "firm" or "network", the relevant ethical and independence requirements under the Code apply to them accordingly. • One regulator and one JSS noted that investors may fall under the “covered members/persons” definition and if so, would be then expected to meet the required ethical outcomes as set out in their respective Codes. • One stakeholder from the profession indicated that it assesses whether members of the ultimate holding company’s board are considered “covered member/persons” in relation to investee firms, taking into account their limited direct interaction with the group’s audit businesses.
C.2	Ownership eligibility assessment	• One regulator, the majority of JSSs and some stakeholders from the profession noted the application of the existing ethics and independence requirements depends on the structure, control, and influence of investors. This depends on the specific facts and circumstances and should be evaluated on an ongoing basis.
C.3	Conceptual framework	• One JSS noted where an interpretation does not explicitly apply, the conceptual framework should be used.

Ref.	Themes	Key Messages from the Feedback
D. How Geographical Region Are Responding to Ethical and Independence Threats Arising from PE&OEI		
D.1	Corporate ownership restrictions	• One regulator and one stakeholder from the profession noted existing ownership restrictions and decision-making authority measures in place with respect to audit firms. • Some regulators, one JSS and one stakeholder from the profession noted they have issued guidance clarifying expectations for responsible management.
D.2	Ongoing monitoring	• [Refer to Theme VI B.1] Nearly all stakeholders, including SAC and UAG members are monitoring developments and some are engaging with the firms as needed.
D.3	Preventative inspections	• One regulator, one jurisdiction standard setter and one stakeholder from the profession reported assessing risks and challenges through preventive audit quality inspections of entities that have received external investment.
D.4	Standard-setting approach	• One JSS indicated due to the significant increase in PE&OEI in accounting firms a task force was formed to update an existing interpretation for the current environment.
D.5	ISQM 1	• One stakeholder from the profession indicated that the threats can be addressed effectively within the risk-based SoQM. • One regulator stakeholder noted that audit firms are primarily responsible for addressing risks arising from PE&OEI structures. Audit Firms are expected to identify, assess, and mitigate quality, governance, and independence risks through their systems of quality management, governance arrangements, and internal controls.
D.6	Measures implemented by firms	• One stakeholder from the profession reported that member firms had introduced the following measures to respond to potential threats: o New conflict-checking tools covering multiple internal registers; o Enhanced integration plans that address key matters in advance, enabling potential issues to be identified and managed; o New consultation processes, onboarding requirements, and compliance structures; and o Education and training programs, together with operating manuals.

Ref.	Themes	Key Messages from the Feedback
		• One stakeholder from the profession reported that it performed pre-transaction independence assessments and required notification be provided by the PE investor to the firm prior to any further future investments.
D.7	Guidance	• One regulator noted that future guidance will be developed as needed.

Section IX – Financial Interests and Business Relationships

The following themes were identified in relation to questions about the requirements and application material concerning financial interest and business relationships in the Code:

Ref.	Themes	Key Messages from the Feedback
A. Financial Interests		
A.1	Financial interest in audit firm by PE entity	• One regulator noted that where a PE entity can influence the audit firm's strategic or operational decision-making but is not a network firm, the PE entity holding a financial interest in an audit client may create a self-interest threat to independence.
A.2	Investor and portfolio-company relationships	• One JSS and one stakeholder from the profession raised concerns with respect to PE investors other investments which are held through separate funds, as it might be challenging for the audit firm to identify all relevant interests, obtain information, and be updated of changes.
A.3	Covered person	• One regulator noted the importance of understanding who the covered person definition applies to.
A.4	Local laws and regulations	• One regulator noted minor differences between the Code and local laws and regulations regarding immediate and close family requirements, with the local requirements appearing broader.
A.5	Guidance	• One stakeholder from the profession noted that additional guidance would be welcomed on how personal and indirect financial interests are identified, monitored and safeguarded in complex ownership structures.
B. Business Relationships		
B.1	Common ownership	• One regulator and one stakeholder from the profession noted the importance of understanding business relationships where there is common ownership. One added that there can be interpretation challenges where an acquiring firm consolidates acquired firms into its

Ref.	Themes	Key Messages from the Feedback
		own client base, and a model under which acquired firms are not consolidated but continue under common ownership.
B.2	Investor and portfolio-company relationships	• One stakeholder from the profession noted that existing policies may not adequately address threats arising from relationships outside the audit firm but within the broader investment structure. • One JSS noted that audit firms may struggle to identify business relationships, obtain relevant information, and stay informed of changes which impact the auditor's independence assessment.
B.3	Local laws and regulations	• One regulator noted the differences between the Code's definition as it relates to "closely related persons" and that of local law which defines business relationships.
B.4	Guidance	• One stakeholder from the profession noted that terms such as "insignificant" and "immaterial," require professional judgment and suggested that NAM, potentially including illustrative case studies, may support consistent application without amending the Code.

Section X – Safeguards or Other Actions to Comply with the IESBA Code, Including Independence Requirements

The following themes were identified in relation safeguards or other actions taken by stakeholder to comply with the IESBA Code:

Ref.	Themes	Key Messages from the Feedback
A. Safeguards or Other Actions to Comply with the IESBA Code's Fundamental Principles		
A.1	Safeguards	• One JSS identified the following safeguards and actions to support Code compliance: o Treat the interdependent entity as part of the audit firm for independence purposes; o Retain responsibility for all audits within the audit firm; o Maintain separate governance and leadership for the audit firm and interdependent entity; o Update firm-wide policies and guidance to reflect the alternative practice transaction; o Share relevant information with the PE investor to monitor independence;

Ref.	Themes	Key Messages from the Feedback
		○ Establish processes to confirm the independence compliance of the PE investor and relevant associates; ○ Track relevant PE entities in the firm's database and include them in prospective-client conflict checks; ○ Conduct conflict checks on new lenders to the non-audit entity; and ○ Use robust administrative services agreements to ensure the audit firm has sufficient resources to maintain audit quality and independence. • One regulator identified regulatory consultation as a safeguard to support Code compliance. • One stakeholder from the profession identified the following safeguards and actions to support Code compliance: ○ Consider other investees where an external investor has control or significant influence, and monitor other ownership interests according to the facts and circumstances. ○ Implement pre-clearance and post-investment procedures, including applying know-your-organization (KYO) procedures, conducting conflict checks and discussing independence implications before and after completion. ○ Restrict PIE audit firms from sharing client lists or marketing to the investees and contacts of relevant external investors, and restrict those investors from approaching the audit firms' clients.

Theme VI: Specific Quality Management Considerations

Section XI – Quality Management Processes Under ISQM 1

The following themes were identified regarding whether audit firms that accept PE&OEI consider these as events, conditions or circumstances that give rise to quality risks and address such risks through their systems of quality management:

Ref.	Themes	Key Messages from the Feedback
A. Events, Conditions Or Circumstances Relating to PE&OEI that Give Rise to Quality Risks		
A.1	Ownership-related quality risks	• One regulator, two JSSs and some stakeholders from the profession have raised concerns that changes in ownership structures and investor relationships may give rise to quality risks, including risks relating to ethics and independence. • One stakeholder from the profession reported that it had expanded its system of quality management to identify additional ownership-related quality risks and develop corresponding responses following external investment.
A.2	Alignment of investor interests with audit quality	• Some stakeholders from the profession noted that PE investors recognize the importance of maintaining audit quality and may view it as contributing to the value of their investments. • SAC members emphasized assessing the implications of PE&OEI for audit quality based on empirical evidence rather than assuming that external investment necessarily leads to poorer audit quality.
A.3	Limited evidence of quality risks and their effects	• Two regulators, one JSS and two stakeholders from the profession, had limited information about firms' systems of quality management or considered it too early to assess the effects of PE&OEI. One JSS was not aware of empirical evidence that PE&OEI had reduced audit quality.
A.4	Volume and complexity of regulatory and professional requirements	• One stakeholder from the profession noted that smaller firms often lack the resources to keep pace with increasingly complex regulatory and professional requirements. The holding company's central team provides access to resources typically available within larger firms, for example, by summarizing regulatory findings for many firms at once. The stakeholder emphasized that the central team facilitates and assists rather than imposing common requirements.
B. Addressing Quality Risks Relating to PE&OEI Through Quality Management Processes		
B.1	Assessment over quality risk and gaps following	• One JSS and two stakeholders from the profession noted that external investment arrangements have been considered in firms' quality risk assessments under ISQM 1, including the identification of quality risks

Ref.	Themes	Key Messages from the Feedback
	external investment	associated with changes in ownership structures and investor relationships. • One stakeholder from the profession reported that quality gap assessments have been undertaken in connection with acquisitions, including consideration of whether changes in firm structures require revised quality management responses. • One stakeholder from the profession noted that external investments had not resulted in known changes to firms' system of quality management because investors did not participate in quality management or audit practice decision-making. • One stakeholder from the profession described a structured process to help member firms assess external investment, supported by guidance for communicating with prospective investors. The process covers commercial and legal considerations, governance rights, independence and conflicts of interest, and alternatives to equity investment. The network emphasizes understanding the investor's relationship with the firm before a transaction is completed, including obtaining information about the investor's group structure, investments and related entities where control exists, and conducting conflicts checks. It also seeks ongoing information-sharing arrangements to identify potential independence or conflict concerns arising from future investments in accounting firms or other entities.
B.2	Review of ethics and independence policies and controls	• One regulator and one stakeholder from the profession reported actions included reviewing ownership-related risks and updating ethics and independence policies or controls to respond to investor relationships and changes in ownership structures.
B.3	Interaction between investor-group and international-network quality management arrangements	• One stakeholder from the profession highlighted potential challenges in determining the applicable network quality management framework when a member firm becomes part of a PE-backed group. This stakeholder noted that its member firm may consider itself more closely associated with the PE-backed network and adopt the quality management framework implemented by the PE-investor rather than that of its existing international network, raising questions about the application of network requirements and the respective quality management responsibilities. • Two stakeholders from the profession noted that their networks' global office assesses investors' strategies, motivations, understanding of the professional services sector, and willingness to comply with procedures intended to protect the firm's reputation and independence.

Ref.	Themes	Key Messages from the Feedback
		• One stakeholder from the profession noted that certain member firms within its global network had entered into arrangements with external investors that were not aligned with the network's requirements and had subsequently left the network.
B.4	Limited visibility of firms' quality management responses	• Two regulators, one JSS and one stakeholder from the profession did not report specific actions taken by firms, citing limited access to information or the relatively early stage of PE&OEI arrangements.
B.5	Responsibility for implementation	• One stakeholder from the profession noted that individual firms remain responsible for establishing and operating their own system of quality management under ISQM 1. The holding company provides the opportunity for smaller firms to benefit from shared expertise and resources.

Section XII – Other Components of a Firm's SoQM Under ISQM 1

The following themes were identified regarding the potential implications of PE&OEI for other components of a firm's SoQM under ISQM 1:

Ref.	Themes	Key Messages from the Feedback
A. Governance and Leadership		
A.1	Investor influence on governance and decision-making	• A majority of stakeholders noted PE&OEI may affect firms' governance, leadership, strategy and decision-making, including through investor influence over key business decisions. • SAC members recognized that PE&OEI may influence governance structures, culture, incentives and risk appetite in both positive and negative ways, while emphasizing that governance and cultural challenges are not unique to PE&OEI-backed firms. • One stakeholder from the profession raised concerns about who holds ultimate responsibility and accountability for the system of quality management under ISQM 1, noting that, under external ownership arrangements, this individual could be a CEO without an audit or assurance background. • One stakeholder from the profession noted that budget and financial performance information remained substantially unchanged in content and followed similar governance processes; external investors would likely have representation in governance bodies when they exercise control or significant influence. The feedback indicated that the firm distinguishes professional and audit-related decision-making from business management and operational matters and that external investors could participate in administrative and commercial processes without directing professional judgments.

A.2	Commercial pressures and quality culture	• A majority of stakeholders noted commercial, profitability and growth pressures may conflict with engagement quality, public interest responsibilities and the firm's quality culture.
		• One stakeholder from the profession noted that external investors monitor financial and operational performance more closely than under some traditional partnership arrangements.
		  ○ They reported more frequent monitoring of established targets and greater accountability for performance against them.
		  ○ They are not aware of new categories of performance metrics imposed by external investors and that performance metrics generally related to traditional aspects of running a professional services practice.

Ref.	Themes	Key Messages from the Feedback
A.3	Leadership remuneration and performance measures	• Two regulators, one JSS and two stakeholders from the profession noted PE&OEI may affect leadership remuneration arrangements and the extent to which quality is reflected in performance measures.
A.4	Integration of acquired firms	• One regulator and one stakeholder of the profession noted changes in ownership and acquisitions may introduce transition and integration risks affecting personnel, culture, policies, systems and communication. Aligning management responsibilities and policies following acquisitions was suggested as a possible response.
A.5	Professional control and existing standards	• One JSS emphasized the importance of maintaining professional control over audit decisions. • Some JSS, two regulators and two stakeholders from the profession considered the principles-based requirements of ISQM 1 capable of addressing the identified risks and did not identify a specific gap in the standards. • One stakeholder from the profession questioned whether existing requirements adequately address the circumstances arising from PE&OEI, while cautioning against imposing requirements beyond what is necessary to address the relevant risks.
B. Relevant Ethical Requirements		
B.1	Investor-related independence risks	• A majority of stakeholders noted independence risks may arise from investor interests and relationships, affiliates and portfolio companies, including relationships with audit clients.
B.2	Conflicts of interest and other ethical risks	• A majority of stakeholders noted investor relationships may give rise to conflicts of interest and other ethical risks, highlighting the importance of identifying and monitoring connections among audit firms, investors, portfolio companies and clients.
B.3	Ethics and independence monitoring arrangements	• One regulator, one JSS and two stakeholders from the profession noted firms may need to strengthen or align policies and systems for identifying, monitoring and addressing ethical and independence risks involving investor-related entities. Examples included expanded conflict checks, restricted-entity information, consultations, independence confirmations and training. • One stakeholder from the profession reported it required notification from the PE investor of its proposed new investments and have put in place ongoing communication arrangements.

Ref.	Themes	Key Messages from the Feedback
B.4	Confidentiality and information access	• Two JSS and one stakeholder from the profession noted confidentiality risks may arise from inappropriate access to, or sharing of, client or engagement information, including across shared-service and investor-related entities.
B.5	Application of existing ethical requirements	• A majority of stakeholders considered these risks addressable through the existing principles-based requirements of ISQM 1, viewing them as application challenges rather than specific gaps in the standards.
C. Acceptance and Continuance of Client Relationships and Specific Engagements		
C.1	Investor-related independence and conflict checks	• A majority of stakeholders noted acceptance and continuance processes may need to identify investor-related entities and portfolio companies and incorporate appropriate independence and conflict-of-interest checks.
C.2	Ownership mapping and professional approval	• One JSS suggested the firm may respond to quality risks by mapping ownership and investor interests and involving appropriate audit professionals in acceptance and continuance approval decisions.
C.3	Commercial influence over client acceptance and continuance	• One regulator, one JSS and one stakeholder from the profession noted investor commercial interests, growth objectives or preferences may create pressure to accept or retain engagements that otherwise may be declined or discontinued, with potential implications for audit quality. • One stakeholder from the profession noted that discussions with external investors had occasionally resulted in reducing risk appetites, or a greater focus on core market segments.
C.4	Engagement portfolios and long association	• One regulator and two stakeholders from the profession noted investor preferences regarding industries or engagements, together with long-association arrangements, may affect client acceptance and continuance decisions.
C.5	Existing requirements and limited practice evidence	• One regulator, majority of JSS and some stakeholders from the profession considered the existing principles-based requirements of ISQM 1 capable of addressing these risks and did not identify a specific gap in the standards. Some indicated limited information about firms' actual processes.
D. Engagement Performance		

Ref.	Themes	Key Messages from the Feedback
D.1	Profitability, time budgets and engagement quality	• One regulator, two JSS and one stakeholder from the profession noted that an emphasis on efficiency and profitability may reduce the time and resources available for audit procedures, supervision, consultations and other engagement quality activities.
D.2	Responsibility of qualified audit professionals	• One JSS and some stakeholders from the profession noted qualified audit professionals should retain responsibility for, and decision-making authority over, audit and assurance engagements, regardless of PE&OEI arrangements.
D.3	Methodologies and centralized technology	• SAC members noted that increased investment in technology and automation may improve how audit engagements are performed. • One stakeholder from the profession noted standardized audit methodologies and centralized technology may affect engagement performance and the exercise of professional judgment. • One stakeholder from the profession noted that external investors did not determine which specific technology was preferable from a professional or technical perspective.
D.4	Long association and engagement portfolios	• One stakeholder from the profession noted acquisitions may affect engagement portfolios through long-association requirements and related reassignment or staffing considerations.
D.5	Acquisition integration and SoQM assessments	• One stakeholder from the profession noted acquisitions may increase the resources needed to integrate firms and assess implications for their systems of quality management.
D.6	Sufficiency of existing requirements	• Some JSS, two regulators and two stakeholders from the profession considered the principles-based requirements of ISQM 1 capable of addressing the identified risks and did not identify a specific gap in the quality management standards. • One stakeholder from the profession questioned whether existing requirements adequately address the circumstances arising from PE&OEI, while cautioning against imposing requirements beyond what is necessary to address the relevant risks.
E. Resources		
E.1	Potential investment in resources	• A majority of stakeholders, including SAC and UAG members, noted PE&OEI may provide additional resources for technology, training,

Ref.	Themes	Key Messages from the Feedback
		recruitment, methodologies and quality management infrastructure, potentially supporting audit quality. • One stakeholder from the profession noted that the consolidation of certain member firms through PE investments provided an opportunity to achieve greater consistency in audit methodologies, processes, and technologies used across its international network.
E.2	Commercial pressure on resource allocation	• Two regulators, two JSS and two stakeholders from the profession noted profitability and growth targets may result in insufficient or inappropriate allocation of resources to audit work, including through a shift toward advisory services. • One stakeholder from the profession noted that closer monitoring of technology-related performance measures, including efficiency and quality outcomes, could result from improvements in technology but noted that this was not necessarily attributable solely to external investments. External investors could become involved in procurement, including improving requests-for-proposals processes.
E.3	Personnel competence and capacity	• A majority of stakeholders noted potential challenges include the availability of experienced personnel, recruitment, retention, training, supervision and quality management expertise, particularly during rapid growth or acquisitions.
E.4	Integration of personnel and methodologies	• One regulator and one stakeholder from the profession noted acquisitions may give rise to personnel attrition and integration challenges, including maintaining consistency in methodologies and training personnel on new technology.
E.5	Shared services and external resources	• A majority of stakeholders noted service agreements, centralized service providers, shared platforms and externally controlled staffing or systems may change how resources are provided, requiring attention to their suitability, oversight, appropriate use and confidentiality. • One stakeholder from the profession noted that external investors had brought a more focused approach to back-office technology and technology-agreement negotiations but had no say in technology used to provide audit services.
E.6	Existing requirements for resource management	• Some JSS, two regulators and two stakeholders from the profession considered the principles-based requirements of ISQM 1 capable of addressing the identified risks and did not identify a specific gap in the standards.

Ref.	Themes	Key Messages from the Feedback
		• One stakeholder from the profession questioned whether existing requirements adequately address the circumstances arising from PE&OEI, while cautioning against imposing requirements beyond what is necessary to address the relevant risks.
F. Information and Communication		
F.1	Current investor and portfolio information	• Two regulators, two JSS and some stakeholders from the profession noted complete and current information about investors, investor-controlled entities and portfolio companies is important, particularly for independence assessments and client acceptance and continuance decisions.
F.2	Information sharing and confidentiality	• One stakeholder from the profession noted effective communication across entities within PE&OEI structures is important, together with appropriate safeguards to protect confidential information shared across group entities. • One stakeholder from the profession reported that confidentiality restrictions imposed by investors, together with limited contractual rights to obtain information under investment arrangements, hinder firms' ability to obtain the information necessary to perform independence assessments.
F.3	Communication during ownership changes and integration	• One stakeholder from the profession noted changes in ownership or integration may require alignment of reporting templates, timetables, guidance and communication arrangements, especially where information or decisions are managed outside the audit firm. • One stakeholder from the profession noted that their network by-laws require prior notification of ownership changes and provide their global network office with investigation rights. • Two stakeholders from the profession noted that firms outside its network may not be required to share client information or independence-related details, limiting its access to information needed to assess relationships between firms connected through a common investor.
F.4	Investor influence over communications	• One JSS and one stakeholder from the profession noted investor influence over communications, including those relevant to ethics and governance, may give rise to risks requiring consideration. • Two stakeholders from the profession noted that the firms have incorporated investor communications within their systems of quality management.

Ref.	Themes	Key Messages from the Feedback
F.5	Monitoring, deficiencies and remediation	• One regulator, one JSS and one stakeholder from the profession noted monitoring ethical and governance risks, evaluating identified deficiencies and taking timely corrective action were emphasized as important considerations. • One stakeholder from the profession emphasized the importance of monitoring whether the separation between audit and advisory businesses operates as intended and whether the audit firm retains its decision-making authority.
F.6	Application of existing requirements	• Some JSS, two regulators and two stakeholders from the profession considered the principles-based requirements of ISQM 1 capable of addressing the identified risks and did not identify a specific gap in the standards. • One stakeholder from the profession questioned whether existing requirements adequately address the circumstances arising from PE&OEI, while cautioning against imposing requirements beyond what is necessary to address the relevant risks.

Section XIII – Certain Specified Responses Under ISQM 1

The following themes were identified regarding how audit firms that accept PE&OEI have incorporated their impact in the following specified responses under ISQM 1:

Ref.	Themes	Key Messages from the Feedback
A. Policies or Procedures that Address Communication about an Audit Firm's SoQM with TCWG or Other External Parties		
A.1	Communication of governance and independence changes	• JSS and two stakeholders from the profession noted PE&OEI may give rise to communications with TCWG about changes in governance and independence arrangements, including investor roles.
A.2	Communication of quality risks and responses	• A majority of stakeholders noted communications may address quality risk assessments and related responses, including enhanced independence assessment policies and procedures.
A.3	Communication during integration	• One stakeholder from the profession provided an example of regular committee reporting during integration, covering governance changes, independence arrangements, engagement acceptance and investment in audit software.

Ref.	Themes	Key Messages from the Feedback
A.4	Monitoring and remediation communications	• One JSS noted communications with TCWG may address monitoring activities, identified deficiencies and remediation.
A.5	Existing requirements and limited visibility	• Some JSS, two regulators and two stakeholders from the profession considered the principles-based requirements of ISQM 1 capable of addressing the identified risks and did not identify a specific gap in the standards. • One stakeholder from the profession questioned whether existing requirements adequately address the circumstances arising from PE&OEI, while cautioning against imposing requirements beyond what is necessary to address the relevant risks.
B. Policies or Procedures that Address Engagement Quality Reviews		
B.1	Investor-related quality risks in EQRs	• One JSS noted PE&OEI-related quality risks may warrant additional attention during engagement quality reviews, including investor relationships and associated independence and ethical considerations.
B.2	Investor influence on significant judgments	• Potential investor influence on significant judgments may warrant attention during an engagement quality review where relevant to the firm's quality risks.
B.3	Review criteria following acquisitions	• One regulator and some JSS noted acquisitions and integration may require reassessment and alignment of engagement quality review policies and criteria, including consideration of changes in engagement portfolios.
B.4	Long-association considerations	• One stakeholder from the profession noted long-association requirements and changes in engagement portfolios may affect how firms apply their engagement quality review policies and criteria.
B.5	Sufficiency of existing EQR requirements	• Some JSS, two regulators and two stakeholders from the profession considered the principles-based requirements of ISQM 1 capable of addressing the identified risks and did not identify a specific gap in the standards. • One stakeholder from the profession questioned whether existing requirements adequately address the circumstances arising from PE&OEI, while cautioning against imposing requirements beyond what is necessary to address the relevant risks.

Section XIV – Engagement-Level Considerations

The following themes were identified regarding the potential implications of PE&OEI for engagement-level quality management, organized by relevant areas of ISA 220 (Revised):

Ref.	Themes	Key Messages from the Feedback
A. Engagement Partner Responsibilities		
A.1	Maintaining responsibilities over key decisions	• A majority of stakeholders emphasized engagement partners must retain responsibility for, and authority over, decisions relating to audit and assurance engagements, notwithstanding PE&OEI influences.
A.2	Commercial influence over professional judgments	• Some regulators raised concerns that investor profitability or growth objectives may influence decision-making, staffing and audit approach taken by the engagement partners on audit or assurance engagements.
B. Relevant Ethical Requirements, Including Those Related to Independence		
B.1	Independence implications of investor-related entities	• A majority of stakeholders noted investor interests, business relationships, affiliates and portfolio companies may give rise to threats to independence, including where the engagement team accepts or continues to provide audit or assurance services to investor-related entities or their portfolio companies. • One stakeholder from the profession noted that external scrutiny reinforces its focus on ethics and independence, while investment supports bespoke tools, audit technology and the responsible future use of AI to enhance audit quality and efficiency.
B.2	Identification and assessment of ethical threats	• A majority of stakeholders noted a need for conflict checks, up-to-date information about investor ownership and portfolio companies, restricted-entity information, consultations and related policies at the engagement level to identify and address independence and other ethical threats.
B.3	Confidentiality and access to engagement information	• One regulator, all JSSs and two stakeholders from the profession noted quality risks were identified that PE&OEI investors, interdependent entities or shared-service personnel may obtain unauthorized access to confidential client or engagement information.
C. Acceptance and Continuance of Client Relationships and Audit Engagements		
C.1	Investor relationships and engagement	• A majority of stakeholders noted complex investor and portfolio-company relationships may affect independence and conflicts

Ref.	Themes	Key Messages from the Feedback
	acceptance decisions	assessments when accepting or continuing audit or assurance engagements. • Suggested responses to such risks included ownership mapping, enhanced conflict checks and involving appropriately experienced audit professionals in approval decisions at the engagement level.
C.2	Commercial influence on acceptance and continuance	• One regulator, one JSS and one stakeholder from the profession raised concerns that investor profit objectives, risk appetite or industry preferences may influence which clients or engagements are accepted or retained, including pressure to continue engagements otherwise inconsistent with the firm's policies.
C.3	Changes in engagement portfolios and long association	• A majority of stakeholders noted acquisitions and consolidation may affect engagement portfolios and long-association considerations, requiring reassessment of related policies and client relationships.
D. Engagement Resources		
D.1	Availability and allocation of engagement resources	• A majority of stakeholders noted that PE&OEI may provide funding for technology, methodologies, training and recruitment, while profitability and growth pressures may constrain staffing, time budgets, access to specialists and other resources needed for quality engagements.
D.2	Competence, capacity and staffing decisions	• A majority of stakeholders identified quality risks where investors or interdependent entities influence hiring, advancement, staffing or remuneration. Rapid acquisitions may also create recruitment, retention and training challenges; audit firms were described as needing to retain responsibility for personnel decisions affecting attest engagements.
D.3	Technology, methodology and shared-service arrangements	• A majority of stakeholders noted new audit technology, centralized systems, service agreements and outsourced processes may affect the availability and suitability of engagement resources. Stakeholders identified the importance of training, oversight and the appropriateness of services provided by centralized or investor-related entities.
D.4	Integration of resources following acquisitions	• Two regulators and one stakeholder from the profession noted integration of acquired practices may require alignment of audit methodologies, training, personnel policies and quality management systems, placing demands on central technical and quality resources.
E. Direction and Supervision of Members of the Engagement Team and Review of Their Work		

Ref.	Themes	Key Messages from the Feedback
E.1	Supervision capacity during rapid growth and acquisitions	• One regulator specifically identified that rapid expansion may create challenges in recruiting, training and supervising sufficient qualified personnel. This may affect the experience and oversight available to engagement teams.
E.2	Time available for consultations and engagement quality activities	• One regulator, one JSS and one stakeholder from the profession raised concerns that efficiency and profitability pressures could reduce time available for consultations, audit procedures and quality-management activities at the engagement level. These concerns may be relevant to engagement oversight, but the responses did not specifically identify changes to the direction or review of engagement teams' work.
F. Consultation		
F.1	Time available for consultations	• One regulator, one JSS and one stakeholder from the profession noted commercial and efficiency pressures may reduce the time available for consultations and other engagement quality activities. This concern was raised in relation to engagement performance and is relevant to consultations during an audit.
F.2	Ethics consultations involving investor-related entities	• One regulator identified ethics consultations as an avenue for engagement teams to raise and discuss potential independence issues arising from interactions with portfolio companies of PE investors.
G. Engagement Quality Review		
G.1	Consideration of investor-related quality risks in engagement quality reviews	• Where PE&OEI-related quality risks are identified, one JSS suggested considering whether engagements involving entities within the investor structure warrant heightened attention during an engagement quality review, including independence and other ethical matters and potential influences on significant judgments.
G.2	Understanding ownership structures and significant judgments	• One JSS suggested that the engagement quality reviewer have sufficient understanding of the ownership structure and relevant independence considerations, and consider whether governance, compensation or business relationships call for additional scrutiny of significant judgments.
G.3	Reassessment of engagement quality review	• One stakeholder from the profession indicated that acquisitions and integration may require reassessment and alignment of EQR policies, including criteria for determining which engagements require an EQR,

Ref.	Themes	Key Messages from the Feedback
	arrangements following acquisitions	particularly in light of long association and changes to PE investors' portfolios.
G.4	Application of existing EQR requirements	• . One JSS emphasized that PE&OEI ownership does not, in itself, require a fundamentally different EQR model.
H. Monitoring and Remediation – Interaction Between Firm Level and Engagement Level Activities		
H.1	Supervision capacity during rapid growth and acquisitions	• One regulator specifically identified that rapid expansion may create challenges in recruiting, training and supervising sufficiently qualified personnel. This may affect the experience and supervision available to engagement teams.
H.2	Time available for consultations and engagement quality management activities	• Two regulators and one stakeholder from the profession raised concerns that efficiency and profitability pressures could reduce time available for consultations, audit procedures and engagement quality-management activities. These concerns may be relevant to engagement supervision, but the feedback did not specifically identify changes to the direction or review of the engagement team's work.

Theme VII: Non-Authoritative Material to Be Provided by SSBs

Section XV: Non-Authoritative Material to Be Provided by SSBs

The following themes were identified regarding areas where additional guidance may be helpful to stakeholders:

Ref.	Themes	Key Messages from the Feedback
A. Areas Where Additional Guidance May be Helpful to Stakeholders		
A.1	Illustrative PE&OEI structures and quality risks	• Two regulators, two JSS and some stakeholders from the profession suggested developing practical, NAM using illustrative PE&OEI ownership structures, related quality risks and possible responses to assist firms, particularly smaller firms, in applying existing quality management requirements. Suggestions included examples of investor influence on governance and resource allocation and arrangements between audit and non-audit entities.
A.2	Independence and ethical risks	• One regulator, one JSS and two stakeholders from the profession suggested developing illustrative examples addressing independence and ethical risks arising from investor relationships, financial interests, investments held through multiple funds and complex ownership structures.
A.3	Practical application of quality management requirements	• One JSS suggested developing practical considerations relating to personnel resources, information and communication, monitoring and remediation, and integrating acquired firms' quality management policies, procedures and systems. Implementation checklists and examples of applying the existing quality management framework were also suggested.

Theme VIII: Other Matters Raised by Stakeholders

Section XVI – Other Matters to Consider

The following themes were identified regarding additional matters for the IAASB and the IESBA to consider in relation to PE&OEI in accounting firms:

Ref.	Themes	Key Messages from the Feedback
A. Other Matters Related to Non-Traditional Firm Structures and Ownership Models that the IESBA or the IAASB Should Consider		
A.1	Jurisdictional requirements and market differences	• One JSS and one stakeholder from the profession highlighted differences in jurisdiction-specific regulatory and professional requirements and in market structures that may affect the assessment of PE&OEI arrangements. • The stakeholder from the profession highlighted that the SSBs should support the consistent application of the Code and quality management standards across multi-jurisdictional groups while recognizing local requirements.
A.2	Economic substance of investment arrangements	• One regulator emphasized considering the economic substance of PE&OEI arrangements as well as their legal form when assessing implications for audit firms.
A.3	Distinguishing PE-specific risks from broader commercial pressures also associated with traditional firm structures	• One stakeholder from the profession recommended distinguishing risks and pressures specifically attributable to external investment from those that may also arise under traditional partnership structures or debt financing. It cautioned against attributing all commercial and operational pressures to private equity and emphasized the importance of considering differences among types of audit firms when assessing the implications of external investment.
A.4	Common investors and independence	• One stakeholder from the profession identified independence and conflict-of-interest considerations where investors hold interests in audit firms and their audit clients, including investments through different funds or multiple investors.
A.5	Investment horizons and exit expectations	• One regulator raised potential implications of investors' investment horizons and exit expectations for public interest considerations, including the adequacy of ethical and independence safeguards.
A.6	Market concentration	• One stakeholder from the profession highlighted broader market implications, including market concentration and the availability of audit services.

Ref.	Themes	Key Messages from the Feedback
	and audit availability	
A.7	Succession and attractiveness of the profession	• One stakeholder from the profession noted succession planning, particularly for smaller firms, and the long-term attractiveness of the profession.
B. Additional Comments		
B.1	Continued monitoring of PE&OEI developments	• One regulator and some stakeholders from the profession support the IAASB and the IESBA continuing to monitor ownership developments and possible implications for ethics and audit quality.
B.2	Retaining principles-based standards	• Majority of JSS and two stakeholders from the profession highlighted the importance of retaining existing principles-based standards rather than expanding them or developing new requirements.
B.3	Caution due to limited evidence	• SAC members emphasized a balanced, evidence-based approach to assessing potential risks and opportunities and encouraged consideration of experiences across different ownership models and other sectors. • One regulator and one JSS and one stakeholder from the profession cautioned about drawing conclusions or determining further actions at this stage, given limited experience and evidence available to date.
B.4	Responsibilities of standard setters, regulators and those charged with governance	• SAC members emphasized distinguishing matters within the responsibilities of the SSBs from those more appropriately addressed by regulators and those charged with governance.