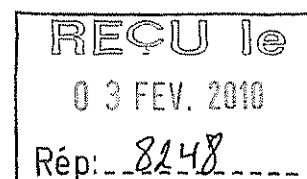


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29 January 2010

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Dear Ms. Blomme,

### Integrity in Professional Ethics - A Discussion Paper

We are pleased to comment on the FEE Discussion Paper on Integrity in Professional Ethics. We welcome the opportunity to contribute to the dialogue about the importance of integrity in the accounting profession and business, in general. We welcome and support the objectives of FEE in furthering such dialogue. We believe integrity is central to the on-going credibility of the accounting profession and to all aspects of business broadly. This discussion paper provides an opportunity for reflection among market participants at a time when ethics and integrity are subjects of interest.

FEE has requested responses to a series of general and specific questions on the Discussion Paper. We address each question below.

#### General questions

##### 1. What does integrity mean for you?

Definitions of "integrity" refer to moral soundness, honesty and behaving in an ethical manner. With respect to the accounting profession, the IFAC Code of Ethics states that "the principle of integrity imposes an obligation on all professional accountants to be **straightforward and honest in professional and business relationships**. Integrity also implies "fair dealing and truthfulness" (emphasis added). This reflects the importance of integrity as a foundational principle upon which the practice of the accounting profession rests and, indeed, on which business activities rest.

In addition, we believe that a critical aspect of integrity is that it must be practiced and not just professed.

## 2. Is integrity the core principle in professional behavior? If yes, why?

We view integrity as a fundamental principle in professional behavior but it is not the only such principle. Again, we look to the IFAC Code which we believe has well considered views on these matters and identifies four other fundamental principles, in addition to integrity:

- objectivity,
- professional competence and due care,
- confidentiality, and
- professional behavior.

Each of these principles is important to professional behavior and they work in concert together in the practice of the profession and business more broadly.

## 3. What are the threats to ethical behavior?

Threats to ethical behavior may come from both within an organization in which a professional works and from outside such organization, such as clients, other market participants or other bodies and organizations. In general, threats to ethical behavior can be divided into two broad categories:

- self-interest - where the interest of the individual or organization conflicts with the behavior considered to be most ethical in the circumstances
- intimidation - where the individual or organization is subjected to pressure or even threats, for example, in an attempt to change a position on a particular matter

## 4. How do these threats change as the economic climate changes?

We believe threats to ethical behavior are ever present in our society, always have been and always will be. We believe that in challenging circumstances, whether an economic downturn, a speculative bubble or otherwise, threats may reasonably increase. The threats themselves do not change but the degree of the threat may increase.

## 5. How is integrity instilled in your audit firm or your organization? Does it always work? How could it be improved?

Integrity is embedded in EY's Global organization through our Code of Conduct, a statement of Values, the emphasizing of these at the top of our organization and by the policies and procedures which support the operation of the Code of Conduct in everyday practice by the people of EY. The EY Global Code of Conduct provides an ethical framework on which EY personnel base decisions and actions - as individuals and as members of a larger organization. EY's Code of Conduct is anchored in EY's values and beliefs and we ask everyone at EY to confirm in writing their understanding of the code.

We also promote a culture of consultation on ethical matters. Our Values statement is comprised of three overarching principles regarding the way we believe our people should act. The first of these three states we are “people who demonstrate integrity, respect and teaming”.

As an organization, we strive to continue to educate our people about demonstrating integrity and we celebrate those who do so. One of EY’s highest recognitions is the Chairman’s Values Award which recognizes EY people from across our global network who live our values.

Questions related to the professional code of ethics and the application thereof

6. Do readers agree that integrity is actually the core principle and should be highlighted as such, compared with the other fundamental principles referred to in paragraph 2.3? If not, why not?

While we believe integrity is a fundamental principle, we do not believe that it is the core principle. The other four fundamental principles are equally important to the accounting profession. In practice, the five act in concert.

7. Do the other fundamental principles derive from integrity or are they complementary to it? Please explain your rationale?

See response to Question 6. In practice, we believe the fundamental principles act in concert.

8. From the perspective of professional ethical behavior, does the quality of the persons’ character matter if their actions are consistent with expected standards? Does this have consequences for the disciplinary process?

If an individual’s actions are consistent with expected and required professional ethical standards, we would conclude that the “quality” of the person’s character, if it were determinable, does not broadly matter. The “quality” of a person’s character is open to differing views of what constitutes “quality” of character. Accordingly, we do not think such “quality” can be universally defined. In addition, there is a difference between one’s personal and one’s professional or business life. Accordingly, with respect to disciplinary matters in the practice of the profession, we believe they should continue to focus on a professional’s ethical performance in the practice of the profession.

9. Do readers believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it? Again, does this have consequences for the disciplinary process?

Yes, we believe the perceived integrity of the profession, as a whole, impacts upon the integrity of the individuals within it. The perceived integrity of the profession sets a benchmark for individual professional accountants who seek to practice in the profession. If

the profession is viewed as having integrity, it is likely to attract individuals who respond well to such an environment and to motivate those within the profession to operate consistently with the values and expectations of the profession itself. Conversely, a profession or business that is seen to be lacking in integrity would likely have an opposite effect on the individuals within the profession and business. We do not believe that this has any particular consequences for the disciplinary process except that an appropriate and sound disciplinary process is important to maintaining a high degree of perceived integrity of the profession.

**10. Would it be helpful for codes of ethics of accountancy bodies to include further discussion on integrity? If so, what are the key points that should be included?**

We believe it would be useful for accountancy bodies to provide additional discussion on integrity in a code of ethics. Such discussion should focus on the importance of integrity in professional and business dealings and the meaning and characteristics of integrity. However, we do not believe that such discussion within a code should go beyond a summary.

We also believe accountancy bodies can work to encourage further development of university and other academic curricula on integrity and ethical behavior as a means of instilling these foundational principles early on with students who seek to enter the profession.

**11. Should there be greater clarity of the extent to which personal integrity would affect professional integrity, to enhance harmonization? What sort of personal behavior should merit professional disciplinary action?**

We concur with the assertions made in the discussion paper that personal behavior may affect professional integrity by association. Ethical behavior cannot be compartmentalized and a discussion on professional or business integrity should emphasize that a person should also demonstrate integrity in personal as well as professional and business activities.

However, with respect to disciplinary matters in the practice of the profession, we believe they should continue to focus on a professional's integrity in the practice of the profession.

**12. Do you agree with the behavioral characteristics discussed in paragraph 5.2? If not, please explain what should be changed.**

We concur with the characteristics listed in paragraph 5.2.

**13. Are there further behavioural characteristics that should be expected of someone behaving with integrity in a professional context, other than those listed in paragraph 5.2? If so, what?**

Other possible characteristics that may be considered are:

- nurture integrity in others

- reject unethical practices
- cultural sensitivity or awareness
- moral resolve to avoid bowing to intimidation or pressure

**14. Do readers agree with the indicators discussed in 6.7? Are there others, and if so what?**

We concur with the indicators discussed in 6.7. In addition, we propose the following additional indicators:

- corrective action, including disciplinary measures, is taken timely when necessary and behavior that is consistent with ethical values is rewarded
- reporting of transgressions of ethical behavior is encouraged and processes exist to enable these transgressions to be reported confidentially
- the appropriate “tone at the top” that supports and reinforces an organizations objective of ethical behavior.

**15. Do readers agree that organisations should have clear ethical values and that in all but the smallest organizations this will require the organization to have a code of conduct? If not, please explain your rationale.**

Ethical behavior is universally applicable in business and the profession. Accordingly, organizations should have clear ethical values. However, we recognize that a formal code of conduct may be necessary only for larger organizations.

In smaller organizations, integrity may be more effectively promoted by appropriate demonstrated behavior of leadership.

**16. Who should be responsible for ensuring that ethical behavior is embedded in organizations?**

The responsibility of embedding ethical behavior in an organization starts with management. Management has the opportunity and the resources to effectively promote a culture of ethical behavior. This can be done through a number of actions but is often most effectively done if management conveys the right “tone at the top” so that messaging on ethics is clear to employees, investors, customers, suppliers and other stakeholders.

In addition, professional bodies play an important role in emphasizing the importance of ethical behavior in a profession.

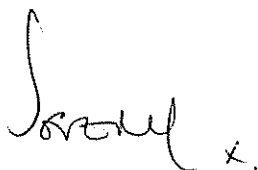
17. Is it reasonable to expect professional accountants to promote an ethics-based culture in their organizations? If so, should there be greater guidance and what are the key points that it should include?

We believe it is reasonable to expect professional accountants to promote an ethics based culture in their organizations. Professional accounting bodies should similarly promote such a culture throughout the profession by establishing guidelines in the respective code of ethics and provide guidance to member firms on how to promote such a culture. Such guidance should include examples of a code of conduct and outline processes to promote such a culture and how to provide a means for reporting unethical behavior such as a hot-line.

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We would be pleased to discuss our comments with your staff. If you wish to do so, please contact Bob Franchini (+39-02-7221 2014).

Yours sincerely,



Jeremy Jennings  
Regulatory & Public Policy Leader