The Honourable James Logothetis, Chairman
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

9 July 2026

Dear Chairman Logothetis,

Subject: PCAOB Supplemental Request for Comment: Proposed Amendments to QC 1000, a Firm's System of Quality Control, and Related Rule and Forms, PCAOB Release No. 2026-002, PCAOB Rulemaking Docket Matter No. 057

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the PCAOB's Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, and Related Rule and Forms.

Led by investors responsible for assets under management of >US$100 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

Overall views:

- There is merit in as much alignment with the International Standard on Quality Management (ISQM) 1, as possible, however, there are two issues to consider; 1) the structure of the capital market in the US and 2) the issues identified at the time of writing and promulgating QC 1000, both of which continue to support the need for local adaptations.
- Much of the streamlining that is suggested in the amendment appears to be sensible from an investor viewpoint and offers a proportionate approach for smaller firms. However, there are provisions that weaken key requirements and risk undermining the overall importance of a firmwide approach to quality, the intended purpose of QC 1000. For investors, a high quality audit is much more important than the cost to produce one.
- This point is particularly important given the intended move to adopt a firmwide approach to at least part of the inspections process. Investors would respectfully request that the PCAOB consider very carefully how these two agendas interact with one another.
- One key concern is the cliff edge between the large audit firms which conduct most audits, of which there are only five, and the next tier of firms. Investors are concerned the proposal is cutting application of key elements in QC1000 off at too high a limit.
- Investors understand and appreciate cost concerns, as investors ultimately pay for these expenditures. We are not in favour of undue burden and costs of regulations, but we believe that an appropriate investment in quality assurance services is a key

part of market trust for investors and as such are willing to pay an appropriate amount. The comparisons with other external roles offered do not appear to be realistic given the various roles within the industry. Peer comparisons are important. For example, an external quality review professional has a very different role than a Non-Executive Director (NED) of a S&P 500 firm. There are other roles, such as the United Kingdom's Independent Non-Executive (INE) who would serve on a firm's board. Investors would like to see accurate comparators for cost analyses.

- Fundamentally, all public company audits need the same investor protections. Investors recognise there could be a case for pragmatism by the PCAOB, particularly in the instance of firms that do not conduct any public company audits. For example, we understand that there are firms which only conduct broker dealer audits or are not leading or playing a substantial role in the audits of issuers. We would support some type of distinguishing methodology in this case.

We have provided responses to the questions for which an investor perspective may be useful for the PCAOB. We have not responded to every individual question, however, we have provided our responses within the designated question headings. During its review, if the PCAOB would like additional investor perspectives on these questions, we would be pleased to provide them.

Questions 1-3 Requirement to design, implement and operate a QC system

- Investors recognise that many engagements, especially those that encompass audits of public companies, require a higher degree of audit rigour. An audit firm that specialises only in the audits of broker dealers may not need to be subject to all the requirements under QC 1000.

- If the PCAOB is inclined to rescind the design only standards for firms not conducting audits of public companies, it must include a rule that a QC system must be in place prior to a firm tendering an offer for a public company audit and/or getting registered. There cannot be a switch from one to another without meeting the requirements. For investors, this should be the minimum entry requirement, i.e., table stakes, to be considered before the firm performs this work.

Questions 4-7 Roles and responsibilities

- Investors recognise that firms have the responsibility to fill roles internally or through external sources, if necessary. Due to the complexity of audit work, it may be pragmatic that more than one person might be needed to fulfil these roles, particularly in larger firms and/ or due to complex audits.

- The amendment provides language to scale the requirement for firms that issued audit reports for fewer than 100 issuers in the prior calendar year. Investors would not be opposed to a limited degree of scaling these requirements to address cost considerations for small and large firms. We would support these scaled requirements as long as they are in place before firms are hired. Investors would be concerned with any dilution of requirements due to costs alone that could impact audit quality.

Questions 8-12 External Quality Control function

- ICGN is concerned about the changes proposed to the robust quality control functions from QC 1000. These functions are essential to audit quality. If the PCAOB is inclined to move in this direction, investors would want to see these requirements retained at a minimum for the larger firms, which would include the firms that have conducted over 100 audits in the past year.

- ICGN also believes that the smaller audit firms (under 100 audits in a calendar year) should not be exempted from robust and functioning alternatives should the PCAOB scale these provisions. Independent oversight is essential for investor protections. This is even more important given the changes in ownership structures and more complex transactions that are occurring which need to be considered by the PCAOB. There are audit quality vs commercial decisions at play, along with competition, that investors are mindful of, and play into their views of independence and audit quality.
- For context, ICGN is aware that the system in the United Kingdom with regards to an independent board member who serves on a firm's Audit Board or Committee, as an Independent Non-Executive (INE) or as an Audit Non-Executive (ANE) works well and is a good model for consideration.

Questions 13 and 14 Information and communication

- ICGN favours public disclosures in one place for ease of use and for finding audit information, reports, audit practice, firm personnel, or engagements for investors and interested parties. Placement on the relevant website seems appropriate as long as there are clear instructions how to access additional information within the website and located on other webpages.
- Whilst disclosures on websites are useful, investors would want to make sure that any restatements, changes in definitions, or metrics, are clearly noted, communicated in writing, and updated in a timely basis.

Questions 15-18 Monitoring and remediation process

- The changes would require that the evaluation would only be with respect to those engagement deficiencies that resulted or could result in (i) a failure to obtain sufficient appropriate evidence clear in terms of alignment with the fundamental objectives to support the conclusion reached on an engagement or (ii) an inappropriate overall conclusion on the subject matter of an engagement. Investors would want to understand any engagement deficiencies and these changes appear to retain the most essential processes.

Questions 19-27 Evaluation of and Reporting on the QC System

- Investors would not be opposed to the option of a year-end selection rather than a static September 30 year-end.
- The proposal includes a requirement that once a firm has been subject to the requirement to design, implement, and operate a QC system for at least five consecutive months, the firm must annually evaluate the effectiveness of its QC system. Investors would expect such a review, however, a timeline of five or six months seem acceptable to evaluate its effectiveness.
- The factors described seem reasonable as long as the language related to the extent to which any remedial actions that have been implemented, tested, and found to be effective, is included.
- The alignment with ISQM 1 is important, with the requirement to disclose whether there is a deficiency or not. The disclosure itself is important for investors.

- ICGN would prefer the more nuanced framework than the binary approach. Investors would find more nuanced information and reporting on outcomes more insightful.
- We do not have a view on form structure.

Questions 28-29 Documentation

- Investors may view five years rather than the current seven-year requirement under ISQM I as a fair retention period. However, some US federal and state tax retention periods are a minimum of seven years, so this could be a consideration for retaining the seven-year requirement, particularly due to recordkeeping requirements for litigation or other audit-related matters.

Questions 30-31 Forms

- With respect to the proposed amendments to Form 1 and Form 2, investors would not be opposed to the PCAOB's need to align terminology, concepts, and cross-references with the proposed amendments to QC 1000, if adopted.

Questions 32-37 Economic considerations

- We would refer back to previous comments that the comparisons do not appear to be relevant across positions. Therefore, it is impossible for ICGN to provide comments in this area.
- We note that with previous regulatory changes, overall costs can come down over time post implementation. The year one costs are one consideration only. As we have said, investors are the ones that bear the burden of costs, notably when there are audit failures, as we have been exposed to in the past. Investors value the trust in the capital markets that comes from robust and high quality audits and are willing to support these costs over the long-term. For the firms seeking to do this work, investments in high quality systems should pay off over the longer term and drive down costs over time.
- Audit quality is essential for investors. Any proportionate and robust investment in audit quality can be spread over the costs of all public audits and seems to be a reasonable price to pay. Audit failures, on the other hand, hit investors and beneficiaries hard, compounding losses, and impacting investments for years.

Thank you for the opportunity to provide comments on this proposal. If you would like to follow up with questions or comments, please contact me or our Senior Advisor- Americas, Carol Nolan Drake, (carol.nolandrake@icgn.org).

Yours faithfully,

Jen Sisson

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Chief Executive Officer, ICGN