



IESBA

International Ethics Standards Board for Accountants
AN IFEA BOARD

Firm Culture & Governance

Update

IESBA Meeting
March 11, 2025





Agenda

1. Status Updates

- Global Roundtables
- Stakeholder Outreach
- Non-Authoritative Materials

2. IESBA-IAASB Coordination

- Proposed Coordination Approach
- High-Level Preliminary View on Difference between FCG Framework and ISQM 1

3. Communications Plan



Status Update

Project Team and Board Member Advisors

FIRST STAFF DRIVEN STANDARD SETTING PROJECT

Project Team

Standard-Setting

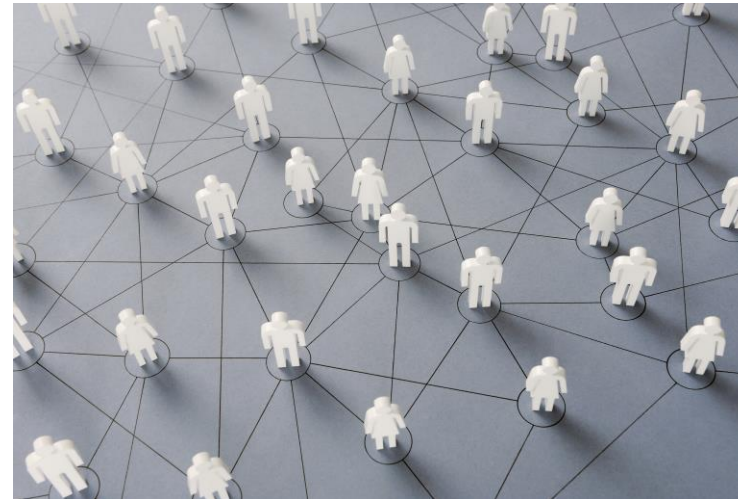
- Geoff Kwan (Lead)
- Laura Leal
- Carla Vijian

Non-Authoritative

- Kam Leung (Lead)
- Joanne Holt

Board Member Advisors

- Channa Wijesinghe
- Rich Huesken



Global Roundtables

4 In Person; 2 Virtual

Location	Date
New York City, USA	March 13
Melbourne, Australia	March 20
Brussels, Belgium	March 24
Africa Region, Virtual	April 2
Latin America Region, Virtual	April 3
Kuala Lumpur, Malaysia	April 28

- Diverse mix of stakeholder groups to achieve balanced views:
 - Regulators and oversight authorities
 - Independent national standard setters
 - Accounting firms
 - Professional accountancy organizations
 - Preparers
 - Investors, and corporate governance community
 - Academia
- Project Team will consider how to engage hard-to-reach stakeholder groups

Global Roundtables

- Briefing note
 - Developed with input from Board member advisors
 - Translated in French (for Francophone Africa jurisdictions) and Spanish (for the LatAm region)
- Aim/rationale of questions
 - Cover the 8 elements of the FCG framework highlighted in project proposal
 - Not seeking views on the need for an FCG framework
 - Information sought about best practices and examples
 - Sufficiently broad that can be addressed by non-PAs
 - Will seek views on scalability (e.g., provision of independent input)
- Use of breakout groups to encourage participation
- June 2025 Board meeting - Summary of key comments and Project Team analysis

Ethical leadership

Oversight and governance

The provision of independent input

Accountability across the firm

Incentives and rewards that align with ethical behavior

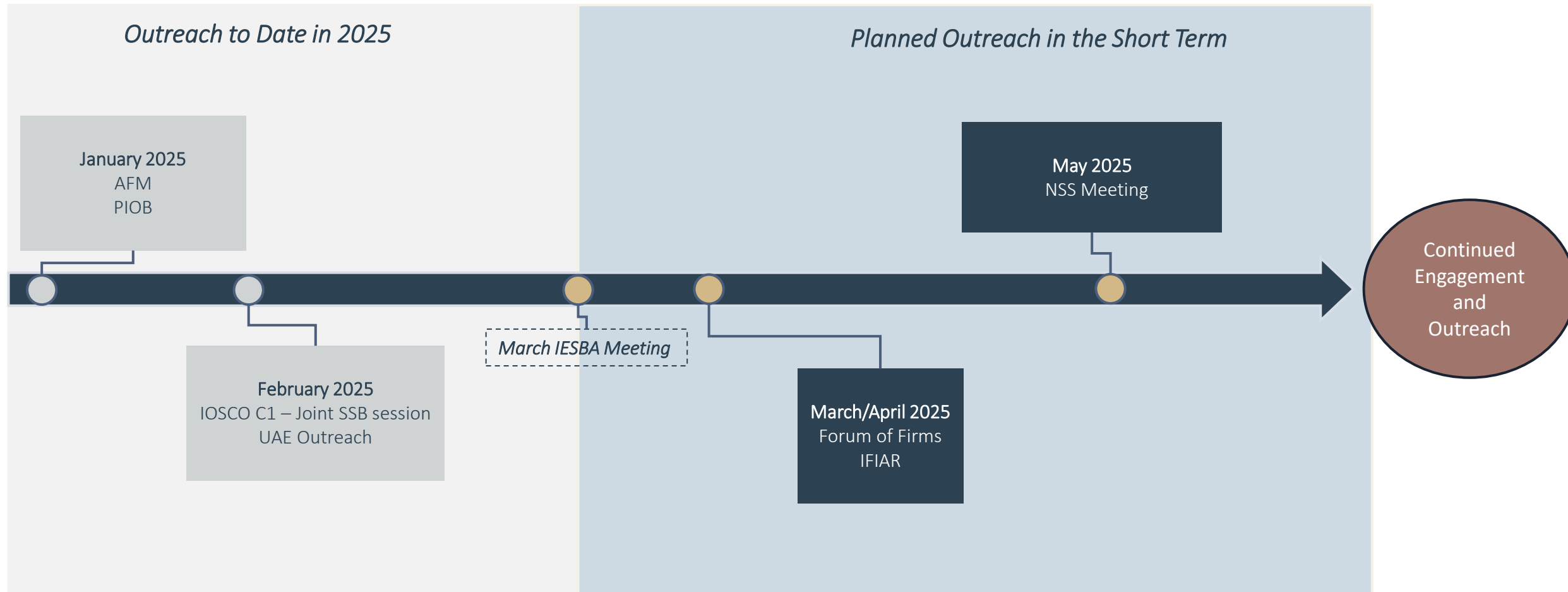
Culture of open discussion and challenge

Continuous education and training

Transparency

Stakeholder Engagement/ Outreach

STAFF WILL PROVIDE A REPORT BACK AT THE BOARD SESSION



Non-Authoritative Materials

STRATEGY

Importance of aligning the content of NAM development with the standard setting timeline

- Should not “front-run,” i.e. reach early conclusions when standards are not yet finalized
- NAM that will complement the standard-setting output



2025 to focus on raising awareness of Final FCG report and project

- Release full academic report informing the final report
- Release feedback statement of roundtable observations

After the Global Roundtables

- Potential Other NAM, that e.g. highlights existing provisions in the Code

Proposed NAM topics in the approved project proposal

- *Common characteristics of an ethical firm:*
Consider in Q3, if appropriate to develop and release at same time as ED consultation
- *Contribution of stakeholders within the ecosystem in promoting ethical behavior:*
Consider development and release after there is a final standard

Questions/ Views?





IESBA-IAASB Coordination



IESBA-IAASB Coordination Approach

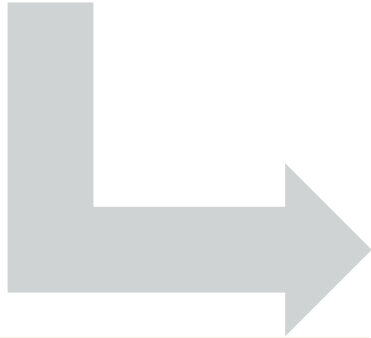
- Proposed approach as discussed with IAASB Program and Sr. Director:
 - Having a designated IAASB staff member(s) as a point of contact for FCG and ISQM 1 matters (with support from identified IAASB members as appropriate)
 - Providing updates and obtaining feedback at IAASB Board Meetings
 - As appropriate, including IAASB in outreach, e.g., inviting IAASB representatives to global roundtables
 - Joint-SSB Chairs coordination meetings to be considered if and as needed



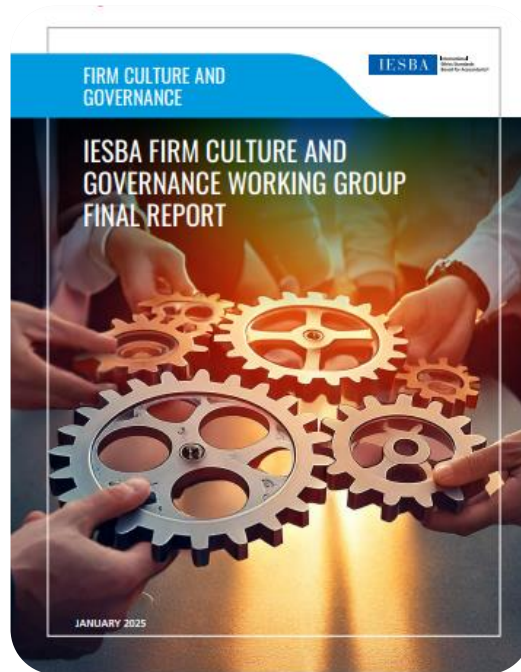
Recap – Reason for the Project

Consultation on IESBA's Strategy and Work Plan highlighted:

- Persisting **high-profile cases of unethical behavior** in accounting firms & their **adverse impact on the reputation** of the accountancy profession
- Requests for IESBA to consider a **strategic and constructive response**



Extensive outreach
and information
gathering



WHY THE FCG FRAMEWORK IS BEING DEVELOPED

Stakeholder feedback generally recognized that:

- While the Code addresses ethics for individuals, it does not comprehensively address the culture of a firm to facilitate and promote ethical behavior
- Developing a principles-based framework for accounting firms, addressing the culture and governance of firms in order to instill best practice in ethical conduct
- IESBA approved a new project with two work streams

Initial Considerations

FOR DEVELOPING THE FCG FRAMEWORK



- The FCG framework is intended to be a principles-based framework to enhance and support a culture of ethical behavior. It is not intended to be an extension of a system of quality management
- IESBA will collaborate with the IAASB to ensure the FCG standard is developed, considering existing IAASB standards, including ISQM1

Firm Culture and Governance and Quality Management

How is the FCG Framework different from ISQM 1 (or other Quality Management standards)

- ISQM 1: Focuses on a firm-level system of quality management that enables the consistent performance of quality engagements (audits, reviews, other assurance, and related services). It encapsulates two key processes – a risk assessment process and a monitoring and remediation process
 - E.g., quality objectives and risks, responses to risks (firm policies or procedures), monitoring activities and addressing deficiencies
- FCG Framework: Focuses on principles at the firm level that foster and reinforce a high standard of ethical behavior
 - E.g., by all personnel in the firm and across all of the firm's services
- There are aspects of ISQM 1 that are relevant for consideration as the IESBA develops the FCG framework



Illustrative Potential Examples of Principles-based Requirements

Illustrative Potential Examples of Principles-based Requirements

AS EXTRACTED FROM THE FCG FINAL REPORT

A firm-wide Governance framework

- A firm shall ensure its governance framework promotes high standards of ethical behavior by prioritizing and embedding ethical values in its strategies, operating structures, quality management systems and accountability mechanisms

Provision of Independent Input

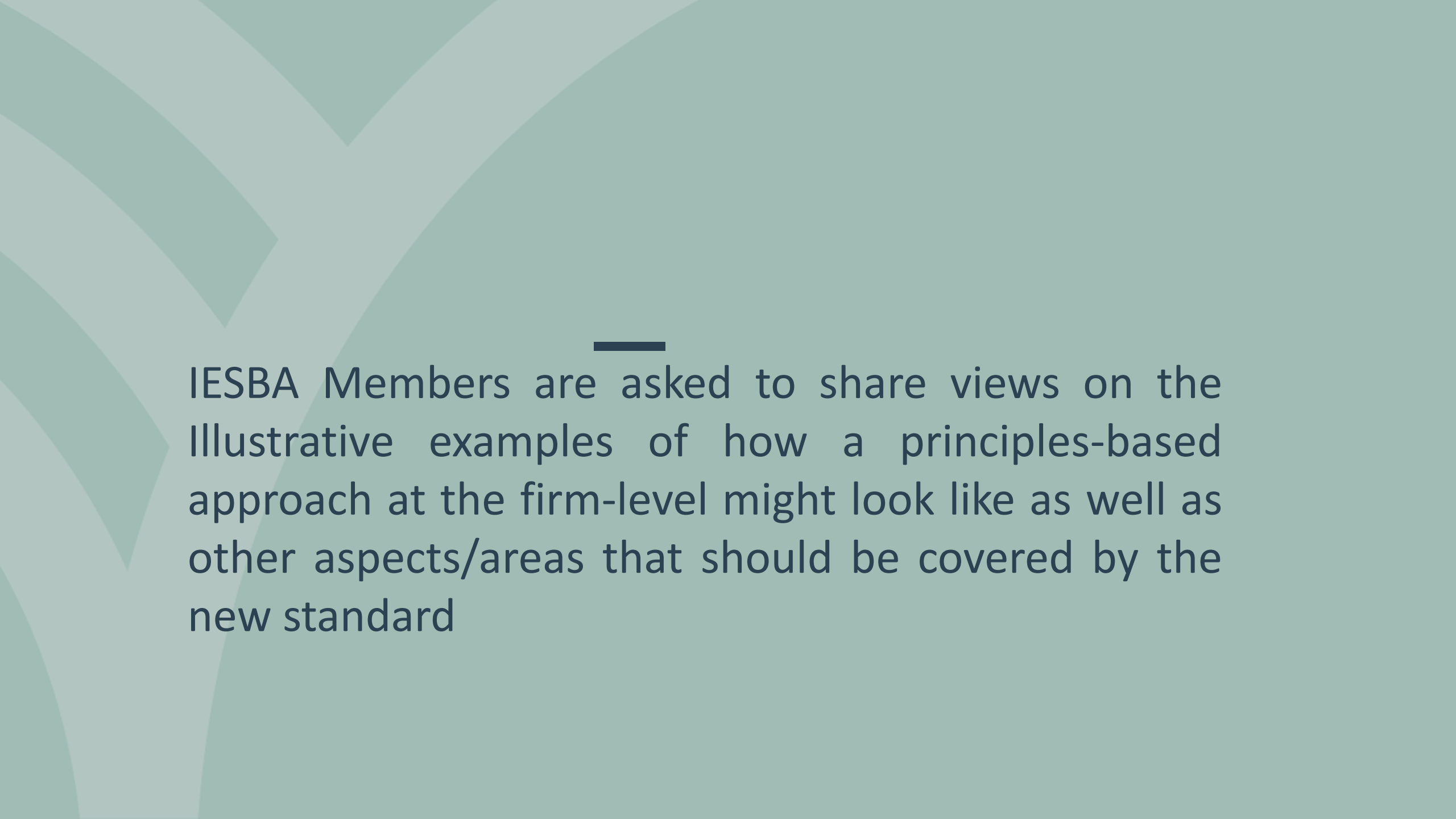
- A firm that *[describe criteria]* shall consider appropriate means of obtaining input from independent persons to contribute to the effectiveness of the firm's governance framework to promote ethical values and to monitor its compliance with the *[FCG provisions]*

Illustrative Potential Examples of Principles-based Requirements

AS EXTRACTED FROM THE FCG FINAL REPORT

Performance management policies that incentivize ethical behavior

- Firms shall establish criteria by which the performance of the partners and staff of the firm are evaluated and rewarded that recognize the importance of compliance with ethical standards and adherence to the firm's ethical values and policies



IESBA Members are asked to share views on the illustrative examples of how a principles-based approach at the firm-level might look like as well as other aspects/areas that should be covered by the new standard



Communications Plan



Firm Culture & Governance Communications Plan

REACHING THE RIGHT AUDIENCES | TELLING THE RIGHT STORY

Objective

- To raise global awareness, drive engagement, and establish compelling communications about **firm culture and governance in accounting firms**, reinforcing the role of ethics and integrity in fostering public trust.



Approach

- **Multi-Channel Engagement** – Leverage LinkedIn, X/Bluesky, and YouTube to tell IESBA's FC&G story, using milestone-driven updates, informative visuals, video messages, and influencer amplification through key stakeholders.
- **Centralized Digital Hub** – Maintain a dedicated focus page with key resources, including reports, official IESBA publications, FAQs, thought leadership and media articles, stakeholder engagement materials, and links to other relevant content.
- **Strategic Media & Stakeholder Outreach** – Engage with traditional media and support communications needs of leadership and staff through roundtables, public consultations, joint statements, and interactive feedback mechanisms.

Questions/ Views?





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