

**Meeting:** IESBA

**Meeting Location:** New York

**Meeting Date:** June 9-12, 2025

## Agenda Item

# 3

### Firm Culture & Governance

#### Objectives of the Agenda Item

1. To consider:
  - (a) An external presentation by representatives of [Principia](#) on measuring and building ethical culture;
  - (b) The summary of feedback from the global roundtables and additional input from other stakeholder outreach;
  - (c) The project team's (PT's) proposed strategic way forward for the project; and
  - (d) An update on the non-authoritative material (NAM) work stream and, in the context of the proposed strategic way forward, to discuss the prioritization of topics for potential non-authoritative materials (NAMs) and other supporting material, the types of material to develop, and the period during which to focus such effort.

#### Activities since March 2025

2. At its March 2025 meeting, the IESBA:
  - (a) Considered the upcoming global roundtables, the approach to the NAM work stream and coordination with the International Auditing and Assurance Standards Board (IAASB); and
  - (b) Shared views on how the PT could approach and develop a firm culture and governance (FCG) framework in the Code. The Board supported the PT's suggestion of presenting a "strawman" draft of the proposed FCG framework at its June 2025 meeting.
3. The six IESBA global roundtables were held in March and April 2025 to inform the FCG project. See **Agenda Item 3-A** for a summary of the participants' feedback.
4. IESBA representatives, including members of the PT and the Board Advisors to the PT, conducted additional outreach activities in Q2 2025, including meetings with:
  - The International Forum of Independent Audit Regulators' (IFIAR) Standards Coordination Working Group
  - The Forum of Firms
  - The IESBA-Jurisdictional Standard Setters liaison group
  - IFAC's Small and Medium Practices Advisory Group

See **Agenda Item 3-B** for an overview of the feedback received from other stakeholder outreach

between March and May 2025.

5. In April 2025, the PT released the [academic report and quiz](#) on *Organizational Culture and Behavior: A Synthesis of Academic Literature*, which highlights the crucial role of organizational ethical culture in shaping ethical behavior within organizations.
6. In developing the agenda material for this meeting, the PT has obtained input from the project's Board Advisors and the IESBA Planning Committee.

#### Coordination with IAASB

7. At the IESBA's invitation, IAASB representatives participated in three of six global roundtables.
8. As part of ongoing coordination efforts, members of the PT and the Board Advisors met with Greg Schollum, IAASB member and liaison member, and other IAASB representatives to provide an update on the project and to share initial views on consideration of the potential interconnectivities between the FCG framework and International Standard on Quality Management (ISQM) 1.<sup>1</sup>
9. In the discussions with the IAASB FCG project team, the PT emphasized that while there are aspects of ISQM 1 that are relevant, the FCG framework is not intended to be an extension or duplication of a firm's system of quality management.
10. IESBA Staff will provide a project update at the IAASB's June 2025 meeting.
11. Further coordination meetings will be scheduled as the project progresses to ensure alignment between concepts and other considerations relating to the FCG framework and ISQM 1.

#### **Matters for IESBA Consideration**

12. At its June 2025 meeting, the IESBA will discuss this agenda item in four sessions:
  - Session 1: The IESBA will receive an external presentation from David Rodin, Founder and Chair of Principia, and Clive Garfield, CEO Principia, on measuring and building ethical culture. Principia is an advisory firm that provides consultancy on organizational ethics.
  - Session 2: The IESBA will share views on, or reactions to, the roundtable feedback as well as feedback received from other stakeholder meetings during Q2 2025 (See **Agenda Items 3-A and 3-B**)
  - Session 3: The IESBA will consider the PT's proposed strategic approach in light of the feedback received from the global roundtables and other stakeholder outreach, and the proposed *overall* strategy for the IESBA in light of the discussion on trends in the external reporting ecosystem earlier in the week (See **Agenda Item 3-C**). Following deliberation, the IESBA will be asked to agree on the way forward.
  - Session 4: The IESBA will be asked to discuss in breakout groups the prioritization of topics for potential NAMs and other supporting material, the types of material to develop, and over which period. The discussion will be followed by a report-back (See **Agenda Item 3-D**).

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<sup>1</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

**Materials Presented**

Agenda Item 3-A	Summary of Feedback from Global Roundtables
Agenda Item 3-B	Summary of Other Outreach in Q2 2025
Agenda Item 3-C	Presentation – Strategic Approach
Agenda Item 3-D	NAM Breakout Group Discussion

**Action Requested**

13. IESBA members are asked to:
- (a) Share views on, or reactions to, the roundtable feedback and other stakeholder input received;
  - (b) Agree on the strategic way forward for this project; and
  - (c) Discuss the prioritization of topics for potential NAMs and other supporting material, the types of material to develop, and over which period.