



IESBA

International Ethics Standards Board for Accountants
AN IFEA BOARD

Firm Culture & Governance

IESBA Update

IAASB Meeting

June 16, 2025



Project Team and Board Advisors

Project Team

Standard-Setting

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

Non-Authoritative Material

- Kam Leung (Lead)
- Joanne Holt

Board Advisors

- Channa Wijesinghe
- Rich Huesken





Agenda

1. Project Proposal

- Key elements of FCG Framework
- Initial considerations of FCG Framework

2. Summary of Outreaches Q2 2025

- Global Roundtables
- Summary of Other Outreaches

3. June 2025 IESBA Discussion and Way Forward

- IESBA-IAASB Coordination

Project Proposal

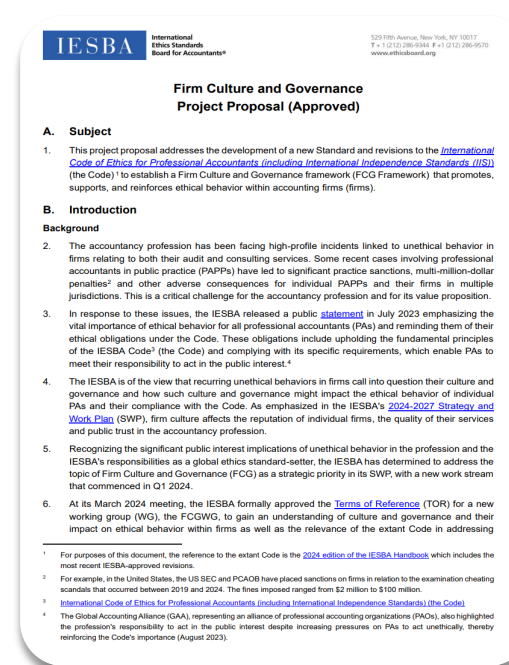
IESBA SWP
2024 - 2027



FCG Working Group
Final Report Dec 2024



FCG Project Proposal
2025

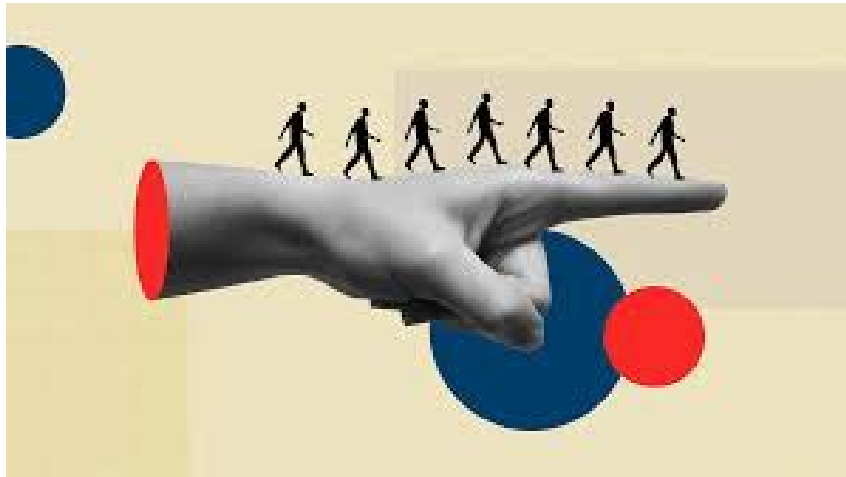


OBJECTIVE: To develop a culture and governance framework that promotes, supports and reinforces a high standard of ethical behavior by a firm's leadership, other partners, and staff across all of the firm's services, thereby helping the firm develop a reputation as a highly ethical firm, mitigate the risks of unethical behavior and strengthen public trust and confidence in all of its services.

Outreach, aca. lit. review and fact-finding exercise
throughout 2024

Key Elements of FCG Framework

The project proposal identified 8 elements for a FCG framework:



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

Guiding Considerations for FCG Framework



FCG framework intended to:

- Be principles-based
- Cover all service lines
- Be scalable and proportionate

NOT intended to be:

- Prescriptive
- An extension of a system of quality management

Questions?



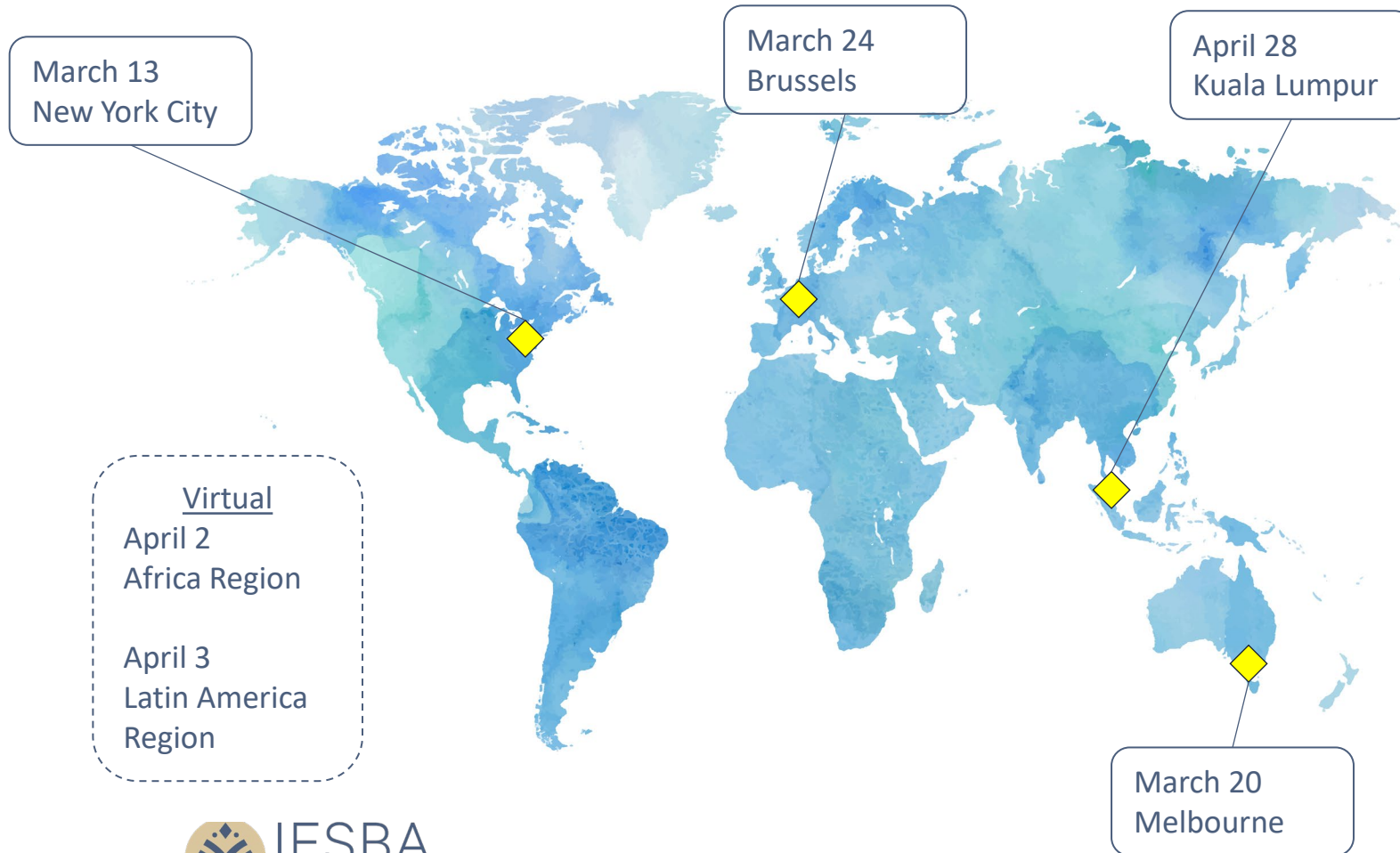


Summary of Outreaches Q2 2025

- Global Roundtables
- Other Outreaches

Global Roundtables

PARTICIPANT BREAKDOWN



Categories	Total (including observers)	Total (%)
Regulators and oversight authorities	35	21%
Investors and other users	5	3%
Those charged with governance (TCWG) and preparers	13	8%
Independent JSS and international standard setting boards	8	5%
Professional accountancy organizations (PAOs)	40	21%
Accounting firms	39	23%
Public sector organizations	2	1%
Academia	6	4%
Others	20	12%
TOTAL	168	100%

Global Roundtables

GENERAL OBSERVATIONS

*Summary of
key input from
stakeholders*

**Importance of Ethical
Culture**

Principles-based

**Need to Consider
Scalability &
Proportionality**

**NAM as an Effective
Vehicle**

**Private Equity
Investments**

**Coordination with
IAASB**

Global Roundtables

FCG ELEMENTS



Ethical Leadership

Ethics should be a strategic priority; importance of tone at the top; promote and employ the right people

Oversight & Governance

Oversight needs to be visible and tailored to each firm; monitoring, evaluation and improvements should be regularly reviewed

Provision of Independent Input

Independent/objective input is useful; can come from multiple sources but no one size fits all; challenges with finding qualified independent non-executives

Accountability Across the Firm

Clear expectations of ethical behavior; importance of communicating ethical breaches and consequences

Global Roundtables

FCG ELEMENTS



Incentives & Rewards

Ethical behavior is expected, difficult to set incentive targets; disincentives; promote ethical behavior through non-financial means and disincentive mechanisms can be a powerful tool

Culture of Open Discussion & Challenge

Leadership key to establishing psychological safety; different tools to support open discussion in structured/accessible way; barriers to culture of open discussion

Continuous Education & Training

Most effective when grounded in real-time judgment and relatable, practical real-life examples; should be integrated across whole firm

Transparency

Doubts about effectiveness of transparency reports on ethical performance; importance of internal transparency

Other Outreaches in Q2 2025

Firms and professional accountancy organizations

- Forum of Firms
- IFAC's Small and Medium Practices Advisory Group (SMPAG)
- SMPs arranged by Association of Chartered Certified Accountants (ACCA)
- Meetings with firms

Regulators

- International Forum of Independent Audit Regulators (IFIAR) Standards Coordination Working Group (SCWG)
- Securities Commission Malaysia (SCM)
- Accounting and Corporate Regulatory Authority (ACRA)

Others

- IESBA Jurisdictional Standard Setters (JSS)
- Corporate Governance Experts and Investor



Questions?





Revised Approach



Timeline Pre-Roundtable

Where We Are

- Approval of project proposal with 2 workstreams (Dec 2024)
- 6 global roundtables (Mar-Apr 2025)
- Roundtable with Forum of Firms and other stakeholder outreach (Mar-Apr 2025)
- Analysis of roundtables & other stakeholder feedback (May 2025)

Plan Pre-roundtables

- Approval of exposure draft December 2025
- Final approval of standard December 2026
- Development of NAMs in 2025 and 2026

2025

2026

June 2025 IESBA Discussion – Way Forward

ROUNDTABLE AND OTHER STAKEHOLDER FEEDBACK

- Support for the relevance and importance of firm culture and governance
- Wide support for and suggestions to prioritize NAM development
- Feedback received particularly suited for development of NAM, other guidance and awareness raising materials
- Some doubts about need for and effectiveness of a standard in preventing future ethical failures



IESBA supported Project Team's proposed approach:

- Resequencing of workstreams to align with *overall* proposed IESBA strategy
 - Emphasize development of supporting materials for next 18-24 months
 - Continue to explore best approach to FCG framework, further informed by development of supporting materials and other initiatives

June 2025 IESBA Discussion – Way Forward

REACHING THE RIGHT AUDIENCES | TELLING THE RIGHT STORY

Outputs and other activities 2025-2026:

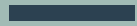
- Series of “IESBA viewpoints” on the FCG elements by Q4 2025:
 - One on overview of the FCG elements
 - Eight on the FCG elements
- NAM, supporting material and other initiatives in 2026
 - Podcasts, fireside chats, videos, storytelling by firm leaders, interactive tools
- Stocktake and determination of way forward on FCG framework Q2 2026

IESBA-IAASB Coordination Approach

- Designated IAASB member and staff as contacts for coordination matters, including review of draft papers
 - Staff meetings: Feb - April 2025
 - Update meeting with IAASB member: May 8
- Updates/feedback at IAASB Board Meetings
 - June 2025 IAASB meeting
- As appropriate, including IAASB in outreach
 - Global RTs
- Joint-SSB Chairs meetings as needed



Questions?



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