

Meeting: Stakeholder Advisory Council (SAC)

Meeting Location: Madrid, Spain

Meeting Date: April 27–28, 2026

Agenda Item

3

IESBA Firm Culture and Governance Viewpoints

Background

1. The International Ethics Standards Board for Accountants (IESBA) recognizes that in order to enable accounting firms (“firms”) to operate ethically and to mitigate the risks of ethical failure more robustly and holistically, it is essential to address not only ethical behavior at the individual level but also the broader organizational issues of ethical culture and governance of a firm. These considerations should apply across the whole firm, covering all service lines.
2. The IESBA took on Firm Culture and Governance (FCG) as a strategic priority following recurrent high-profile cases of unethical behavior in accounting firms in several jurisdictions in recent years that resulted in damaging consequences for individual professional accountants as well as their firms and staff. Extensive fact-finding work was undertaken by the IESBA’s FCG Working Group over the course of 2024, with the Working Group’s conclusions and recommendations embodied in its [final report](#) to the IESBA.¹
3. On the basis of the final report’s recommendations, in December 2024, the IESBA approved a [project proposal](#) to develop a principles-based FCG 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 to strengthen its reputation and long-term value as a highly ethical firm, mitigate the risks of unethical behavior and strengthen public trust and confidence in all of its services. The project proposal anticipated that an exposure draft would be approved by the end of 2025. The IESBA also agreed to initiate a separate workstream to develop non-authoritative material (NAM) that would complement the output of the standard-setting project.
4. The FCG framework will also serve the important public interest goal of providing a global and consistent point of reference for FCG. There is currently no comprehensive global ethics baseline against which firms can assess their FCG practices across all their services lines.
5. As part of the public consultation process to inform the development of the proposed FCG framework as well as the development of NAM, the IESBA embarked on a series of six global in-person and virtual [roundtables](#) in March and April 2025.² While there was broad agreement among roundtable participants that fostering an ethical culture requires more than just policy statements or compliance

¹ The Working Group’s charge included, among other matters, gathering an understanding of culture and governance and their impact on compliance with ethical requirements in accounting firms and, where applicable, their networks and developing recommendations to the IESBA. The development of the report was informed by extensive outreach to stakeholders, including regulators and oversight bodies, investors and the corporate governance community, accounting firms, professional accountancy organizations, jurisdictional standard setters and the [SAC](#), as well as a review of academic literature. The final report was published in January 2025.

² See the [summary of feedback from the global roundtables](#).

frameworks, there were also mixed views as to whether the IESBA should focus on developing a new standard, with a number of participants preferring a flexible, principles-based approach centered on NAM.

6. At its June 2025 meeting, as part of the mid-cycle review of its Strategy and Work Plan 2024–2027 and in light of stakeholder feedback regarding overall IESBA activities, the IESBA determined to slow down standards issuance and devote a greater focus on reinforcing support for adoption and implementation of the IESBA Code,³ among other calibrated adjustments to its forward strategy for 2025–2026.
7. Consistent with this strategic adjustment to the pace of standard-setting and the prioritization of NAM support, and taking into account feedback from the global roundtables and other outreach in the second quarter of 2025 regarding the standard-setting work, the IESBA agreed in June 2025 to resequence the FCG standard-setting and NAM workstreams.
8. The resequencing involved the IESBA:
 - (a) Developing a plan for practical guidance and other initiatives in 2026 to create awareness and dialogue among stakeholders around the eight elements⁴ that form the structure of the FCG framework (FCG elements), and help firms foster an ethical culture that supports long-term public trust in all their services and activities; and
 - (b) With a view to determining by June 2026 how best to approach the development of the FCG framework, developing by December 2025 a set of IESBA viewpoints on each of the eight FCG elements for purposes of further engagement with stakeholders in Q1–Q2 2026.
9. In deciding to resequence the standard-setting and NAM workstreams, the IESBA made it clear that the resequencing did not mean that it had abandoned the standard-setting workstream.⁵ Instead, the resequencing was intended to create space for the IESBA to:
 - (a) Analyze the input it had collected from its extensive information-gathering activities on the topic, including the research and other fact-finding as summarized in the Working Group's final report as well as the global roundtables and other stakeholder outreach;
 - (b) Distill from this analysis the essential, consensus-driven messages the IESBA heard from stakeholders concerning the eight FCG elements; and
 - (c) With the benefit of its own perspectives and reflections on the outputs from (a) and (b), develop and refine a series of IESBA viewpoints on the FCG elements by December 2025 to be used as an instrument for further discussion with stakeholders in Q1–Q2 2026.
10. At its December 2025 meeting, the IESBA accepted the eight sets of IESBA viewpoints (see Agenda Item 3-B) to be used as a basis for further engagement with stakeholders in Q1–Q2 2026. The IESBA viewpoints are a tool for stakeholder engagement and do not constitute the FCG framework, which is yet to be developed.

³ The [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#)

⁴ The eight FCG elements are: ethical leadership, oversight and governance, independent input, accountability across the firm, incentives and disincentives, open discussion and challenge, education and training, and transparency.

⁵ See the [June 2025 IESBA minutes](#), pages 10 and 11.

The IESBA FCG Viewpoints

11. The IESBA viewpoints reflect the key characteristics of each element of the FCG framework. The key characteristics are outcome-oriented and are aimed at supporting, driving and shaping ethical behavior within firms. The operationalization of the key characteristics will differ from firm to firm, depending on factors such as a firm's size, the types of services it provides, the markets in which it operates, and the nature and types of clients it serves.
12. The IESBA viewpoints are drawn from the FCG Working Group's final report and the input received from the extensive stakeholder outreach conducted since the commencement of the project, particularly the six global roundtables held in 2025.
13. The IESBA viewpoints are intended to be high-level. The IESBA plans to develop supporting materials in 2026 to complement the viewpoints and provide practical guidance to help firms take steps towards strengthening their ethical culture. Some of the viewpoints recognize that their application will vary depending on various factors.
14. In terms of applicability, the IESBA viewpoints:
 - (a) Are intended to be scalable and proportionate, given the wide diversity of firms, the types of clients they serve and the types of services they provide. Where relevant, the IESBA viewpoints incorporate specific scalability and proportionality considerations (e.g., see independent input, and oversight and governance); and
 - (b) Are relevant to firms operating on their own or as part of a network.
15. The IESBA viewpoints reflect the fact that building and sustaining an ethical culture in a firm is a long-term commitment that extends to all levels of the firm. Importantly, they recognize the special responsibility of senior leadership of the firm, given their central role in driving a strong ethical culture, regardless of the size of the firm and the types of professional services provided and clients served.
16. The IESBA viewpoints demonstrate that the FCG elements work in a cohesive and mutually reinforcing way, holistically contributing to the development of a strong ethical culture within a firm.

Linkages Between IESBA Viewpoints and ISQM 1⁶

17. The IESBA recognizes that there is an important question regarding the nature and extent of the linkages between the IESBA viewpoints and ISQM 1, given that the latter speaks to some aspects of FCG as they relate to designing, implementing and operating a system of quality management.
18. In response to this question, the IESBA has developed and released, in coordination with the IAASB, a [paper](#) that explains at a high level the linkages between the IESBA viewpoints and ISQM 1, including the key differences. Although it does not purport to be a like-for-like assessment for the reasons therein explained, the paper also presents, for illustrative purposes, an overview of the linkages between the IESBA viewpoints and ISQM 1 in relation to all eight FCG elements.

⁶ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

The FCG Dialogues

19. In January 2026, the IESBA launched the FCG dialogues to support further engagement with stakeholders during Q1–Q2 2026.
20. The purpose of the FCG dialogues is to:
 - (a) Obtain feedback on the clarity, implementability and proportionality of the viewpoints, having regard to firms' internal practices on ethical culture;
 - (b) Explore which of those viewpoints could evolve into draft FCG principles or guidance, forming a framework to guide firms' efforts to build and sustain a strong ethical culture and related governance practices; and
 - (c) Obtain input on any other matters to consider in the development of the FCG framework.

Whether some of the viewpoints could evolve into draft FCG principles will depend on whether there is a broad consensus among stakeholders that they are fundamental levers to promote ethical culture and can do so effectively without necessarily requiring prescriptive requirements.

21. As part of the FCG dialogues, the IESBA is also seeking stakeholders' feedback on how best to approach the development of the FCG framework, including its content, authority and location. To support the FCG dialogues, the IESBA developed a [Briefing Note](#) providing further information on the IESBA viewpoints, their objectives, engagement questions, and next steps.
22. The FCG dialogues include focus group meetings with representatives of the Global Public Policy Committee (GPPC) firms, Small and Medium Practices (SMPs), and regulators and oversight bodies. A meeting with investors through the newly established IAASB-IESBA Joint User Advisory Group (UAG) is also being arranged.
23. Other initiatives include a simulation exercise with two firms (a large firm and a medium-sized firm in two different jurisdictions) to gain deeper insights into how the FCG viewpoints might be contextualized and implemented within each firm's environment.
24. The feedback obtained from the focus groups, other stakeholder meetings and the simulation exercises will help inform the IESBA's consideration of how best to approach the development of the FCG framework at its June 2026 meeting, including whether the framework should be developed within or outside the IESBA Code.
25. The FCG dialogues are targeted outreach and do not constitute a formal public consultation on the IESBA viewpoints. They are a practical and measured approach for the IESBA to involve stakeholders in reaching a decision on the approach to developing the FCG framework, balancing practicality and public interest considerations. Depending on the feedback received, the IESBA may determine to pursue such a public consultation in developing the FCG framework in accordance with its due process.

Matters for SAC Members' Consideration

*SAC members are invited to share their feedback on the IESBA FCG viewpoints (see **Agenda Item 3-B**), with emphasis on the implications for ethical behavior, accountability, public trust, firm resiliency, and consistent application across jurisdictions.*

Additionally, SAC members are asked:

- 1. Are expectations and practices shifting in firm culture and governance, and if so, what is driving that shift?*
- 2. What is the potential impact of an FCG framework being set (i) within the IESBA Code, or (ii) outside the Code and available for voluntary adoption?*
- 3. Focusing on the eight FCG elements (see **Agenda Item 3-B**), whether the viewpoints could evolve into key, enduring principles of the FCG framework?*

Material Presented

For Discussion

Agenda Item 3-A Presentation: IESBA Firm Culture and Governance Viewpoints

Agenda Item 3-B IESBA Firm Culture and Governance Viewpoints