

AGENDA PAPER

Item Number: 5
Date of Meeting: 26 March 2026
Subject: Update on IESBA's Firm Culture and Governance Project

Action required For discussion For noting For information

Purpose

To update the Board on the IESBA's Firm Culture and Governance (FCG) Project.

Background

Given the significant public interest consequences that arise when unethical behaviour occurs in firms, the International Ethics Standards Board for Accountants (IESBA) has determined to take a leadership role as the global ethics standard-setter in addressing firm culture and governance as a strategic priority in its current [2024-27 Strategy and Work Plan](#).

In December 2023, the Firm Culture and Governance Working Group (the Working Group) was formed, with its [Terms of Reference](#) being approved at the IESBA March 2024 meeting. APESB CEO and IESBA member Channa Wijesinghe chaired the Working Group.

The Working Group has undertaken extensive global stakeholder outreach, including regulators, standard setters, those charged with governance, finance executives and global and national firm leaders. It has also commissioned academic research. A project status update was provided at the September 2024 Board Meeting ([Agenda Item 10](#)).

In December 2024, the IESBA approved the Working Group's [Final Report](#) that sets out its findings and recommendations, including key drivers of ethical firm culture. The IESBA also approved a [Project Proposal](#) to commence two new workstreams in 2025: the standard-setting project and the development of non-authoritative materials (NAM). APESB CEO and IESBA Vice Chair Channa Wijesinghe is the Lead Board Advisor to the project.

At the IESBA [June 2025](#) meeting, the IESBA approved a [revised strategic approach](#) to the FCG Project, aligned with its revised overall forward strategy for 2025-2026. This revised approach includes resequencing the standard-setting and NAM workstreams, prioritising the development of NAM as a first step.

In July 2025, the IESBA released [Firm Culture and Governance: Summary of Feedback from Global Roundtables](#), which captures stakeholder perspectives from six global roundtables.

At the IESBA [September 2025](#) and [October 2025](#) meetings, the IESBA considered draft “Viewpoints” on the eight elements of the FCG framework identified in the project proposal. The IESBA also agreed to develop a “Contextual Piece” to explain the nature and purpose of the Viewpoints as part of the process to develop the FCG framework. In addition, the IESBA acknowledged the importance of clearly explaining the connectivity between the Viewpoints and the IAASB’s *International Standard on Quality Management 1* (ISQM 1).

Current developments

This paper sets out some of the key developments since the last update to the Board at the December 2025 Board Meeting.

IESBA December 2025 Board Meeting

At the IESBA [December 2025](#) meeting, the IESBA considered the following Agenda Items:

- A draft contextual piece which sets out the background, nature and purpose of the draft IESBA viewpoints;
- A draft overarching piece that provides an overview of the eight FCG elements, including their connectivity;
- A final draft of IESBA’s eight viewpoints;
- A paper explaining the connection between the draft IESBA viewpoints and ISQM 1; and
- The plan for targeted outreach, additional materials and initiatives Q1-Q2 2026.

The IESBA agreed to use the viewpoints as a tool for further dialogue with stakeholders to better inform its deliberations on how best to approach the development of the FCG framework at its June 2026 meeting. In this regard, the IESBA supported the Project Team’s proposed plan for stakeholder engagement on the IESBA viewpoints and the development of supporting materials or other initiatives in Q1 and Q2 2026.

The IESBA also supported the ongoing coordination with the IAASB and agreed to continue developing the linkages document to ISQM 1 to cover all eight elements of the FCG framework.

The IESBA will next receive an update from the Project Team at its March 2026 meeting (9–12 March 2026). APESB staff will provide a verbal update of the outcomes from the IESBA March 2026 meeting.

IESBA Publications release

In January 2026, IESBA launched a series of materials, marking the start of the FCG Dialogues, a six-month global engagement initiative through which IESBA will test, refine and further develop its thinking on the FCG Framework, in consultation with stakeholders:

- A [booklet](#) presenting the Viewpoints on the eight elements of the FCG Framework and outlining the objectives of the project and the dialogues planned for the first half of 2026 (see Agenda Paper 5(a));
- A [Snapshot](#) providing a short, non-technical overview of the project, the Viewpoints, upcoming discussions and key decisions expected in 2026;
- A [Briefing Note](#) setting out the Viewpoints, their context and objectives, engagement questions and next steps (Agenda Paper 5(a)); and
- A high-level [paper](#) outlining linkages between the Viewpoints and ISQM 1.

IESBA Questions for Stakeholder Engagement

As outlined in the IESBA Viewpoints booklet (Agenda Paper 5(a)), during the IESBA targeted outreach on the FCG Framework, stakeholders will be asked to share views on the following questions:

- Question 1** What are the benefits in having a framework that provides a comprehensive global ethics baseline against which firms can assess their FCG practices across all their service lines?
- Question 2** Recognising that the Code already contains provisions addressing some, but not all, of the FCG elements, what is the potential impact on firms if the FCG framework to be developed by the IESBA is set:
- (a) within the IESBA Code, or
(b) outside the IESBA Code and available for voluntary adoption?
- Please provide your reasons, including benefits and challenges as well as any other relevant information.
- Question 3** For each set of IESBA viewpoints on the eight FCG elements:
- (a) Which of the viewpoints do you believe could evolve into key, enduring principles of the framework?
(b) Are the viewpoints clear, implementable and proportionate?
(c) Is there anything missing from the viewpoints that should be included as a key principle of the framework?
- Please provide your reasons for your responses.
- Question 4** Please provide any additional information or matters for the IESBA to consider in the development of the FCG framework, such as your firm's (or firms') practices on ethical culture.

IESBA outreach – Asia

In January 2026, IESBA Chair Gabriela Figueiredo Dias and IESBA staff began the first part of the six-month global stakeholder outreach on the FCG Framework. The January events were held across [Singapore](#), [Malaysia](#) and [Hong Kong](#). Some of the key themes emerging from the discussions relating to firm culture and governance included:

- Broad agreement around the relevance of firm culture and governance, coupled with constructive input on:
 - scalability and gradual deployment of a future framework;
 - the need to complement principles with concrete examples and practices; and
 - the challenge of implementing ethical requirements consistently across firms offering diverse services such as audit, accounting, tax, and consulting.
- The critical role regulators play in promoting balanced, public-interest-oriented approaches that support ethical cultures and effective governance mechanisms.
- Culture and governance shape how decisions are made under pressure, how incentives are aligned and how ethical challenges are addressed before they escalate.

- Ethics is a fundamental enabler of trust. It is essential to the credibility of the accounting profession and, more broadly, to well-functioning capital markets and economies built on reliable information and trusted relationships.
- Culture and governance mechanisms are also critical to ensuring organisational environments that support ethical decision-making and sustained trust.
- Consideration of whether any framework should be voluntary or mandatory.

Further details about the project are available on the IESBA's [project page](#).

Way Forward

Board members to provide initial observations and comments on IESBA's questions for stakeholder engagement.

Technical Staff will continue to monitor the progress of this IESBA project and report back to the Board at its June 2026 meeting.

Recommendation

That the Board note the update on the IESBA's Firm Culture and Governance Project and provide the Board's observations and comments on IESBA's questions for stakeholder engagement.

Materials presented

Agenda Item 5 (a) Briefing Note - IESBA Viewpoints – Firm Culture and Governance

Authors: Channa Wijesinghe
 Nikole Gyles

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