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The International Ethics Standards Board for Accountants® (IESBA®) is an independent standard-setting body that develops the Code of Ethics for Professional Accountants™ (the Code) for use by the global accountancy profession. The objective of the IESBA, as outlined in its Terms of Reference, is to serve the public interest by setting high-quality ethics standards for professional accountants and by facilitating the convergence of international and national ethics standards. A single set of high-quality ethics standards can enhance the quality and consistency of services provided by professional accountants throughout the world, thereby contributing to public confidence in the accountancy profession.

The IESBA’s standard-setting arrangement has a number of elements designed to ensure and protect the independence of the board. The most important of these is formal, independent, public interest oversight: the Public Interest Oversight Board (PIOB) has authority over key elements of the standard-setting structure and process.

Threats to the independence of the IESBA are further safeguarded by three other aspects of the process. The first is a highly transparent due process for standard setting that is formally approved by the PIOB. The second is the involvement of the IESBA’s Consultative Advisory Group (CAG) and observers in the standard-setting process. The CAG provides public interest input into the development of the IESBA’s standards and guidance. The third is the requirement that members of the IESBA annually sign declarations that they will act in the

(Back row (left to right): Gary Hannaford, Reyaz Mihular, Brian Caswell, James Gaa, Claire Ighodaro, Don Thomson, Marisa Orbea, Richard Fleck, Atsushi Kato)

(Front row (left to right): Helene Agélii, Caroline Gardner, Sylvie Soulier, Stavros Thomadakis (Chair), Wui San Kwok (Deputy Chair), Peter Hughes, Chisala Kateka, Yaoshu Wu)

(not pictured: Stefano Marchese)
The Code establishes ethics standards for professional accountants in public practice and in business.

The Code establishes ethics standards for professional accountants in public practice and in business. Under IFAC’s membership requirements, IFAC member organizations have committed to apply standards at least as stringent as those stated in the Code. IFAC has more than 175 members and associates in more than 130 countries and jurisdictions representing almost three million accountants worldwide. In addition, under their membership obligations, members of the Forum of Firms, an association of networks of international accounting firms, have agreed to have policies and methodologies that conform to the Code for transnational audits.

The structures and processes that support the operations of the IESBA are facilitated by IFAC. The IESBA is a component of the overall IFAC reporting entity; accordingly, its financial results are included within IFAC’s audited financial statements, which are published as part of IFAC’s Annual Review at www.ifac.org.

Please visit www.ethicsboard.org for more information, and follow the IESBA on Twitter @Ethics Board.
We live in a world of heightened ethical expectations for the accountancy profession. The importance of ethics has been underscored by the financial crisis and its aftermath. As a global standard setter, the Ethics Board is responding to these heightened expectations and is seeking to provide leadership in ethical thinking as it revises and restructures the Code of Ethics for Professional Accountants (the Code).

Pursuing our Strategy & Work Plan, 2014-2018, the ongoing restructuring of the Code now occupies center stage. Importantly, in 2015, we have reaffirmed the value of timely delivery of new and revised provisions in coordination with the restructuring of the Code.

The year 2015 has been a productive one: the board issued a new pronouncement and approved four Exposure Drafts. It has also finalized deliberations on Phase 1 of revisions to Part C of the Code, pending only adjustments for restructuring. Details of these and other achievements for the year are set out in the Technical Director’s report.

Faced with a demanding workload, board members, task force members, and staff have all risen to the occasion with enthusiasm and perseverance. I am thankful to all for their dedication and achievement. I must specially mention the seven seasoned members who rotated off the Board at year-end: Wui San Kwok (Deputy Chair), Jim Gaa, Caroline Gardner, Peter Hughes, Marisa Orbea, Don Thomson and Yaoshu Wu. They made valuable contributions until the very end of the year, and a few have agreed to continue to help on specific projects to facilitate the transition. They have my appreciation and admiration.

We look forward to equally decisive progress on pending projects (Non-compliance with Laws and Regulations, Long Association, Safeguards, and Part C Phase 2) as well as in restructuring the Code in 2016. We will continue our rich
working relationships with our Consultative Advisory Group (CAG), our National Standard Setters liaison group, and our other stakeholders. We also remain in close engagement and dialogue with the Public Interest Oversight Board. I take this opportunity to congratulate Kristian Koktvedgaard on his re-appointment for a second three-year term as Chair of the CAG, after a very successful first term.

Ethical conduct by accountants in public practice and in business, including in government, can exert considerable influence on the level of ethical awareness and orientation of ethical compasses within the broader community. The Code is currently adopted or used as a basis for national ethical codes in over 100 jurisdictions around the world. It is our expectation that as adoption expands further so will the Code motivate more broadly ethical corporate cultures and ethical conduct around the globe.

Dr. Stavros Thomadakis
Chairman

2015 HIGHLIGHTS
The official Spanish translation of the 2014 edition of the IESBA Handbook was released in August.
The board had a very busy and fruitful year in 2015. The high level of outputs achieved with respect to the board’s main focus on standard setting was driven not only by the need to make decisive and timely progress on important projects in the public interest, but also by the impending completion of the terms of seven board members at the end of the year. The board rose to the occasion with a deep sense of purpose and commitment, and with an intense focus on achieving balanced positions on the significant public interest issues on its agenda. At the same time, the board continued to pursue an extensive stakeholder outreach program, sought closer coordination and cooperation with the International Auditing and Assurance Standards Board (IAASB), and dedicated attention to emerging issues of international relevance.

My report summarizes the board’s achievements in 2015 and the progress accomplished on its various projects and initiatives during the year. The board met five times in person and twice by conference call.

## STANDARDS DEVELOPMENT

### Overview

In 2015, the board:

- Issued a final pronouncement on the topic of non-assurance services;
- Approved four Exposure Drafts (EDs) on the topics of non-compliance with laws and regulations (NOCLAR), the structure of the Code, safeguards, and long association;
- Agreed revisions to the Code under Phase 1 of the Part C project, pending restructuring of the revised provisions;
- Established a working group to undertake fact finding regarding certain fee-related matters, and provided input with a view to finalizing a staff publication on fees; and
- Joined a tripartite working group with the IAASB and the International Accounting Education Standards Board (IAESB) to explore whether there may be
opportunities for enhancements in the respective boards’ standards on the topic of professional skepticism in response to feedback from regulatory and other stakeholders.

Non-Assurance Services (NAS)
In January, the board approved the final changes to the Code related to certain provisions addressing NAS for audit and assurance clients. The revisions reinforce the auditor independence provisions in the Code by, in particular, no longer permitting auditors to provide certain bookkeeping and taxation services to public interest entity (PIE) audit clients in emergency situations, and ensuring that they do not assume management responsibility when providing NAS to audit clients. In addition, the pronouncement includes clarified guidance regarding the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs. Corresponding changes have been made to the Code’s NAS provisions with respect to other assurance clients.

The board believes that the enhanced and clarified guidance will help support effective implementation of the new audit legislation in the EU, particularly as the legislation does not provide guidance regarding the meaning of the concept of the management function.

2015 HIGHLIGHTS
In April, the IESBA issued a final pronouncement concerning certain provisions addressing non-assurance services for audit and assurance clients.
Non-Compliance with Laws and Regulations

This project commenced in October 2009 and has been one of the most challenging projects the board has undertaken, reflecting the complex and multi-faceted issues involved.

During the year, the board made further headway on the project and agreed on the direction of revised proposals, following the three 2014 global roundtables on the project in Hong Kong, Brussels, and Washington, DC. In April, the board unanimously approved a new ED that sets out a proposed response framework to guide auditors, other professional accountants in public practice, and professional accountants in business (PAIBs) in deciding how best to act in the public interest when they encounter, or are made aware of, an act or suspected act of NOCLAR. This milestone was the culmination of extensive efforts by the board to consult with stakeholders on the complex issues in the project over the last two and a half years and to formulate a robust, balanced, and effective standard for global application.

In June, the IAASB approved an ED of limited changes to its International Standards on Auditing and other standards to recognize the proposed NOCLAR-related changes to the Code. The IAASB endeavored to time the release of its ED with the release of the IESBA ED to enable stakeholders to consider the IESBA and IAASB proposals side by side to the greatest extent possible. In this regard, both boards coordinated their efforts on their NOCLAR projects closely, with a member from each board appointed to the project Task Force of the other board.

In December, the IESBA considered significant comments received on the ED. Respondents were largely supportive of the direction of the proposals. Among other matters, the board deliberated three issues of significance to the public interest, namely: a) whether auditors and other professional accountants would be permitted to disclose an instance of NOCLAR or suspected NOCLAR to an appropriate authority without having to follow the proposed response process; b) in the context of a group, ensuring adequate communication of NOCLAR matters between component and group auditors; and c) where a predecessor auditor has resigned from the client relationship because of a NOCLAR matter, whether client consent should be a prerequisite to the predecessor sharing information concerning the NOCLAR with the proposed successor auditor.

The IESBA aimed to finalize these and other remaining issues with a view to approving the final pronouncement in the second quarter of 2016. As part of this, it will continue to coordinate closely with the IAASB to ensure that the NOCLAR-related changes to the Code are not in conflict or otherwise inconsistent with the IAASB’s standards.

Given the importance of the new provisions in the public interest, the IESBA agreed, subject to PIOB approval of due process, to issue the final pronouncement without waiting for it to be restructured under the proposed new structure and drafting conventions being developed under the Structure of the Code project.

2015 HIGHLIGHTS

In May, the IESBA released a new ED of revised proposals regarding professional accountants’ response to identified or suspected NOCLAR.
Improving the Structure of the Code

The board views its Structure of the Code project as strategically important and, therefore, as a high priority. Responding to regulatory concerns about bringing the benefits from the restructuring of the Code to the market in as timely a manner as possible, the board has dedicated significant effort and resources to advancing this project.

Feedback from respondents to the November 2014 Consultation Paper indicated widespread support from stakeholders for the project. Taking into account this feedback, in April the board broadly supported a proposed approach to restructuring the Code. This proposed approach responds to key public interest concerns about making sure the new structure gives appropriate prominence to the overarching responsibility for auditors and other professional accountants to comply with the fundamental principles in the Code, and clearly distinguishes requirements from guidance to support usability, compliance, and enforcement.

In December, the board approved the Phase 1 ED, representing the first concrete application of the proposed new structure. The ED covers both a number of provisions in the Code dealing with its general application and selected sections addressing professional accountants in public practice. In addition to clearly distinguishing requirements from application material, and the use of clearer, simplified wording, key proposals in the ED include:

- Increased clarity of responsibility for compliance with the Code’s requirements;
- A reorganization of the content of the Code; and

In conjunction with the release of the ED, the board published in December the IESBA Update to explain how it plans to coordinate the restructuring effort with the various other projects currently on its agenda and when it anticipates the project’s completion. The update also highlights a number of implementation considerations for national standards setters (NSS), IFAC member organizations, and firms as the board makes headway on the initiative. The board anticipates approving the Phase 2 ED by the fourth quarter of 2016.

Safeguards

In finalizing the changes to the Code arising from the NAS project, the board acknowledged regulatory concerns that these changes alone may not be sufficient to address existing public interest concerns regarding the clarity, appropriateness, and effectiveness of the safeguards in the Code. Accordingly, in January, the board approved a new project to review the safeguards in the Code. Given the pervasiveness of safeguards in the Code, the board determined to undertake this project as a high priority in close coordination with the Structure of the Code project.

During the year, the board made solid progress in deliberating the issues in the first phase of the project. In December, it approved the Phase 1 ED using the proposed new structure and drafting conventions. Among other matters, the ED proposes:

- More robust and prominent requirements related to the application of the conceptual framework, including a required overall assessment of the judgments made and conclusions reached;
• A revised description of safeguards to ensure that actions or measures taken by firms to address threats to compliance with the fundamental principles better correlate with the identified threats;

• Clarified and streamlined examples of safeguards; and

• New guidance to better explain the concept of a “reasonable and informed third party” that is essential to properly applying the conceptual framework.

The project’s second phase will address safeguards as they relate to independence, particularly in relation to the provision of NAS to audited entities. The board anticipates approving the Phase 2 ED by the fourth quarter of 2016.

The board determined that this project serves the public interest as long association of firm personnel on an audit engagement with an audit client can adversely impact objectivity and professional skepticism—important contributors to audit quality. The project has been challenging because it involves balancing further strengthening the partner rotation requirements in the Code with respect to PIE audits against considerations of audit quality, practicality, and global operability.

During the year, the board considered the feedback received on its August 2014 ED and reached final agreement on most of the issues that were addressed in the ED, including:

• An increase in the cooling-off period for engagement partners (EPs) from two to five years on audits of all PIEs; and

• Additional restrictions on activities that can be performed during the cooling-off period.

The board’s deliberations, however, centered on two key public interest issues, namely whether the existence of different regulatory safeguards at the jurisdictional level (such as mandatory firm rotation) might provide an alternative to elements of the partner rotation requirements for PIE audits in the Code, and the approach to the cooling-off period for the engagement quality control reviewer (EQCR) on PIE audits.

In December, the board approved a limited scope ED seeking stakeholder views on proposals regarding three remaining issues:

• An increase from two to five years in the cooling-off period for the EQCR on the audit of a listed entity, and to three years on the audit of a PIE other than a listed entity;

• An alternative approach to the cooling-off requirements for PIE audits in the Code where jurisdictions have established different but robust legislative or regulatory safeguards to address the threats to auditor independence created by long association; and

• A revised approach to determining how long individuals should cool off after having served either as an EP or as an EQCR, or in a combination of roles, for only part of the seven-year period they have served as key audit partner.

In developing the new EQCR cooling-off proposal, the board was particularly sensitive to public interest concerns about the need for a “fresh look,” given the EQCR’s important

2015 HIGHLIGHTS

In December, the IESBA issued a first ED of proposals regarding strengthened and clarified provisions related to safeguards in the Code.

Long Association

The board determined that this project serves the public interest as long association of firm personnel on an audit engagement with an audit client can adversely impact objectivity and professional skepticism—important contributors to audit quality. The project has been challenging because it involves balancing further.
role on the audit and familiarity with the audit issues. At the same time, the board determined it also in the public interest to give appropriate weight to the practical consequences of implementation, given that the availability of individuals suitably qualified to act in an EQCR role tends to be more limited.

To assist stakeholders in better understanding the re-exposed proposals, the ED includes a set of proposed IESBA Staff Questions and Answers, which will be issued with the final provisions to facilitate implementation.

The board anticipates finalizing the pronouncement using the extant structure and drafting conventions by the third quarter of 2016. The document will then be restructured and packaged with the Phase 2 Structure of the Code ED for public comment on the restructuring only.

**Review of Part C of the Code**

The Part C project focuses on the work of PAIBs, many of whom play an important role in the financial reporting cycle and in the governance of organizations large and small. One of the project’s key objectives is to strengthen Part C of the Code to promote a higher level of ethical conduct. Phase 1 of the project addresses two topics of importance in the public interest, namely financial and non-financial information that should not be prepared or presented in a misleading or reckless manner; and pressure on or from PAIBs to breach the fundamental principles.

During the year, the board considered the feedback received on the November 2014 Phase 1 ED. In December, the board unanimously approved changes to the Code arising from this phase of the project, including consequential and conforming amendments to other sections of the extant Part C. The final “close-off” document will now be restructured under the proposed new structure and drafting conventions, and packaged with the Phase 2 Structure of the Code ED for public comment on the restructuring only.

The key objectives of the second phase of the project are: to consider the applicability of Part C to professional accountants in public practice; and to review whether the extant guidance within Part C on inducements remains appropriate and robust. During the year, the board made good progress in deliberating the issues under this phase of the project. In particular, the board considered an analysis of the provisions in the extant Code relating to inducements and researched how bribery and corruption are addressed by other organizations. The board anticipates approving the Phase 2 ED by the end of 2016.

2015 HIGHLIGHTS

In December, the IESBA approved a limited scope ED of proposed changes to the Code dealing with the long association of audit firm personnel with an audit client.
Professional Skepticism

During the year, the board continued its efforts to liaise with the IAASB and its staff on issues that cut across the projects on each Board’s current agenda. In April, the board appointed representatives to participate in the tripartite IAASB-IESBA-IAESB working group to explore coordinated action among the three standard-setting boards on professional skepticism. This is a topic that has drawn significant focus and attention from the regulatory community given the role of professional skepticism in supporting auditor independence and audit quality, and in light of recent audit inspection findings calling for auditors to demonstrate greater professional skepticism in their audits.

The topic is one of the three topics on which the IAASB is seeking stakeholder feedback as part of its December 2015 Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits (ITC). As part of this initiative, the board expects that in 2016, it will be exploring areas where the Code could be enhanced in ways that would support and complement the discussion of professional skepticism in the International Standards on Auditing issued by the IAASB and the International Education Standards issued by the IAESB. In doing so, the board will take into account relevant stakeholder feedback on the ITC.

Fee-Related Issues

Fact Finding on Fee-Related Matters

During the year, the board established a working group to undertake fact finding on fee-related issues in various jurisdictions. This is in direct response to the PIOB’s call, when it approved due process for the NAS pronouncement, for the board to revisit issues of auditor independence and NAS from a broader perspective, including consideration of fee-related issues. In the second half of the year, the board deliberated draft Terms of Reference for the working group, including the specification of the issues to be addressed and the approach to the fact finding. The board expects to finalize the Terms of Reference early in 2016 and to initiate the fact-finding work shortly thereafter.

IESBA Staff Publication on Fees

As an early step in the board’s planned engagement on the topic of fees, the board agreed to commission a staff publication to raise auditors’ awareness of the issue of downward
fee pressure and relevant provisions in the Code. In December, the board considered, and agreed that staff should finalize, the publication for release in early 2016.

**Emerging Issues**

During the year, the IESBA’s Emerging Issues and Outreach Committee (EIOC) organized several presentations to the board focused on the G-20 and major financial centers. The objective of the presentations is to brief the board on the key differences between the Code and national ethical requirements in those jurisdictions with a view to identifying whether there is a need for further enhancements to the Code. The EIOC will complete its series of country presentations and present an analysis of the findings and its recommendations for the board’s consideration in 2016.

Throughout 2015, the board also considered a number of national and international developments identified by the EIOC as having potential implications for the Code or the board’s future strategy.

**Stakeholder Outreach**

The board pursued an extensive outreach agenda in 2015 consistent with its strategic commitment to promoting further adoption of the Code and facilitating its implementation globally. In particular, the board engaged proactively with members of the regulatory community throughout the year, reflecting the Chairman’s priority focus in the first year of his term on building regulatory trust and confidence in the board’s work. Board representatives met with representatives of, among others, the Monitoring Group, the International Organization of Securities Commissions (IOSCO)’s Committee 1 and Auditing Subgroup, the International Forum of Independent Audit Regulators (IFIAR), the Basel Committee on Banking Supervision, the European Audit Inspection Group (EAIG), the European Commission, and national regulators. These meetings enabled the board to engage with regulatory stakeholders on the key public interest issues on the board’s agenda, and to exchange views on contemporaneous developments affecting the profession.
Board representatives also met with various parts of the profession throughout the year, including firms and IFAC member organizations in a variety of jurisdictions. These interactions enabled open exchanges of views on significant developments in the environment affecting the profession and on some of the important projects on the board’s agenda. The meetings also provided opportunities to invite support from these stakeholders for the board’s work in the public interest. The board’s leadership and other representatives also engaged with the IFAC Small and Medium Practices (SMP) and PAIB Committees, recognizing the important constituencies they represent. These interactions facilitated a dialogue about SMP and PAIB considerations relating to projects on the board’s agenda.

In addition, in May the board held its annual meeting with its NSS liaison group, a group of the most active ethics standard setters around the world and an important stakeholder for the board. Among other matters, the NSS shared updates and perspectives on national developments of international relevance, and provided valuable input on the board’s projects.

The board followed through with its strategic commitment to collaborate with the International Organization of Supreme Audit Institutions (INTOSAI) by continuing to contribute to INTOSAI’s project to revise its Code of Ethics, ISSAI 30. During the year, an IESBA representative participated in various meetings of the ISSAI 30 Working Group, ensuring that the direction of INTOSAI’s proposals remained broadly consistent with the IESBA Code. In November, INTOSAI issued its Exposure Draft of the revised ISSAI 30. The INTOSAI Working Group has acknowledged the strong contributions from the IESBA representative to its deliberations.

For more information regarding the board’s outreach activities during the year, see “Communicating with Stakeholders” on pages 19-21.
OVERSIGHT AND ADVICE
Representatives of the PIOB observed all of the IESBA and IESBA Consultative Advisory Group (CAG) meetings in 2015. The board continues to greatly value oversight of its standard-setting processes by the PIOB. The board has particularly appreciated the public interest insights and perspectives that PIOB members have shared at these meetings, which have helped inform the board’s deliberations throughout the year. The board believes that through the PIOB’s oversight of due process, the PIOB plays an integral role in ensuring that the Code achieves global recognition and acceptance.

The board has also benefited significantly from the contributions of CAG participants who, under the leadership of CAG Chair Kristian Koktvedgaard, provide insightful comments and suggestions on the projects and initiatives of the board. Further details on the CAG’s activities during the year are set out in the “Report of the Chair of the IESBA Consultative Advisory Group” on page 22.

APPOINTMENTS
The board was pleased to note the following IESBA appointments with effect from January 1, 2016:
- Richard Fleck as Deputy Chair for 2016;
- Robert Juenemann and Ian McPhee (public members); Lisa Snyder (non-practitioner); and Michael Ashley and Liesbet Haustermans (practitioners), for three-year terms; and
- Kim Gibson and Patricia Mulvaney (practitioners), for two-year terms.

ACKNOWLEDGEMENTS
I join Chairman Thomadakis in expressing my deep gratitude to the seven members of the board who retired at the end of 2015. I would like to congratulate all board members on their outstanding collective effort and dedication in achieving an exceptional volume of outputs for the year. I would also like to convey my sincere appreciation to the technical advisors, official observers, and all those who contributed to the work of the board in 2015. Finally, I would like to thank my staff team whose dedication and unstinting support have played an important role in the board’s achievements during the year.

Ken Siong
Technical Director
IESBA MEMBERS, OBSERVERS, AND STAFF

January 1, 2015 to December 31, 2015

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<th>Country</th>
<th>Technical Advisors</th>
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<td><strong>PUBLIC MEMBERS</strong></td>
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<td>Stavros Thomadakis, Chairman*</td>
<td>2017</td>
<td>Greece</td>
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<td>Richard Fleck*</td>
<td>2017</td>
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<td>James Gaa</td>
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<td>Gary Hannaford</td>
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<td>Claire Ighodaro</td>
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<td>Chishala Kateka</td>
<td>2017</td>
<td>Zambia</td>
<td>Michael Dorfan^</td>
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<td><strong>PRACTITIONERS</strong></td>
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<td>Helene Agélii</td>
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<td>Tone Maren Sakshaug</td>
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<td>Brian Caswell</td>
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<td>Lisa Snyder</td>
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<td>Peter Hughes</td>
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<td>Colleen Dunning</td>
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<tr>
<td>Wui San Kwok, Deputy Chair*</td>
<td>2015</td>
<td>Singapore</td>
<td>Andrew Pinkney</td>
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<td>Stefano Marchese</td>
<td>2017</td>
<td>Italy</td>
<td>Elbano de Nuccio</td>
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<tr>
<td>Reyaz Mihular*</td>
<td>2016</td>
<td>Sri Lanka</td>
<td>Tania Hayes^</td>
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<td>Marisa Orbea</td>
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<td>Australia</td>
<td>Liesbet Haustermans</td>
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<td>Sylvie Soulier</td>
<td>2016</td>
<td>France</td>
<td>Helouise Burger</td>
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<tr>
<td>Donald Thomson*</td>
<td>2015</td>
<td>Canada</td>
<td>Kim Gibson</td>
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<td>Yaoshu Wu^</td>
<td>2015</td>
<td>China</td>
<td>Jizhe Zhao^</td>
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<td>Wen Zhang^</td>
<td>2015</td>
<td>China</td>
<td>Alden Leung^</td>
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IESBA STAFF
James Gunn, Managing Director, Professional Standards
Ken Siong, Technical Director
Diane Jules, Senior Technical Manager (On secondment from IAASB)^
Louisa Stevens, Senior Technical Manager^
Kaushal Gandhi, Technical Manager
Elizabeth Higgs, Technical Manager
Astu Tilahun, Executive Assistant
Tania Sanchez, Executive Assistant

OBSERVERS
Juan Maria Arteagoitia, European Commission
Kristian Koptvedgaard, IESBA CAG Chair**
Yosuke Enomoto, Japanese Financial Services Agency^
Masahiko Honma, Japanese Financial Services Agency^
Makoto Sonoda, Japanese Financial Services Agency^
Yoshitoki Tamiya, Japanese Financial Services Agency^

PIOB OBSERVERS
Eddy Wymeersch, Chair
Chandu Bhave, Member
Jane Diplock, Member
Michael Holm, Member

Standing (left to right): Kaushal Gandhi, Technical Manager; Diane Jules, Senior Technical Manager; Tania Sanchez, Executive Assistant; James Gunn, Managing Director, Professional Standards; Astu Tilahun, Executive Assistant; Ken Siong, Technical Director; Elizabeth Higgs, Technical Manager (not pictured: Louisa Stevens, Senior Technical Manager)

* Member of the IESBA Planning Committee
** Observer to the IESBA Planning Committee
^ Partial year
## COMMUNICATING WITH STAKEHOLDERS

### 2015 Meetings, Conferences, and Events

#### REGULATORS AND AUDIT OVERSIGHT BODIES

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Location</th>
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<tbody>
<tr>
<td>Meeting with the leadership and staff of the Accounting and Corporate Reporting Authority, Singapore</td>
<td>Singapore</td>
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<tr>
<td>Meeting with outgoing Chair and incoming Chair of the Basel Committee on Banking Supervision’s Audit Subgroup, London, UK</td>
<td>London, UK</td>
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<tr>
<td>Meeting with the Director of Enterprise Investment, Head of Audit Unit, and staff of the European Commission, Brussels, Belgium</td>
<td>Brussels, Belgium</td>
</tr>
<tr>
<td>Meeting with the Head of Audit and Credit Rating Agencies, European Commission, Brussels, Belgium</td>
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<td>Meeting with the European Audit Inspection Group, Malta</td>
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<tr>
<td>Meeting with Chief Executive and staff of the Hong Kong Financial Reporting Council, Hong Kong</td>
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<td>Meeting with leadership of the Hong Kong Securities and Futures Commission, Hong Kong</td>
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<tr>
<td>Meeting with the Standards Coordination Working Group of IFIAR, Tokyo, Japan</td>
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<tr>
<td>Meeting with IOSCO Committee 1, Madrid, Spain</td>
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<tr>
<td>Teleconference with IOSCO Committee 1 Auditing Subgroup</td>
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<tr>
<td>Meeting with the Chair of IOSCO Committee 1, Washington, DC, USA</td>
<td>Washington, DC, USA</td>
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<tr>
<td>Meeting with IOSCO Secretary General</td>
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<tr>
<td>Meeting with the leadership and staff of the Japanese Certified Public Accountants and Auditing Oversight Board, Tokyo, Japan</td>
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<tr>
<td>Meeting with the Deputy Director-General and staff of the Japanese Financial Services Agency, Tokyo, Japan</td>
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<tr>
<td>Meeting with the Monitoring Group, Paris, France</td>
<td>Paris, France</td>
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<tr>
<td>Participation in and presentation at PIOB events, Abu Dhabi, UAE</td>
<td>Abu Dhabi, UAE</td>
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<tr>
<td>Participation in PIOB’s 10th Anniversary Seminar, “Future Challenges in Audit Oversight,” Madrid, Spain</td>
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<tr>
<td>Meeting with the Chair of the UK Financial Conduct Authority, London, UK</td>
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<tr>
<td>Meeting with the leadership of the UK Financial Reporting Council, London, UK</td>
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#### PREPARERS, INVESTORS, GOVERNANCE ORGANIZATIONS, AND OTHERS

<table>
<thead>
<tr>
<th>Event Description</th>
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<tr>
<td>Joint Standard-Setting Board Chairs’ session, IFAC Board meeting, Washington, DC, USA</td>
<td>Washington, DC, USA</td>
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<tr>
<td>Meeting with the IFAC PAIB Committee, Brussels, Belgium</td>
<td>Brussels, Belgium</td>
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<tr>
<td>Teleconferences with the Chair of the IFAC SMP Committee Ethics Working Group</td>
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<tr>
<td>Meeting with the IFAC SMP Committee leadership and staff, Washington, DC, USA</td>
<td>Washington, DC, USA</td>
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<tr>
<td>Meeting with the IFAC SMP Committee, New York, USA</td>
<td>New York, USA</td>
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<tr>
<td>Meeting with the Chair of the IFAC SMP Committee, Singapore</td>
<td>Singapore</td>
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<tr>
<td>Meeting with the Global Head of Governance and Stewardship, Standard Life Investments, New York, USA</td>
<td>New York, USA</td>
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**STANDARD SETTERS**

- Meeting with the leadership of the Accounting & Auditing Standards Board of Bhutan, New York, USA
- Meeting with the leadership and staff of the Accounting Professional & Ethical Standards Board, New York, USA
- Presentation at IAASB meeting, Brussels, Belgium
- Meetings with the leadership and staff of the IAASB, New York, USA
- IESBA-National Standard Setters meeting, New York, USA
- Meetings with the INTOSAI ISSAI 30 Revision Team, Warsaw, Poland
- Meeting with members of the new common forum for INTOSAI’s Framework of Professional Standards, New York, USA
- Participation in INTOSAI Professional Standards Committee’s Steering Committee Meeting, Ottawa, Canada
- Meeting with the leadership and staff of the US Public Company Accounting Oversight Board, Washington, DC, USA

**IFAC MEMBER ORGANIZATIONS AND ASSOCIATES**

- Participation in Bahamas Institute of Chartered Accountants Seminar, Nassau and Grand Bahama, The Bahamas
- Meeting with the leadership of the Hong Kong Institute of Certified Public Accountants, Hong Kong
- Meeting with representatives of the Institute of Chartered Accountants in England and Wales, London, UK
- Meeting with the leadership of the Institute of Singapore Chartered Accountants (ISCA), Singapore
- Meeting with the leadership and staff of the Japanese Institute of Certified Public Accountants (JICPA), Tokyo, Japan
- Seminar for JICPA members and Japanese stakeholders, Tokyo, Japan
- Meeting with the JICPA Deputy President and Ethics Committee members, Tokyo, Japan
- Meeting with the Vice-President of the Palestinian Association of Certified Public Accountants, New York, USA
- Article in August 2015 edition of Chartered Accountants Ireland's *Accountancy Ireland*, “A New Path of Duty”
- Interview in November 2015 edition of ISCA's *IS Chartered Accountant*
- Interview in December 2015 edition of JICPA Journal

**GOVERNMENTS AND PUBLIC SECTOR ORGANIZATIONS**

- Meeting with representatives of the Ministry of Economy and Finance, Commissione Nazionale per le Società e la Borsa, Consiglio Nazionale dei Dottori Commericalisti E Degli Esperti Contabili, and Istituto Nazionale Revisori Legali, Rome, Italy
- Meeting with the Secretary of the Public Accountants and Auditors Board of Zimbabwe, New York, USA
### ACCOUNTING FIRMS

- Meeting with Deloitte leadership, New York, USA
- Meeting with EY leadership, New York, USA
- Presentations at Forum of Firms Meetings, London, UK, and New York, USA
- Meeting with Grant Thornton leadership, New York, USA
- Meeting with KPMG leadership, London, UK
- Meeting with PwC leadership, London, UK

### ACADEMIC AND RESEARCH ORGANIZATIONS

- Presentation to Study Union of the Aarhus Universitet, Denmark, New York, USA
- Presentation at the Ethics Research Symposium, American Accounting Association meeting, Chicago, USA
- Presentation at the European Accounting Association 38th Annual Congress, Glasgow, UK
- Meeting with representatives of the International Association for Accounting Education and Research, Chicago, USA
- Participation in Business Ethics Speakers Series, Ryerson University, Toronto, Canada
- Presentation to students at the State University of New York at Oswego, New York, USA

### REGIONAL AND INTERNATIONAL ORGANIZATIONS AND EVENTS

- Presentation at the Third African Congress of Accountants, Mauritius
- Participation in the 19th Confederation of Asian and Pacific Accountants Conference, Seoul, Korea
- Roundtable with Japanese stakeholders, including investors, preparers, and regulators, Tokyo, Japan
- Roundtable with Singapore stakeholders, including investors, preparers, and ISCA Ethics Committee members, Singapore

### OTHER OUTREACH AND RELATED ACTIVITIES

- Meeting with founder of the Banking and Finance Oath, New York, USA
- Interviews in February, May, and July 2015 editions of *Accounting Today*
- Interview in *Global Accountant*
- Interview with the *Japanese Weekly Report on Financial Accounting*
- Interview with the *Nikkei*
- Interview with the *Singapore Business Times*, “Revamped Ethics Standards for Auditors by End-2017”
In 2015, the IESBA Consultative Advisory Group (CAG) continued to engage in close dialogue with, and to provide advice to, the IESBA and its newly elected chair Dr. Stavros Thomadakis. Under the direction of the IESBA Chair, the board has continued its work in accordance with its strategic work plan. Dr. Thomadakis’ passion and determination to maintain the momentum the board has built in developing and enhancing the Code of Ethics for Professional Accountants (the Code) have been an inspiration for the board and instrumental to its achievements in 2015.

The fact that 7 out of 18 board members rotated off the IESBA at the end of 2015 further inspired the board to bring its major projects to either near completion or exposure, facilitating the transition of the board’s composition. For the CAG, this meant further pressure on the agenda and the efficiency of our physical semi-annual meetings. The CAG generally appreciated the direction of the projects and made good use of opportunities to provide input and guidance to the IESBA on important projects.

The CAG plays an important role in the due process regarding the development of the Code, interacting with the IESBA at all stages in the development of ethics standards. A key element is in the form of the report-backs from the IESBA on all the important matters raised by the CAG explaining how the board has taken the advice of the CAG into account. This, together with the PIOB oversight, ensures a good dialogue and serves the public interest, which is the ultimate aim of all CAG members.

On behalf of the CAG, I would like to extend our appreciation to the board and its Chair. I would also like to pay special tribute to the board members rotating off, especially Deputy Chair Wui San Kwok who stepped in as Interim Chair in 2014 at a difficult time.

OBJECTIVES

The objectives of the IESBA CAG and the representatives of its member organizations are to provide both technical advice on the IESBA’s projects, as well as strategic advice on its agenda, work program, and priorities.

The CAG comprises member organizations that are interested in the development and maintenance
of high-quality international ethics standards for professional accountants. To the extent practicable, membership includes a balance of geographical representation among regulators, investors, those charged with governance, international organizations, users, and preparers. See page 26 for a full list of members.

The CAG does not need to reach consensus. Actually, the strength of the CAG is in the breadth of views represented on it. This results in debate and dialogue, and sometimes diverging views, which enrich the advice the CAG is able to give to the IESBA. During the year, the diversity of the composition of the CAG has been strengthened by the addition of the International Monetary Fund as an observer with speaking rights. This effort to strengthen the representation of the CAG continues to be a high priority for me as Chair of the CAG, as it is through this diversity in representation that the CAG finds its strength and serves the public interest.

KEY HIGHLIGHTS FOR 2015

In 2015, the IESBA CAG met twice in person—in March and September—at which meetings the CAG discussed and advised the board on all the projects on its technical agenda. Due to the complexity of the issues and the stages of each of the projects, the CAG chose not to have conference calls in order to ensure the richness of the debate at the physical meetings. With the public interest being the common focal point of the discussions, the diversity in geography and background enabled the CAG to approach the difficult topics from different angles. All the projects were presented by the Task Force Chairs, which enabled the CAG to provide constructive advice to the board.

During the September CAG meeting, most of the board members were present, which was very instrumental in facilitating close dialogue between the CAG and the board. The turnout of board members was highly appreciated by the CAG representatives.
RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

In 2015, the CAG devoted a significant amount of time to the NOCLAR project. The CAG provided guidance to the board before its decision to approve a second Exposure Draft in April, specifically on the scope of the project and on the determinants of disclosure to an appropriate authority. The CAG was supportive of the robustness of the approach taken and found the right incentives to be in place regarding responding to NOCLAR matters in the public interest. The CAG was also supportive of how identified or suspected acts of NOCLAR are to be escalated and potentially reported to an appropriate authority.

STRUCTURE OF THE CODE

The Structure project is also close to the heart of the CAG. The adoption, relevance, and enforceability of the Code are three high-priority themes for the CAG. The Structure project and the progress made has been very well received by the CAG. In December, the board approved the Exposure Draft (ED) of Phase I of the project. The CAG discussions regarding this project demonstrated its importance and the CAG’s support for the Phase I ED.

Clarifying the requirements and reducing the complexity of the language in the Code are important aspects of the Structure project, which should yield significant benefits. The board made good progress in 2015, and the CAG is looking forward to continuing the discussions with the IESBA on this topic.

OTHER PROJECTS

The CAG also invested a significant amount of resources in two other major projects—Long Association and Safeguards. Both these projects spurred intense debate at the CAG. As the CAG’s recommendations on long association were very diverse, the CAG appreciated the board’s efforts to come to a balanced response that would take into account the different concerns raised. The board, supported by advice from the CAG, chose to re-expose new issues not covered by the original Exposure Draft. The CAG generally voiced support for the board’s decisions to date, and looks forward to debating the significant matters arising on the second Exposure Draft.

During 2015, the CAG not only engaged on the IESBA’s current projects, but also discussed emerging issues with the board. On the topic of audit fees, the CAG debated the ethical issues and linkages between audit fees and the fundamental principles of the Code. The discussions also touched on topics such as the business model of the audit firm, the potential relationship between audit fees and independence, and audit firms’ cost structures in the short and longer term. The CAG supported the board in its efforts to substantiate the discussion by commissioning a review of existing academic research on the topic.

The CAG debate also touched on developments in audit regulation and
other developments relating to ethical issues of relevance to the Code. The forward-looking sessions provided good interaction regarding some of the board’s other current projects, including the work being done on Part C of the Code and the discussions relating to pressure to breach the fundamental principles.

CONCLUDING REMARKS

In 2015, the CAG supported the IESBA in its efforts to advance a number of important projects in the public interest, while ensuring that important debates took place also on the broader IESBA agenda. The public interest continued to be a focal point of the CAG’s discussions, especially when the topics became complicated. Due to the nature and composition of the CAG, it was able to provide valuable advice to the board during 2015 and continued to play an important role in the transparency and due process of the IESBA’s standard-setting activities.

Ethics discussions are often inherently difficult due to the variation in legal and regulatory frameworks across jurisdictions, which is why I am ever grateful to the volunteers who have generously lent their time and expertise to serving on the CAG, enriching our discussions and ensuring the public interest is served.

During the year, a number of CAG representatives rotated off. I would like to take this opportunity to extend my gratitude and appreciation for the dedication and time they invested in the CAG and, more importantly, to the standard-setting process. While we will miss both their collegiality and contributions, we welcome and look forward to benefiting from the addition of new CAG member organizations and their representatives.

Finally, I would like to thank the CAG for their continuous support. At the March 2016 meeting, the CAG re-elected me as their Chair. I look forward to continuing to lead the CAG for a second three-year term, but the real strength of the CAG is through the engagement of its member organizations and their representatives.

Kristian Koktvedgaard
Chair, IESBA CAG
## CONSULTATIVE ADVISORY GROUP MEMBER ORGANIZATIONS AND OBSERVERS

### MEMBER ORGANIZATIONS

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<tr>
<td>Associação Brasileira de Instituições Financeiras de Desenvolvimento</td>
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<td>Basel Committee on Banking Supervision</td>
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<td>BUSINESSEUROPE</td>
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<td>CFA Institute</td>
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<td>European Commission</td>
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<td>European Federation of Accountants and Auditors for SMEs</td>
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<td>Fédération des Experts Comptables Européens</td>
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<td>Financial Executives Institutes International</td>
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<td>Financial Reporting Council, United Kingdom</td>
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<td>Gulf States Regulatory Authorities</td>
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<td>Institute of Internal Auditors</td>
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<td>International Association of Financial Executives Institutes – Asia Region</td>
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<td>International Association of Financial Executives Institutes – Europe, Middle East, and Africa Region</td>
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<td>International Association of Insurance Supervisors</td>
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<td>International Corporate Governance Network</td>
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<td>International Organization of Securities Commissions</td>
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<td>International Organization of Supreme Audit Institutions</td>
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<td>Islamic Financial Services Board</td>
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<td>National Association of State Boards of Accountancy</td>
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<td>Organisation for Economic Cooperation and Development</td>
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<td>Sri Lanka Accounting and Auditing Standards Monitoring Board</td>
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<td>World Bank</td>
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<td>World Federation of Exchanges</td>
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### OBSERVERS

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<tr>
<td>IFAC Small and Medium Practices Committee</td>
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<td>Public Company Accounting Oversight Board, United States</td>
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<td>International Monetary Fund</td>
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Those interested in following specific project are encouraged to monitor the status of the projects by visiting the IESBA’s website, in particular, the Projects and Meetings pages. The IESBA also releases on its website podcast summaries of its meetings shortly after each meeting. In addition, the IESBA website includes a project timetable, updated quarterly, that lists current projects and initiatives and the upcoming board meetings at which they are expected to be discussed. Stay in touch by subscribing to the IESBA eNews (log-in or register) and following us on Twitter (@Ethics_Board).