

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD &  
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS  
STAKEHOLDER ADVISORY COUNCIL  
TERMS OF REFERENCE

## 1.0 BACKGROUND

- 1.1 The International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA) (the “Boards”) have jointly established this Stakeholder Advisory Council (SAC) to provide a forum for them to obtain input from, and engage with, a diverse range of stakeholders on matters or topics relevant to their remits.
- 1.2 The Public Interest Oversight Board (PIOB) has approved these terms of reference. Any changes thereto shall require the approval of both Boards and the PIOB.

## 2.0 OBJECTIVE

- 2.1 The objective of the SAC is to provide the Boards at a strategic level with:
  - (a) Insight into emerging developments which could impact the Boards’ strategies or policies, their identification of matters of public interest, and the use of their standards globally;
  - (b) Advice on the Boards’ strategies and work plan priorities;
  - (c) Advice on proposals to commence significant new standard-setting projects, including objective, scope and direction of the projects,<sup>1</sup> and views on public interest issues requiring significant decisions by the Boards during the development of their projects; and
  - (d) Views relevant to the adoption and implementation of the Boards’ standards globally.
- 2.2 The SAC also serves to stimulate awareness of the role that all participants in the external reporting ecosystem can play in enhancing confidence in high-quality financial and non-financial reporting, and to encourage participation in the Boards’ development of relevant, high-quality, globally accepted, and enforceable standards.

## 3.0 COMPOSITION

### Members

- 3.1 The SAC is a multi-stakeholder group that is diverse in terms of geography, gender and functional backgrounds. Members generally include individuals who are or represent

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<sup>1</sup> The SAC is ordinarily not consulted on projects that address only matters of routine maintenance of the standards, such as conforming amendments.

users that make decisions on the basis of financial and non-financial information (such as investors, financial analysts, lenders or creditors), preparers and professional accountants in the public and not-for-profit sectors, those charged with corporate governance, international and national regulatory and inspection communities, national or international standard-setting organizations, the accountancy profession internationally (including a focus on smaller practices), governmental and other international organizations, and academics. Members are generally affiliated with organizations that would contribute to such diversity. Members may, however, include qualified individuals who are not affiliated with any particular organization.

- 3.2 Membership of the SAC shall be limited to approximately 30 individuals. This is intended to ensure that the SAC is able to bring a broad range of perspectives to bear on matters under consideration but is not so large as to preclude meaningful discussions.
- 3.3 Members shall be selected through an open call administered by the PIOB's standard-setting boards' Nominating Committee (SSB Nominations Committee). In consultation with the SAC's and the Boards' Chairs, the SSB Nominations Committee shall recommend nominated individuals to the PIOB for appointment as SAC members.
- 3.4 Members shall serve an initial term of up to three years, renewable once subject to the recommendation of the SSB Nominations Committee in consultation with the SAC's and the Boards' Chairs.
- 3.5 All Monitoring Group organizations<sup>2</sup> shall have a right to a seat. Monitoring Group organizations shall designate individuals with appropriate expertise and seniority. Members nominated by Monitoring Group organizations shall be included within the limit of approximately 30 individuals mentioned in 3.2 and subject to the same term limit as other SAC members.
- 3.6 Members are expected to attend SAC meetings regularly and actively participate. Periodically, SAC members' performance is subject to effectiveness review by the SAC's and the Boards' Chairs, as input to the SSB Nomination Committee for re-appointment considerations. Unsatisfactory participation or continuous absence from three consecutive meetings may result in the SAC Chair or co-Chairs asking a member to stand down from the SAC or recommending their removal as a member by the PIOB.

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<sup>2</sup> The Monitoring Group organizations are the International Organization of Securities Commissions, the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the World Bank Group, the European Commission, the Financial Stability Board, and the International Forum of Independent Audit Regulators.

## Official Observers

- 3.7 The PIOB has the right to observe the SAC meetings, whether open or closed.
- 3.8 The SAC's membership may, in addition to the members appointed under clause 3.3, comprise up to four individuals as official observers who are appointed by the PIOB based on the recommendation of the SSB Nominations Committee in consultation with the SAC's and the Boards' Chairs. Official observers are ordinarily individuals affiliated with organizations that, for policy or other reasons, cannot designate representatives to be full members. Official observers shall be selected through the same open call process as for members.
- 3.9 Official observers shall have the right to the floor.
- 3.10 Except for the PIOB representative, official observers shall serve the same term limit as full members, subject to satisfactory participation.

## Criteria for Selection of Members and Official Observers

- 3.11 The selection of members and observers shall be guided by the following criteria:
- Possessing a high level of engagement with the Boards' missions and strategic goals.
  - Being able to add to the diversity of the SAC through their knowledge and experience in their fields.
  - Being prepared to participate, and encourage broad participation in, the Boards' development of relevant, high-quality, globally accepted, and enforceable standards.
  - If affiliated with an organization, holding a leadership or global role within their organization.
  - Being knowledgeable about the role of auditors and other professional accountants in the external reporting ecosystem (financial or non-financial), including ethical and independence requirements.
  - Having a working knowledge of one or more of: the Boards' standards, including the *International Code of Ethics for Professional Accountants (including Independence Standards)*; financial or non-financial reporting standards; the preparation, audit/assurance or analysis of financial statements or other extended external reporting subject matter information; services provided by accounting firms to audit clients that could impact auditor independence; corporate governance; corporate law; securities regulations; and other relevant fields, including related research areas.
- 3.12 Except for the SAC Chair or co-Chairs, SAC members' and observers' organizations are generally expected to cover their representatives' costs of participation in SAC meetings. Travel costs for the SAC Chair or co-Chairs will be reimbursed by the Boards.

Subject to available resources, the Boards may consider a travel subsidy for other members only on a case-by-case basis.

#### 4.0 SAC CHAIR(S)

4.1 The SAC may be chaired by two co-Chairs or a single Chair. The primary objectives of having co-Chairs are to better reflect diversity and to enable sharing of workload. The SAC Chair, or one of the co-Chairs, shall be independent of the accountancy profession.<sup>3</sup>

##### Co-Chairs

4.2 Subject to paragraph 4.5, two co-Chairs may be appointed by consensus among the Chairs of the Boards and the PIOB from nominations submitted by SAC members and administered by the SSB Nominations Committee, having regard to the objective of diversity in terms of geography, gender and functional backgrounds. Input from the prior SAC Chair(s), if applicable, may be sought as part of the appointment process. Exceptions to the appointment process are permitted in the period of initial establishment of the SAC, or in rare circumstances where there is no nomination for the SAC co-Chairs from among the SAC members.

4.3 It is preferable but not necessary for the co-Chairs to have complementary knowledge and experience of IAASB and IESBA standards and subject matters addressed by those standards.

4.4 The Co-Chairs' responsibilities shall include:

- Agreeing, following consultation with the Boards' Chairs, individuals to recommend to the PIOB for appointment or re-appointment as SAC members.
- Collaborating to provide input to the Boards' Chairs and senior staff in the development of the SAC agendas, and finalizing those agendas, having regard to the need for the SAC discussions to be aimed more at the strategic level than at the detailed technical level.
- Co-chairing the SAC meetings with the aim of drawing out open, diverse and candid views from the SAC membership on the matters under consideration.
- Chairing the meeting if the other co-Chair is absent or unable to attend the meeting.
- Attending, as needed, meetings of the Boards and the PIOB.

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<sup>3</sup> Specifically, an individual would not be considered independent from the accountancy profession if they meet the definition of an audit practitioner as defined in the [Monitoring Group Recommendations](#), which defines an audit practitioner as an individual who is or has been a member or employee of or otherwise affiliated with a public accounting firm within the last four years, determined at the time of appointment.

- Actively promoting the identity, objectives and activities of the SAC and Boards when engaged with the media and in public fora and other meetings with stakeholders.

#### Single Chair

4.5 A single Chair may be appointed by consensus among the Chairs of the Boards and the PIOB if the SSB Nominations Committee has received no more than one nomination, or if the Chairs of the Boards and the PIOB determine from nominations received that there are no two compatible individuals who will likely function effectively as co-Chairs.

#### Term of Office

4.6 Each term of service for a Chair or co-Chair of the SAC shall be for a period of not more than three years. The Chair or co-Chair may serve consecutive terms for up to an aggregate term of six years, subject to:

- A performance evaluation conducted by the Boards' and PIOB Chairs with input from the Boards' senior staff;
- If the individual previously served as a member of the SAC before being appointed as Chair or co-Chair, a maximum of nine years in aggregate on the SAC as both member and Chair or co-Chair; and
- If co-Chairs are appointed, the co-Chairs not ending their terms at the same time.

4.7 The renewal of the term of the SAC Chair(s) shall be approved by the Boards' Chairs and the PIOB.

#### Other

4.8 The SAC Chair(s) are not expected to attend the Boards' meetings with right to the floor, but may do so at their discretion.

4.9 In the rare circumstance that the SAC Chair(s) believe one of the Board's action or inaction in relation to a matter is not being responsive to the SAC's public interest input, the SAC Chair(s) may raise the matter directly with the PIOB.

### 5.0 MEETING ARRANGEMENTS AND PROCEDURES

5.1 Generally, the SAC meets twice a year, usually in-person in New York, USA, or virtually or a combination of both. Each meeting is for about two days. The SAC Chair(s) may determine to hold additional virtual meetings at their discretion in consultation with the Boards' Chairs and senior staff. Participants are notified of meeting dates well in advance.

5.2 If the SAC co-Chairs or the single Chair is unable to attend the meeting, the SAC Chair(s) shall nominate a member to act as chair. The appointment of such member as chair shall be valid only for the duration of the meeting in question.

- 5.3 The SAC agenda shall be developed by the Boards' Chairs and senior staff in consultation with the SAC Chair(s) and finalized by the latter. The agenda shall reflect an appropriate balance between subject matters addressed by IAASB and IESBA standards. It shall also reflect a strategic focus consistent with the SAC's objectives. All SAC members are encouraged to submit items for consideration for inclusion in the agenda. To stimulate free-flowing dialogue and engagement among SAC meeting participants, break-out sessions may be used.
- 5.4 The Boards' Chairs, Vice Chairs and relevant staff shall attend the SAC meetings. Other members of the Boards may attend the meetings as needed. Agenda items are generally led by the relevant members or staff of the Boards. Where appropriate, SAC members may be invited to lead discussions on items they have submitted for the agenda.
- 5.5 Secretarial support to the SAC is provided by the Boards' staff.
- 5.6 The SAC meetings and agenda papers are in English, which is the SAC's official working language.

## 6.0 TRANSPARENCY

- 7.1 SAC meetings are open to the public, with live webcast provided. Matters of a general administrative nature or with privacy implications may be dealt with in closed session of the SAC.
- 7.2 The agenda and agenda papers for the public sessions, including minutes, are published on the Boards' websites. Recordings are made available on the Boards' websites shortly after the meeting.
- 7.3 The membership and terms of reference of the SAC are published on the Boards' websites. The membership and activities of the SAC are reported on in the Boards' annual reports.