

November 2016

IFRS® Foundation

Feedback Statement

Trustees' Review of Structure and Effectiveness: Amendments to the IFRS® Foundation *Constitution*



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**Trustees' Review of Structure and Effectiveness:
Amendments to the IFRS® Foundation *Constitution***

Trustees' Review of Structure and Effectiveness: Amendments to the IFRS® Foundation Constitution is published by the International Accounting Standards Board (the Board).

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FEEDBACK STATEMENT—TRUSTEES’ REVIEW OF STRUCTURE AND EFFECTIVENESS: AMENDMENTS TO THE IFRS® FOUNDATION CONSTITUTION

Introduction

- 1 This Feedback Statement sets out a summary of the comments received by the Trustees of the IFRS Foundation (the Foundation) in response to their June 2016 consultation Exposure Draft entitled *Trustees’ Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution (Constitution ED)*. This Feedback Statement also sets out the Trustees’ final decisions and the agreed amendments to the *Constitution*, following their consideration of the comments received.
- 2 To better understand the Trustees’ proposals and their decisions, this Feedback Statement should ideally be read with the Trustees’ July 2015 document entitled *Request for Views—Trustees’ Review of Structure and Effectiveness: Issues for the Review* (the Request for Views) and the responses received as a result of that Request for Views, which were published in June 2016 as *Trustees’ Review of Structure and Effectiveness: Feedback Statement on the July 2015 Request for Views* (the Request for Views Feedback Statement).

Background

- 3 The Foundation’s *Constitution* (sections 17(c) and (d)) requires the organisation to undertake a review every five years:

... of the entire structure of the IFRS Foundation and its effectiveness, such review to include consideration of the geographical distribution of Trustees in response to the changing global economic conditions, and publishing the proposals of the review for public comment.
- 4 The Trustees undertook their latest review by issuing the Request for Views in July 2015 and deliberating on stakeholder feedback at their meeting in May 2016. As a result, the Trustees issued the Request for Views Feedback Statement in June 2016. This document summarised the feedback received and the resulting decisions made by the Trustees.
- 5 Since a number of the Trustees’ proposals required changes to the *Constitution* that had never been subject to stakeholder consultation, the Trustees simultaneously issued the *Constitution ED*. In addition, the Trustees agreed to reduce the consultation period from the usual 120 days to a 90 day comment period because of the preceding extensive consultation that had already been carried out. The deadline for comments on the *Constitution ED* was 15 September 2016.

- 6 The Trustees did not pose separate questions on each proposal but sought views on all of the proposed changes to the *Constitution* and invited stakeholders to comment. Trustees took account of stakeholders' agreements and disagreements with the proposals as well as the rationale for both and preferred alternatives. In addition, the Trustees consulted with the IFRS Advisory Council (the Advisory Council) and others.
- 7 The Foundation received 46 comment letters from stakeholders. A list of respondents and a statistical summary of the type of respondent and geographical region are attached in the appendices. All comment letters are available on the Foundation's website.¹
- 8 This document is the Trustees' Feedback Statement in response to the *Constitution* ED. It is based on the original 10 proposals outlined in the *Constitution* ED and they are presented in the order of their appearance in the *Constitution*. Each proposal includes:
- an introduction;
 - an explanation of each of the proposed changes to the *Constitution*;
 - a discussion of the feedback received; and
 - the Trustees' responses to the feedback and the final decisions they made as a result.
- 9 Three appendices provide further information:
- Appendix I—lists the respondents who replied to the *Constitution* ED, in the order in which their responses were received;
 - Appendix II—provides a statistical summary of the comment letters by geographical region and type of respondent; and
 - Appendix III—includes a complete copy of the *Constitution*, with the final proposed changes marked up so that stakeholders are easily able to see the various changes in context.
- 10 Some stakeholders took the opportunity to raise other concerns that were not part of the *Constitution* ED. The Trustees considered these concerns, and highlights are included in 'Miscellaneous Comments' at the end of this Feedback Statement.

Comments received on the *Constitution* ED and the Trustees' responses

Proposal 1—Geographical distribution of the Trustees

- 11 The *Constitution* ED noted that the Foundation's *Constitution* requires that 'the geographical distribution of Trustees should be considered in response to changing global economic conditions' as part of each review of the structure and effectiveness of the Foundation.
- 12 In the Request for Views, the Trustees sought to establish how the geographical distribution of their membership might be determined and asked whether respondents agreed with a proposal that the number of 'at-large' appointments² be increased from two to five members, while retaining a total of 22 members.

1 <http://go.ifrs.org/constitution-review-comment-letters>

2 'At-large' appointees are drawn from any geographic area or region in the world, subject to maintaining overall geographic balance on the Trustee body.

- 13 In the Request for Views Feedback Statement, the Trustees noted that responses to the proposals set out in the Request for Views were mixed, and they showed that:
- (a) some respondents supported linking the geographical distribution of the Trustees (as well as that of the International Accounting Standards Board (the Board)) to commitment to the Foundation, as measured by adoption of (or a commitment to adopt) IFRS Standards, and (or) by jurisdictions making a funding contribution to the Foundation; and
 - (b) a majority of respondents supported the proposal to increase the number of ‘at-large’ appointments to give the Foundation both the ability to find the best candidates as Trustees and the flexibility to adapt to changing circumstances. However, some respondents did not agree with the proposal to expand the ‘at-large’ Trustee membership since it would make appointments too subjective.
- 14 The Trustees reaffirmed their view that their membership should continue to be representative of the world’s capital markets and ensure a broad international base. While the Trustees agreed that representation should not be linked directly to either adoption of the Standards or funding, they also acknowledged that jurisdictions that had not so adopted, nor financially contributed, in accordance with the Foundation’s principles for funding contributions, should not be over represented. The Trustees therefore proposed that the geographical distribution should be adjusted in a way that achieved an appropriate balance between these different perspectives.
- 15 In further considering the geographical distribution, the Trustees agreed that the current categories of North and South America, as specified in the *Constitution*, should be combined into a single ‘Americas’ category. This, they noted, would:
- (a) increase flexibility around Trustee appointments;
 - (b) be consistent with the geographical distribution of the Accounting Standards Advisory Forum (ASAF); and
 - (c) eliminate confusion around whether countries like Mexico or other Central American countries should be classified as North or South America.
- 16 Furthermore, the Trustees reaffirmed that for each of the geographical regions specified in section 6 of the *Constitution*, there needs to be a reasonable spread of jurisdictions from which the members originate.
- 17 The Trustees also agreed to retain the category of ‘at-large’ appointments and to increase their number from two to three, rather than as set out in the Request for Views, to provide a degree of flexibility in making appointments. The Trustees gave a number of guidelines defining what kind of person would be chosen for an ‘at-large’ appointment:
- (a) individuals with global experience who do not fit easily into one geographical category;
 - (b) individuals from emerging economies;
 - (c) individuals from countries that do not fit easily into any one geographical category; or
 - (d) individuals from one of the specific geographical regions referred to in the *Constitution*, but who, in the opinion of the Trustees, are assessed as having exceptional skills and experience that would be of benefit to the Trustees as a whole.
- 18 The Trustees agreed to maintain the status quo of those Trustees from Asia-Oceania and Europe.

- 19 The Trustees therefore proposed amending section 6 of the *Constitution* as follows:
- (a) allocating six trustees to a single Americas category, rather than distinguishing between North and South America;
 - (b) increasing the number of ‘at-large’ Trustees from two to three, subject to maintaining overall geographical balance.

Summary of responses

- 20 A majority of respondents agreed with the Foundation’s proposals:
- (a) that the geographical distribution of Trustees should be representative of the world’s capital markets to ensure a broad international base.
 - (b) that the Foundation should appoint the best candidates for the role of Trustee, rather than being restricted by geographical location.
 - (c) that the increase in the number of ‘at-large’ Trustees would provide the necessary flexibility to ensure that the best possible candidates are appointed to the Trustee body.
 - (d) that it was important for the Foundation to be inclusive of the United States (US), since there is evidence of significant investor reliance on IFRS³ Standards in the US.
- 21 One respondent wrote that:

... continuing to work with the United States will only serve to make IFRS stronger longer-term. The US remains the world’s largest capital market and it has much to contribute by way of financial reporting expertise. Equally, to be clear, neither the US nor any other individual jurisdiction should be guaranteed a seat at the table.⁴

- 22 However, some respondents expressed concerns about the Foundation’s proposals.

Concern about the proposed single Americas category

- 23 Some respondents, particularly those from Latin America,⁵ expressed concerns that the proposal to group the Americas into a single geographical category of Trustee would result in South America losing its representation on the Trustees while North American jurisdictions such as the US and Canada would potentially gain disproportionate representation. Losing South American representation would undermine the Trustees’ aim of achieving overall geographical balance and could potentially send the wrong message to those jurisdictions that are supportive of IFRS Standards.

³ Accounting Standards Board of Canada (AcSB) [CL16].

⁴ The Institute of Chartered Accountants in England and Wales (ICAEW) [CL37].

⁵ Gabriel Ramírez [CL2], Banco Bradesco [CL21], Mazars [CL23], Group of Latin American Standard Setters [GLASS] [CL44] and Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) (Mexican Accounting Standards Board) [CL45].

Desire to link funding, adoption of IFRS Standards and representation on the IFRS Foundation’s governance structures

- 24 Some respondents, mainly from Europe⁶ and Asia,⁷ commented that membership of the Foundation’s governance bodies should be reserved for jurisdictions that have demonstrated a commitment to adopting IFRS Standards, or that have started the adoption process and are making some form of financial contribution to the Foundation. These respondents observed that the Trustees could go further to recognise the commitment and support these regions provide. The European and Asian respondents also approved of the Trustees’ decision not to reduce their existing representation on the Trustee body.

Concerns by respondents from emerging market economies

- 25 The Financial Reporting Standards Council of South Africa (FRCS) [CL19] and Institute of Certified Public Accountants of Kenya (ICPAK) [CL32] expressed concern that there was very little representation from emerging economies and developing countries, particularly from Africa, both among the Trustees and among Board members. These respondents requested that the Trustees consider increasing their representation through the ‘at-large’ category. Representing the views of other African respondents, the FRSC wrote:

We are also concerned that for Africa, with its diversity and uniqueness of 54 countries, only one Trustee and one Board member are allocated. Due to this diversity and uniqueness we question whether one Trustee or one IASB member would be sufficient to cater for the different views from Africa. We also believe that allocating more trustees and Board members to Africa would facilitate the transition of more African countries to adopting IFRS.⁸

Comments on the ‘at-large’ category of Trustees and overall geographical balance

- 26 On the whole, respondents agreed with the proposal to increase the number of ‘at-large’ Trustee appointments as it would allow the Foundation to appoint individuals who were best qualified to provide strategic guidance and support, regardless of geographical boundaries.
- 27 However, some respondents did not favour increasing the ‘at-large’ category. Those respondents would have preferred the Trustees to have reallocated the ‘at-large’ seat to Europe as this would acknowledge that ‘Europe is still the largest economic area with the highest number of IFRS reporting entities’.⁹
- 28 The Autorité des normes comptables (ANC) [CL30] made a similar point when it noted that it did not support the increase in the ‘at-large’ category because:

Trustees should be individuals able to have a strong input in the fundraising process, in the IASB’s work programs definition, as well as a capacity to liaise with IFRS compliant or converging countries.

6 European Commission [CL39]; Sven Giegold [CL15]; ACTEO-AFEP-MEDEF [CL29]; Association of Chartered Certified Accountants (ACCA) [CL10]; Autorité des normes comptables (ANC) [CL30] and Organismo Italiano di Contabilità (OIC) (Italian Standard Setting Board) [CL42].

7 China Accounting Standards Committee—Ministry of Finance of the People’s Republic of China [CL6]; Federation of Accounting Professions of Thailand [CL13] and Japanese Institute of Certified Public Accountants (JICPA) [CL25].

8 Financial Reporting Standards Council of South Africa (FRSC) [CL19].

9 Deutsches Rechnungslegungs Standards Committee e.V. (DRSC) (Accounting Standards Committee of Germany) [CL17].

- 29 Some respondents noted that ‘subject to maintaining overall geographical balance’ is an ambiguous principle that needs to be clarified in the next review of the *Constitution*. One respondent said that some might interpret ‘maintaining overall geographic balance’ as either leading to ‘spreading the three seats evenly over the core three regions (in which case there would be no need to have the ‘at-large’ category in the first place) or by allocating the seats to Africa completely’.¹⁰ One respondent suggested deleting the ‘at-large’ category completely, since reference to ‘overall geographical balance’ either meant a pro rata allocation of the three main geographical regions, or placed no limits on the appointments in the three main categories.¹¹

Criteria for the ‘at-large’ category

- 30 In the *Constitution* ED, the Trustees published independent criteria for the appointment to the ‘at-large’ category. A number of respondents said they welcomed the introduction of appropriate criteria, and emphasised the importance of these criteria for maintaining objectivity in the appointment process.
- 31 The Federation of Accounting Professions of Thailand [CL13] suggested that the Trustees should go further in promoting transparency, and that the guidelines regarding ‘at-large’ Trustee appointments should follow ‘well-defined procedures’, ‘subject to public hearings’, allowing the Board only exercise ‘limited judgement’ over the appointments.

Another respondent suggested that:

...the definition of a region and a home country is vague and should be clarified ... The interpretation of a home country ... can be determined either by his/her nationality (including the concept of dual nationality) or by his/her main area of activities.¹²

- 32 The Accounting Standards Committee of Germany (DRSC) [CL17] also recommended that the Trustees’ undertaking to provide independent appointment criteria for the ‘at-large’ category should be referenced in section 6(e) of the *Constitution*.
- 33 One respondent suggested that the Trustees should disregard the specific geographical distribution of potential Trustees and instead appoint the most suited individuals, ‘taking into account diversity across a number of dimensions, [including] items such as gender, professional background and regulatory environment’. This same respondent did not support quotas but believed that an ‘overall focus on a balanced composition and the best individual candidates should suffice’.¹³

Other comments

- 34 One respondent suggested that the three main regions should be defined consistently with other transnational organisations, namely the Americas, Asia-Oceania and EMEA (ie explicitly include Africa and the Middle East in the region).¹⁴
- 35 One respondent said the relevance of IFRS Standards is ‘dependent on how financial statements prepared in accordance with IFRS [Standards] benefit financial statement users in making investment and credit allocation decisions’. This respondent recommended that the Trustees ‘consider the geographic distribution of users of IFRS financial statements in determining the distribution of Trustees and IASB members’.¹⁵

10 DRSC [CL17].

11 Association of Chartered Certified Accountants (ACCA) [CL10].

12 Deloitte [CL26].

13 Ernst & Young Global Ltd (EY) [CL38].

14 Deloitte [CL26].

15 AcSB [CL16].

- 36 The Monitoring Board [CL46] wrote to indicate agreement with the proposals the Trustees put forward, with the exception of Proposals 1 (geographical distribution of the Trustees) and 7 (geographical distribution of the Board), as there was no consensus.

Trustees' conclusions and recommendations

- 37 The Trustees considered the responses submitted and concluded that, in the context of this consultation:
- (a) their original decision to ensure that the governance structures of the Foundation should continue to be representative of the world's capital markets to ensure a broad international base is a balanced response to the diversity of views submitted;
 - (b) membership should not be linked directly either to a jurisdiction making a financial contribution to the Foundation or to those that already have adopted, or are in the process of adopting, IFRS Standards. At the same time, jurisdictions that have not adopted the Standards should not be over-represented on the Foundation's governance bodies; and
 - (c) the allocation of seats among countries in the Americas region must be subject to overall geographical balance.
- 38 The Trustees further discussed the suggested objective guidelines on 'at-large' Trustee appointments, as outlined in the Request for Views Feedback Statement and in paragraph 17 above. Some Trustees expressed concern that should they specify overly restrictive objective criteria to the appointments, the Trustees would be unduly limiting their flexibility to appoint the most qualified and appropriate candidate, which most respondents agreed was essential. Such limitations would run contrary to the purpose of having the facility to appoint an 'at-large' Trustee. Accordingly, the Trustees agreed they would develop 'at-large' Trustee criteria as deemed necessary. These criteria would not be included in the *Constitution*, but would be published on the Foundation's website.

Amendments to Section 6 of the *Constitution*

- 39 Having considered all of the respondents' views, the Trustees agreed to amend section 6 of the *Constitution* as follows:

Section 6

All Trustees shall be required to show a firm commitment to the IFRS Foundation and the Board as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia-Oceania region;
- (b) six Trustees appointed from Europe;
- (c) six Trustees appointed from ~~the~~ North Americas;
- (d) one Trustee appointed from Africa; ~~and~~
- (e) ~~one Trustee appointed from South America;~~ ~~three~~ two Trustees appointed from any area, subject to maintaining overall geographical balance.
- (f)

Proposal 2—The professional background of the Trustees

- 40 The Request for Views described the current guidance in section 7 of the *Constitution* about the balance of professional backgrounds among Trustees. The Request for Views stated that the Trustees do not plan to introduce any specific number or quota of Trustees from any one professional background, but noted that the Trustees planned to review the appropriateness of the *Constitution* continuing to specify that normally two of the Trustees must be senior partners of prominent international accounting firms. The Request for Views invited respondents to review the current specifications regarding the professional backgrounds of the Trustees and whether the respondents believe any change is necessary.
- 41 Respondents generally agreed that the Trustees should be individuals with diverse professional backgrounds and that there should not be a quota used to appoint the Trustees, according to the Request for Views Feedback Statement. Views were mixed on whether the *Constitution* should specifically mention that normally two of the Trustees would be senior partners of prominent international accounting firms. Some respondents supported the inclusion of this wording, while others said it was not appropriate and that it undermined the purpose of eliminating a quota.
- 42 The Trustees therefore proposed amending section 7 of the *Constitution* to remove the requirement that two Trustees should be senior partners of prominent international accounting firms.

Summary of responses

- 43 Respondents generally agreed with Proposal 2 and noted that the Trustees should be made up of members with diverse professional backgrounds rather than formed by way of quotas. One respondent said the term ‘prominent international accounting firm’ was vague.¹⁶ Respondents said it would be better to establish a diverse group with an appropriate balance of professional backgrounds that would represent the best available candidates (based on skills and experience). No one group should be allowed to become too dominant.¹⁷ The Advisory Council also supported this proposal.
- 44 A number of respondents took the opportunity to comment on the need for the Trustees to be made up of a diverse group of professional backgrounds, including, among other things, representatives from the community of users (referred to by Ernst & Young Global Ltd (EY) [CL38]). Some respondents supported the existing wording in the Foundation’s *Constitution*, referencing ‘auditors, preparers, academics and officials serving the public interest’.¹⁸ PricewaterhouseCoopers (PwC) [CL12] specifically mentioned the need for individuals with technological experience.
- 45 One respondent¹⁹ questioned why, if the Trustees proposed removing reference to audit firm partners, they had decided to retain the reference to the International Federation of Accountants.
- 46 One respondent²⁰ commented on the need for enhanced gender balance.
- 47 Some respondents²¹ did not agree with the proposal to remove reference to the large accounting firms because the international accounting networks continue to be major contributors to the Foundation. Such firms also share an interest in supporting the Foundation and the work of the Board, promoting and maintaining transparency in corporate reporting and providing a significant source of global expertise on, and interpretation of, our Standards, all of which are complementary to the public interest role of both the Board and the auditors.
- 48 Some respondents also expressed concern that reference to ‘auditors’ was not in the best interests of the Foundation, suggesting auditors are not necessarily the best qualified to ensure enhanced financial and corporate reporting. These respondents suggest that regulators perform a more essential function on reporting. These respondents expressed concern that the current proposed wording was not balanced and would not ensure the best available professional backgrounds for the Trustee body.
- 49 The Japanese Institute of Certified Public Accountants (JICPA) [CL25] disagreed with the proposal, noting that currently only one of 21 Trustees has a background in auditing, which did not represent an appropriate balance of professional backgrounds. This respondent said that auditing firms could, in particular, make a significant contribution to the Foundation’s Due Process Oversight Committee, which is responsible for the oversight of the Board’s compliance with the *IASB and IFRS Interpretations Committee Due Process Handbook*.

¹⁶ Gabriel Ramírez [CL2].

¹⁷ For example, BusinessEurope [CL9].

¹⁸ Section 7 of the IFRS Foundation *Constitution*.

¹⁹ EY [CL38].

²⁰ Sven Giegold MEP [CL15].

²¹ Deloitte [CL26], ICAEW [CL37].

Trustees' conclusions and recommendations

50 The Trustees, noting the responses, concluded that:

- (a) representatives from the large audit firms should no longer have a separate quota expressly reserved in the *Constitution*. However, given the practical contribution such firms make in supporting transparency, high-quality corporate reporting, consistency of application and the implementation of the Standards across the globe, it would be illogical to exclude representatives from the large firms, as well as of the profession, on the Trustee body. It is essential to achieve a balanced Trustee body made up of the most skilled and experienced individuals from a diverse range of backgrounds, including users, preparers, accountants, regulators and academics. In addition, efforts should be made to include appropriately skilled individuals from the technological sector.
- (b) efforts are already being made to improve the gender balance, not just for the Trustee body but also for the Board. The Trustees set a target of appointing at least 30 per cent female members on the Foundation's key boards and governance bodies by 2020. This commitment is to be applied internally, wherever possible, but will not be reflected in any change to the *Constitution*.
- (c) the inclusion of the International Federation of Accountants in section 7 is no longer necessary, relevant or reflective of practice, since the Trustees consult widely with many international organisations and national bodies, all of whom share a mutual interest in achieving high-quality international accounting standards. Accordingly, the Trustees agreed that the specific reference to a single organisation should be removed.

Amendments to section 7 of the *Constitution*

51 Having considered all of the respondents' views, the Trustees decided that this was an opportunity to reset the professional background of the Trustees in a balanced way, reflective of the needs of a global standard-setter. Accordingly, the Trustees agreed to amend section 7 of the *Constitution* as follows:

Section 7

The Trustees shall comprise individuals that, as a group, provide an appropriate ~~a~~ balance of professional backgrounds ~~including auditors,~~ **and have an interest in promoting and maintaining transparency in corporate reporting globally. This includes individuals with global experience at a senior level in securities market regulators, firms representing investors, international audit networks,** preparers, users, academics and officials serving the public interest. ~~Normally, two of the Trustees shall be senior partners of prominent international accounting firms.~~ To achieve such ~~a~~ balance, Trustees should be selected after consultation with ~~national and international organisations of auditors (including the International Federation of Accountants),~~ **the accounting and audit profession, the securities market and other public interest bodies, regulators, investors,** preparers, users and academics. The Trustees shall establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.

Proposal 3—Remuneration of the Trustees

- 52 Before the formal start of this review of structure and effectiveness, the Trustees considered their remuneration arrangements and agreed to change the basis of those arrangements from an annual fee and a per-meeting fee to a single annual fee (the change did not entail any increase in the annual fee), with an additional amount payable to those chairing the Trustee committees. As a consequence, the Trustees proposed to amend section 11 of the *Constitution* to remove the per meeting fee for Trustees.

Summary of responses

- 53 Most respondents agreed to this proposal, or made no comment, given its administrative nature.
- 54 However, three respondents²² noted that while they did not object to the proposed change, it was:

...peculiar that constituents [were being] asked if this amendment is appropriate, given that it had already been introduced. It would have been expected that deviations from or amendments of the *Constitution* are exposed for comment before they are implemented.²³

These respondents were referring to the Trustees' duty to consult on changes to the *Constitution* as required by section 15(h) of that document.²⁴

- 55 One respondent²⁵ agreed with the proposal but recommended that the *Constitution* provide for the Trustees to meet at least quarterly.
- 56 Two respondents²⁶ disagreed with the proposal on the grounds that the 'current form of remuneration better reflects the efforts and responsibilities of each Trustee, especially as it relates to meeting attendance'.
- 57 One respondent²⁷ noted that it supported the proposed elimination of per-meeting fees provided that there was no indication that this would lead to a decrease in the supply of high quality individuals willing to serve as Trustees.

Trustees' conclusions and recommendations

- 58 The Trustees noted the concerns of those respondents who identified that the proposal should have been consulted on before it was implemented, but observed that:
- (a) the change was to the overall benefit of the Foundation and in keeping with the Trustees' obligation to act in the public interest;
 - (b) it fitted within the administrative exception envisaged in section 3 of the *Constitution*, which recognises that the Trustees are primarily responsible for governance of the Foundation and:

...shall use their best endeavours to ensure that the requirements of the *Constitution* are observed; however they may make minor variations in the interests of feasibility of operation if such variations are agreed by 75 per cent majority of the Trustees.

22 ANC [CL 30]; BusinessEurope [CL9] and Raad Voor De Jaarverslaggeving (Dutch Accounting Standards Board) [CL35].

23 BusinessEurope [CL9].

24 Section 15 of the Foundation's *Constitution* provides as follows 'In addition to the duties set out above, the Trustees shall: ... (h) approve amendments to this *Constitution* after following a due process, including consultation with the Advisory Council and publication of an exposure draft for public comment and subject to the voting requirements given in section 14'.

25 Gabriel Ramírez [CL2].

26 GLASS [CL44] and CINIF [CL45].

27 PricewaterhouseCoopers International Ltd (PwC) [CL12].

- (c) notwithstanding the allowance provided in section 3 of the *Constitution*, the Trustees were of the view that it was important to consult on the proposal to ensure that they regularised the change. This consultation has now taken place.

Amendments to section 11 of the *Constitution*

- 59 The Trustees, noting the responses submitted, concluded that it would be appropriate to amend section 11 as follows:

Section 11

The Trustees shall meet at least twice each year and shall be remunerated by the IFRS Foundation with an annual fee ~~and a per-meeting fee~~, commensurate with the responsibilities assumed, such fees to be determined by the Trustees. Expenses of travel on IFRS Foundation business shall be met by the IFRS Foundation.

Proposal 4—Focus and frequency of reviews of structure and effectiveness of the IFRS Foundation

- 60 Currently, section 17 of the *Constitution* provides that the accountability of the Trustees is ensured, among other things, by their review of the entire structure and effectiveness of the Foundation every five years.
- 61 In the Request for Views, the Trustees proposed amending the guidance in section 17 of the *Constitution* to:
- (a) state that the Trustees should undertake periodic reviews of the strategy and effectiveness of the Foundation (including, as appropriate, its structure), rather than of the structure and effectiveness of the Foundation; and
 - (b) require reviews to start, at the latest, five years after the previous review has been completed (rather than simply stating every five years, as at present, which has resulted in new reviews starting three or fewer years after the completion of a previous review).

Summary of responses

- 62 Most respondents agreed with the proposal to extend the time period between reviews, indicating that it strikes an appropriate balance between giving stakeholders sufficiently frequent opportunities to provide formal input to the organisation's strategy and effectiveness and the need for stability and continuity.
- 63 Many respondents who supported the proposal did so contingent on the fact that the Foundation would have the flexibility to initiate a review fewer than five years after the last one if such a review was needed. One respondent²⁸ suggested that 'there should be a maximum time frame within which a review has to be completed in order to avoid unduly prolonged review processes'.

²⁸ The Confederation of Swedish Enterprise (Svensk Näringsliv) [CL18].

64 The time frames envisaged in the proposal were well understood by respondents. For example, the Association of Chartered Certified Accountants (ACCA) [CL10] said that ‘the particular wording in section 17(c) [of the *Constitution*] means that one review would begin five years after the last concluded. This could well mean that, in effect, reviews are more like seven years apart based on previous experience’. For this reason, respondents welcomed the Trustees retaining the flexibility to carry out a review at any time, should the need arise, taking into account changing geopolitical influences in the field of international accounting.

65 One respondent suggested that:

... the Trustees would need to appreciate that given the current international environment it has to face frequent economic and accounting changes (US GAAP convergence slowdown, increase in the number of countries applying ... IFRS, due process enhancements (e.g. IFRS IC/ASAF) ...),[so] more frequent reviews would most certainly become necessary.

As a consequence, the Trustees would need to accept that the time frames envisaged in the proposal would apply only in a stable environment, and the Trustees would need to carefully monitor the geopolitical evolution and make appropriate governance adjustments.²⁹

66 Most respondents supported the proposal to extend the focus of the reviews of the Foundation beyond governance matters to strategy, with one saying this is ‘a more relevant term to describe the Foundation’s review process’.³⁰

67 Some respondents, however, did not support the proposal based on the ‘increasing pace of change within the global financial reporting environment’,³¹ since it would mean that the Foundation would carry out reviews every seven years, rather than the current five years. These respondents also felt that the Foundation’s public consultation was an important part of its wider governance obligations. One respondent observed:

public consultation ... is a valuable exercise [and that] regular public consultation ensures an appropriate level of transparency which in general demands public accountability. These efforts need to continue at regular [intervals]...³²

Trustees’ conclusions and recommendations

68 The Trustees, noting the responses submitted, confirmed that:

- (a) a regular review process is a fundamental part of the Trustees’ accountability obligations enshrined in the *Constitution*; and
- (b) on the whole, most stakeholders favoured altering the review cycle to one that is carried out, at the latest, five years after the previous review has been completed, as proposed. They also favoured allowing for flexibility to start a review at any time should the need arise. The Trustees recognise the obligations of the Foundation to be accountable, transparent and responsive to its stakeholder interest groups and can see no benefit in delaying a review, should the need arise any time sooner.

29 ANC [CL30].

30 EY [CL38].

31 PwC [CL12].

32 Die Deutschen Versicherer (GDV) (German Insurance Association) [CL7].

Amendments to section 17 of the *Constitution*

- 69 Given the widespread support, the Trustees proposed amending Section 17 in accordance with Proposal 4.

Section 17

The accountability of the Trustees shall be ensured, inter alia, through:

- (a) a commitment made by each Trustee to act in the public interest;
- (b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23; **and**
- (c) their undertaking a review of the **strategy** ~~entire structure~~ of the IFRS Foundation and its effectiveness, such review to include consideration of **the structure of the organisation (if appropriate) and** changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, ~~the review beginning three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution; and their undertaking a similar review subsequently~~ **at the latest** every five years **after the conclusion of the most recent review**.

Proposal 5—The size of the Board

- 70 The *Constitution* currently specifies that the Board shall comprise 16 members. In the Request for Views, the Trustees noted that, since July 2014, the Board has been operating successfully with 14 members on an interim basis. In the Request for Views, the Trustees proposed reducing the maximum size of the Board to 13 members and sought views on that proposal.
- 71 As noted in the Request for Views Feedback Statement, respondents' views were mixed on the proposal to reduce the size of the Board to 13 members. Broadly similar numbers of respondents agreed and disagreed with the proposal, although those who disagreed were split between retaining a 16-member Board, as specified in the *Constitution*, or retaining the current 14-member Board.
- 72 Having considered the feedback received, the Trustees confirmed their view that a Board smaller than 16 members is more effective, for the reasons set out in the Request for Views. The *Constitution* ED therefore recommended reducing the size of the Board from 16 members to 13 members, while allowing the Trustees the flexibility to appoint another Board member, taking the total to 14, should the need arise.

Summary of responses

73 The responses to this proposal were mixed. In total, 32 respondents commented on the proposed changes to section 24, and those 32 replies can be broken down as follows:

Board size options	Number of respondents in favour
Those in favour of the Trustees' proposal as outlined in the <i>Constitution</i> ED	14
Those preferring the status quo—a Board composed of 16 members	11
Those preferring a Board of 14 members only	6
Those preferring a Board of 13 members only	1

74 The majority of the 32 respondents³³ agreed with the Trustees' proposal that the Board should be reduced from 16 members as currently specified in the *Constitution*, though with some reservations.³⁴ One respondent said the Trustees should be encouraged 'to consider whether the reduction in the size of the Board will continue to be appropriate and effectively support the accounting development in the future'.³⁵

75 Some respondents did not agree with the proposal and clearly preferred that the Board retain 16 members.³⁶ The following reasons were given:

- **geographical representation**—it is important to maintain a balance of members that represents the wide range of jurisdictions actively committed to IFRS Standards and the varied professions that make up the IFRS constituency. A smaller Board would not be able to provide the broad range of regional representation required.³⁷
- **representation linked to adoption of IFRS Standards and financial support**—the Board should be mainly composed of members from jurisdictions that have adopted IFRS Standards and have relevant experience in their application. If the proposed reduction in the size of the Board is mainly justified by cost saving, that is not an acceptable reason for a global standard-setter.
- **efficiency of the Board**—the majority of respondents expressed concern that the proposed reduction in the size of the Board would result in a loss of efficiency and effectiveness, particularly at a time when more outreach on a global scale is required. It would also increase the burden on each of the remaining Board members and affect the quality of the Board's output.
- **breadth of experience**—one respondent noted that if the Board was composed of 13 members, it would lack sufficient breadth of technical and standard-setting experience to challenge the staff and constituents effectively.³⁸

33 Denise Juvenal [CL3], Group 100 [CL4], GDV [CL7], The External Reporting Board of New Zealand (XRB) [CL8], ACCA [CL10], Federation of Accounting Professions—Thailand [CL13], Banco Bradesco [CL21], Grant Thornton International [CL24], Canadian Bankers Association [CL31], Kenyan Accounting Standards Board (ICPAK) [CL32], Swiss Holdings [CL36], ICAEW [CL37], EY [CL38] and the Asian-Oceania Standard Setters Group [CL40], making a total of 14 respondents.

34 Those that included some form of reservation were: Group 100 [CL4], Federation of Accounting Professions—Thailand [CL13], Banco Bradesco [CL21] and The XRB [CL8].

35 Federation of Accounting Professions—Thailand [CL13].

36 Gabriel Ramírez [CL2], BusinessEurope [CL9], DRSC [CL17], Svensk Näringsliv [CL18], Rådet for Finansiell Rapporting [CL20], Mazars [CL23], ACTEO-AFEP-MEDEF [CL29], ANC [CL30], FRS Dansk Revisorer [CL34], Dutch Accounting Standards Board [CL35] and IOC [CL42], making a total of 11 respondents.

37 BusinessEurope [CL9].

38 Deloitte [CL26].

- **outreach**—the Board would not be able to deliver on its Better communication in financial reporting strategy of effectively engaging with key stakeholders across an increasing number of jurisdictions. One respondent noted that while the Accounting Standards Advisory Forum (ASAF) has a role to play in the development of IFRS Standards and the work of the Board more generally, there was insufficient evidence to show that the ASAF had ‘proved its effectiveness as an ‘outreach body’ sufficiently to assume a part of the Board’s outreach role’³⁹. Another respondent noted that the Board has a different role and function from the ASAF: the ASAF is an advisory body providing jurisdictional/regional input on major technical issues on the standard-setting process, whereas the Board members have voting rights for setting the Standards.⁴⁰
- **perception**—one respondent noted that a reduction in the size of the Board at a time when outreach to the global stakeholder community is critical would send a negative signal to its growing global constituency.⁴¹
- **‘at-large’ category**—a number of respondents expressed concern that the proposal had gone from two ‘at-large’ Board members (Request for Views) to, at best, one, and at worst, none. The ‘at-large’ Board member can only be the 14th Board member if and when the Trustees deem it appropriate to appoint one. These respondents expressed regret and concern at the potential loss of flexibility, combined with the potential loss of efficiency and effectiveness of the Board. One respondent suggested the Trustees consider whether:

the reduction in the size of the IASB, combined with the reduction in at-large membership ... [would not] compromise the combined conceptual and technical skills, professional competence, practical experience and independence of the IASB membership as a whole.⁴²

These respondents took the view that the ability to appoint ‘at-large’ members gives Trustees greater flexibility to ensure a high quality Board.

- **geographical allocation for the Chair**—one respondent noted that if the Board no longer had any ‘at-large’ positions, the Chair would be assigned to represent a particular geographical region, which at present is not the case, and the respondent was of the view that the Trustees should reconsider this proposal.⁴³

Certainty and objective criteria

- 76 Some respondents supported the Trustees’ decision to reduce the size of the Board, but did not support the proposal that the Trustees use their discretion to determine whether the Board should be composed of 13 or 14 individuals. The lack of clarity as to when or how the Trustees would exercise this discretion was deemed inappropriate because it could result in ambiguity and subjectivity, which could lead to governance concerns.⁴⁴ It would be preferable for the Trustees to determine the size of the Board in advance and settle at a single figure. The Group of Latin American Standard Setters (GLASS) summarised the concern:

GLASS believes that establishing a specific number of IASB members ensures predictability for its members and for the interest groups associated with [the Board]. We do not believe it is appropriate that the number of Board members should depend on the discretion of the Trustees. Fewer options results in improved functionality of the Board.⁴⁵

The Advisory Council also raised this point at its meeting in June 2016.

39 Deloitte [CL26].

40 JICPA [CL25].

41 DRSC [CL17].

42 The XRB [CL8].

43 ANC [CL30].

44 For example, DRSC [CL17] noted that: ‘the current wording “the Trustees shall have the discretion to appoint a fourteenth member if they deem it appropriate” [sounds] inappropriately vague and subjective and makes the Foundation prone to governance concerns being raised’.

45 GLASS [CL44]

77 Of those respondents who did not support the Trustees' right to exercise their discretion flexibly, one preferred a Board of 13 members⁴⁶ only, while six respondents preferred a Board composed of 14 members⁴⁷ only. One respondent suggested that the Board be composed of 14 members, but that Trustees should reserve the right to appoint '[fewer] than fourteen' Board members. In this way, the size of the Board would be entirely at the Trustees' discretion.⁴⁸

Other comments

78 Some urged the Trustees to consider including greater representation from Africa and other emerging markets on the governance structures of the Foundation.⁴⁹

Trustees' conclusions and recommendations

79 The Trustees, noting the responses submitted, concluded that it was necessary to reconsider the proposal. The Trustees noted that there is support for a Board of fewer than 16 members but agreed that the comments received about the degree of flexibility in the current proposals for 13 or 14 members have some validity. They also agreed that there are valid concerns that the loss of the 'at-large' Board member would reduce the ability to appoint the best possible candidates to the Board. The Board needs to be large enough to be geographically representative of the various constituents around the globe, while small enough to be able to work efficiently and effectively.

80 The Trustees therefore proposed to amend section 24 of the Foundation's *Constitution* to provide for a Board of 14 members, one of whom should be designated as an 'at large' appointment. Accordingly, the composition of the Board will be as follows:

- four Board members from Europe;
- four Board members from Asia-Oceania;
- four Board members from the Americas;
- one Board member from Africa; and
- one 'at-large' Board member.

Amendments to section 24 of the *Constitution*

81 Given the widespread support, the Trustees proposed amending section 24 in accordance with Proposal 4.

Section 24

The International Accounting Standards Board (the Board) shall **normally** comprise 14 members ~~increasing to sixteen members at a date no later than 1 July 2012...~~

⁴⁶ PwC [CL12].

⁴⁷ Korean Accounting Standards Board (KASB) [CL11], JICPA [CL25], Deloitte [CL26], Federation of European Accountants [CL28], GLASS [CL44] and CINIF [CL45].

⁴⁸ KASB [CL11].

⁴⁹ Financial Reporting Standards Council of South Africa [CL19].

Proposal 6—Professional background of the Board

- 82 Section 25 of the *Constitution* currently provides that the main qualifications for membership of the Board shall be professional competence and practical experience and that Trustees shall select members of the Board consistently with the ‘Criteria for Board members’ set out in the Annex to the *Constitution*. Section 27 of the *Constitution* also provides that ‘Trustees shall select Board members so that the Board as a group includes an appropriate mix of recent practical experience among auditors, preparers, users and academics’.
- 83 In the Request for Views, the Trustees made it clear that they did not wish to introduce a quota relating to the backgrounds that should be represented on the Board, preferring to retain a degree of flexibility. However, the Request for Views noted the Trustees’ concern that section 27 implies an unduly restrictive limitation on the professional backgrounds of Board members, in contrast to section 25, which refers more flexibly to the Board comprising ‘the best available combination of technical expertise and diversity of international business and market experience’. To overcome this, the Request for Views proposed deleting the wording in section 27 and amending section 25 to provide that the mix of professional backgrounds on the Board should include auditors, preparers, users and academics. The Request for Views document also proposed including ‘market and/or financial regulators’, which the *Constitution* had not previously referenced.
- 84 The Request for Views Feedback Statement noted that most respondents agreed with the proposed amendments, although some expressed concern that including a reference to regulators would mean that standard-setting would be framed by regulatory viewpoints. Some respondents were also concerned about removing the phrase ‘recent practical experience’ from section 27 of the *Constitution*, arguing that this is an important factor that should be considered in the appointment of Board members.
- 85 In the Request for Views Feedback Statement, the Trustees did not take the view that including a reference to market and/or financial regulators being among the professional backgrounds required for Board members would lead to standard-setting being framed by regulatory viewpoints. The Trustees acknowledged the concerns expressed about the importance of Board members having ‘recent practical experience’, but believed that it would be more appropriate to use the term ‘recent relevant professional experience’, on the grounds that ‘practical experience’ may also be seen as being unduly limited. The Trustees proposed that ‘recent relevant professional experience’ be used in the *Constitution*.
- 86 As a consequence, the Trustees proposed deleting section 27 and altering section 25 of the *Constitution* in the following way:
- (a) replacing ‘practical experience’ with ‘recent relevant experience’; and
 - (b) including auditors, users, preparers, academics, and market and/or financial regulators as potential Board members.

Summary of responses

87 The majority of respondents supported the proposals as set out in the *Constitution ED*. Most supported the conclusion not to introduce specific quotas to ensure the flexibility needed to appoint the best candidates to the Board, and to achieve a balanced and representative Board. Many were in agreement that the main criteria for appointments to the Board should be skills, experience and commitment to the Foundation’s public interest mission.

Concerns about market and financial regulators

88 A number of respondents expressed the following concerns about including market and financial regulators as a category of Board members:

- some expressed concern at the possible increase in the number of market and financial regulators on the Board.
- some did not object to regulators being appointed to the Board, but would not support an increase in the current number on the Board (four). Accordingly, they suggested that the number of regulators on the Board should be capped at 20 to 25 per cent, and that the Board should remain balanced overall.⁵⁰
- some continued to express concern that having too many regulators on the Board would cause the standard-setting process to be framed by regulatory viewpoints or concerns. These respondents recommended that the Trustees rectify the current imbalance in representation of professional backgrounds on the Board by appointing individuals who represent the ‘primary users’ of IFRS Standards—namely, investors and other capital providers (ie primary users as defined in the IFRS *Conceptual Framework for Financial Reporting*), auditors (who ensure an adequate level of trust), others from the preparer community,⁵¹ and academics, who are valuable for their breadth of knowledge of the accounting literature.⁵²
- one respondent expressed concern at the risk that the term ‘market and/or financial regulators’ could be construed to include prudential regulators, who are concerned with financial stability and not necessarily with transparent financial reporting.⁵³

89 One respondent⁵⁴ noted that the Board is dominated by private actors and was of the view that it should include more individuals representative of medium-sized businesses (SMEs), trade unions, consumer representation agencies and finance ministries.

The change from practical to recent relevant professional experience

90 Some respondents disagreed with the proposal to delete ‘practical experience’ and replace it with ‘recent relevant professional experience’, saying:

- the term ‘recent relevant professional experience’ is vague in comparison with ‘practical experience’, which emphasises the role of users and preparers.⁵⁵
- both criteria are valuable, and for IFRS Standards to continue to be relevant, they need to be developed by a professionally competent body with recent relevant professional and relevant practical experience.⁵⁶

50 BusinessEurope [CL9] and the Dutch Accounting Standards Board [CL35].

51 DRSC [CL17] and GDV [CL7].

52 Professor Stephen Zeff, Rice University, Jones Graduate School of Business [CL1].

53 Professor Stephen Zeff, Rice University, Jones Graduate School of Business [CL1].

54 Sven Giegold [CL15].

55 ANC [CL30].

56 Deloitte [CL26] and DRSC [CL17].

- there needs to be a balance of professional backgrounds on the Board, and by deleting section 27, there would be no obligation on the Trustees to ensure such a balance. The respondents voicing this concern asked the Trustees to reinstate the wording of section 25.⁵⁷
- the concern was also raised as to whether a part-time Board member ‘can be as effective as a full-time member, given the technical programme of the [Board] and the outreach demands on Board Members’. Given ‘the maturity of the [Board] and the demands on individual Board Members’, one respondent questioned whether it was appropriate for the Trustees to retain the discretion to appoint up to three part-time Board members.⁵⁸ This respondent also noted that ‘the presence of part-time members who remain in paid employment from other sources ... will inevitably raise a perception of bias’.

Trustees’ conclusions and recommendations

91 The Trustees, noting the responses, concluded that:

- the term ‘recent relevant practical experience’ is familiar and well understood. The reason for the proposed change is that it is wider in meaning than ‘practical experience’ and more inclusive of different professional backgrounds, such as, for example, academics.
- the Board should balance professional backgrounds, including market and/or financial regulators, users, preparers, auditors and academics. No one grouping should be allowed to become dominant. The current number of Board members with regulatory experience and background should ideally not increase.
- the ‘Criteria for Board members’ annexed to the IFRS Foundation’s *Constitution* Board requires Board members to have ‘demonstrated technical competence and knowledge of financial accounting and reporting’. Section 1 of the Annex notes that Board members:

... should have demonstrated a high level of knowledge and technical competence in financial accounting and reporting. The credibility of the IASB and its individual members and the effectiveness and efficiency of the organisation will be enhanced with members who have such knowledge and skill.

The proposed changes, when read in conjunction with the ‘Criteria for Board members’, indicate that Board members would still have to show some form of practical experience, whether obtained in academia or as an auditor in practice.

- the continued provision in the *Constitution* for the Trustees to appoint part-time Board members remains appropriate as it facilitates the appointment of the best possible candidates to the Board. However, the Trustees will always remain vigilant in appointing part-time individuals with no conflicts of interest from other commitments and connections. Part-time Board members and senior staff are asked to provide assurance that they will maintain their independence throughout the course of their employment. In addition, the Foundation has a strict conflicts of interest policy which is circulated to the Board and all senior staff for completion and filing. The Board and staff declare in writing, annually, that they have read and understood the conflicts of interest policy, that they are in compliance with it and that they have filed their annual return.

⁵⁷ For example, ACTEO-AFEP-MEDEF [CL29] and ACCA [CL10].

⁵⁸ Deloitte [CL26].

Amendments to sections 25 and 27 of the *Constitution*

- 92 The Trustees concluded that the proposal to add recent relevant professional experience qualifications for Board membership rather than practical experience should be implemented, given the majority support for it.

Sections 25 and 27

Section 25

The main qualifications for membership of the Board shall be professional competence and **recent relevant professional** practical experience. The Trustees shall select members of the Board, consistently with the 'Criteria for Board members' set out in the Annex to the *Constitution*, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience, **including auditors, preparers, users, academics and market and/or financial regulators** in order to ~~that the Board members as a group can~~ contribute to the development of high quality, global financial reporting standards. The members of the Board shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and a Board member at the same time.

Section 27

~~The Trustees shall select IASB members so that the IASB as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.~~

Proposal 7—Geographical distribution of the Board

- 93 In line with their proposals in relation to the geographical distribution of the Trustees (Proposal 1 above) and the size of the Board (Proposal 5 above), the Trustees proposed to amend the geographical distribution of the Board so that it mirrored that of the Trustee body. The following changes were suggested in the *Constitution* ED:

- to combine the North and South American category, to be known as 'the Americas';
- to equally distribute Board members geographically, with four from Asia-Oceania, four from the Americas and four from Europe;
- to maintain one member from Africa (as now);
- to reduce the 'at-large' category from two members to one; and
- should the Board appoint a 14th member, it will be from the 'at-large' category, as referred to in Proposal 5 above.

Summary of responses

- 94 On the whole, respondents' replies were very similar to those relating to the geographical distribution of the Trustees (Proposal 1 above). Many agreed that the main qualification for membership of the Board should be professional competence and 'recent relevant professional experience' and that there should be no set quotas for the backgrounds that should be represented. The overall view was that Board members' decisions must be independent of their geographical origin.

- 95 As noted in paragraph 24, some respondents suggested linking representation on the Board to commitment to the adoption of IFRS Standards, whether fully or partially.
- 96 As noted in paragraph 23 above, respondents from Latin America also said that South America should be given its own allocation and that efforts should be made to ensure geographical balance on the Board.⁵⁹
- 97 As noted in paragraph 36 above, the Monitoring Board [CL46] wrote to indicate that it was in agreement with all of the proposals put forward, with the exception of Proposal 1 (geographical distribution of the Trustees) and Proposal 7 (geographical distribution of the Board).
- 98 The following comments, however, were relevant only to the geographical allocation of the Board:
- the loss of the ‘at-large’ category effectively reduces the ‘Trustees’ flexibility to appoint the most experienced and competent individuals to the Board.⁶⁰
 - there should be no geographical allocation for the Board, since it:
 - ... should comprise the most suitable members, taking into account diversity across a number of dimensions. Diversity is broader than just geographical distribution, as it should also encompass items such as gender, professional background and regulatory environment. We would be concerned that the best candidates may not be appointed if strict geographical criteria are applied.⁶¹
 - there is a lack of clarity as to the meaning of the phrase ‘subject to maintaining overall geographical balance’. One respondent⁶² said that a strict reading would imply that the seat could only be given to Africa, as the criterion for geographical balancing could not otherwise be met.
 - if the Trustees do not wish to realign the geographical balance of the Board, thereby recognising that Europe should be given enhanced representation since it is the largest user of the IFRS Standards and one of its largest financial contributors, a weighted voting system could be introduced to recognise Europe’s larger commitment. According to these respondents, even if Board members were independent and did not ‘represent’ stakeholders, they could, ‘under certain circumstances, be recognised as expressing the culture of, and being accountable to, their jurisdiction of origin [T]he level of commitment of the jurisdiction of origin should be taken into account in case of potential controversial decisions ...’.⁶³
 - Board members should not only have comprehensive experience in accounting and finance; they should also have the ability to efficiently liaise with their own jurisdictional and geographical area.⁶⁴
 - the three main regions should be reclassified as ‘the Americas, Asia-Oceania and EMEA. Appointments to the [Board] should be distributed equally between the three regions’.⁶⁵

59 GLASS [CL44] and CINIF [CL45], to name but two.

60 DRSC [CL17] – The proposed change means that the loss of the at-large category on the Board reduces flexibility to appoint the best candidate to the Board and also means that the Chair and the Vice Chair now have to be attributed to a particular geographic allocation, which was not the case previously. It would have been preferable if the Chair and Vice Chair could have remained neutral. Deloitte [CL26] noted that there should be two at-large seats which could be used to bring constituents or skills not otherwise represented and subject to maintaining the overall geographical balance. As a principle, IASB members should be drawn from any country or region in which IFRSs are used or widely accepted for filing financial information with capital market authorities.

61 EY [CL38] and JICPA [CL25].

62 DRSC [CL17].

63 ANC [CL30].

64 ANC [CL30].

65 Deloitte [CL26].

- there should be enhanced Board representation of emerging markets, including Africa, to facilitate widespread IFRS Standards adoption globally.⁶⁶

- there is a bias towards jurisdictions with larger capital markets. One respondent⁶⁷ said:

... [an] unintended consequence arising from the proposed geographical distribution of the Board [may be] that without the flexibility to [make] an at-large appointment, the Board is likely to be predominantly represented by individuals from jurisdictions with larger capital markets, which is partly a consequence of the perceived correlation between the main qualifications of professional competence/experience and the breadth/depth of capital markets. The proposal risks limiting the spread of jurisdictions and perpetuating the perception that international standard-setting rests with jurisdictions with larger capital markets. It also differs from the proposed at-large appointments of the Trustees, which provide greater flexibility within specified guidelines on the use of such appointments.

Trustees' conclusions and recommendations

99 The Trustees, noting the responses submitted, concluded that the majority of respondents supported the proposals; however, given the recommendation to cap the Board at 14 members (as referred to in Proposal 5 above), with one 'at-large' appointment, section 26 should, in any event, be amended as follows:

- North and South America will become a single merged Americas category;
- an equal distribution of four Board members each for Asia-Oceania, the Americas and Europe;
- one member from Africa (as now); and
- one 'at-large' appointment.

Amendments to section 26 of the *Constitution*

100 The Trustees noted that this should address respondents' concerns about the loss of the 'at-large' category and agreed to amend section 26 as follows:

Section 26

In a manner consistent with the 'Criteria for Board members' as set out in the Annex to the Constitution and in order to ensure a broad international basis, there shall normally be, by 1 July 2012:

- (a) four members from the Asia-Oceania region;
- (b) four members from Europe;
- (c) four members from **the North Americas**;
- (d) one member from Africa; and
- (e) ~~one member from South America~~; **two one** member appointed from any area, subject to maintaining overall geographical balance.
- (f)

⁶⁶ ICPAK [CL32] and Financial Reporting Standards Council of South Africa [CL19].

⁶⁷ The Singapore Accounting Council [CL43].

Proposal 8—Terms of reappointment of the Board

- 101 Currently, section 30 of the *Constitution* provides that Board members appointed after 2 July 2009 shall be appointed for an initial term of five years. Terms are renewable once for a further term of three years, with the exception of the Chair and the Vice-Chair, who may serve a second term of five years, but may not exceed 10 years in total length of service as a Board member.
- 102 The *Constitution* ED proposed that all Board members should be appointed for a first term of five years and then for a second term, which would normally be three years, but with the flexibility to extend that for up to five years, capped at 10 years. Second-term Board appointments would have to be carried out ‘in line with procedures developed by the Trustees for such renewals’.
- 103 Three years is the normal length of service for a second term, but in exceptional circumstances, a member’s second term can be extended for up to five years in total, on a case-by-case basis. The Trustees proposed to adopt this with retrospective application, such that the second (currently three-year) term of any existing Board member could, in the circumstances referred to above, be extended for up to a further two years.

Summary of responses

- 104 Most of the respondents agreed with the proposal on the basis that a longer reappointment period would increase flexibility in reappointments and provide continuity for major projects⁶⁸ with long life cycles.⁶⁹ Additionally, the extended term will make maximum use of the knowledge Board members acquire during their first term.⁷⁰ There was also support for the decision to treat all Board members on equal terms with respect to their initial appointment and possible reappointment.⁷¹
- 105 Respondents welcomed the fact that ‘the reappointment should not be perceived as automatic but rather subject to a transparent and reasoned assessment process by Trustees’.⁷² One respondent cautioned against two five-year terms becoming the norm: ‘instead the additional flexibility should be used to achieve the best possible balance between continuity and recent relevant experience for the Board as a whole’.⁷³
- 106 Respondents also approved of the consistency between the reappointment of the Chair, the Vice-Chair and the rest of the Board members. Retrospective application was also acceptable to respondents, as this meant that ‘the new terms of appointment [would be] applied to the existing members to achieve an appropriate mix in years of experience among the IASB Members’.⁷⁴

68 Federation of Accounting Professions of Thailand [CL13]; Grant Thornton [CL24].

69 JICPA [CL25]—‘We support the proposal because it will allow Board members to participate in the full life cycle of a long project’.

70 ICAEW [CL37].

71 Deloitte [CL26].

72 ANC [CL30], PwC [CL12], Deloitte [CL26]; ICAEW [CL37]; DRSC [CL17].

73 Grant Thornton [CL24].

74 JICPA [CL25].

107 However, some disagreed with the proposal on the following grounds:

- any period longer than the current term that is allowed ‘would increase the risk of the experience no longer being relevant in a changing world’.⁷⁵ According to these respondents,⁷⁶ the ‘maximum term of service for Board members should remain at eight years, with ten years for the Chairman and Vice-Chairman. It is important that members’ relevant practical and/or professional experience be recent’.⁷⁷
- an initial term of five years and a second term of five years together would be too long and, according to one respondent, this ‘may discourage potential candidates with relevant practical experience from applying’.⁷⁸
- there is a need for clear objective reappointment criteria as to when or on what basis the Trustees may exercise their discretion to appoint a Board member for a second term of five years. Some respondents said that the Trustees should publish ‘the procedural guidelines they intend to apply’ when extending a Trustee’s second term from the usual three years to five years.⁷⁹
- the discretion to appoint Board members for three or five years could ‘create some undue form of competition amongst Board members or the consideration of other aspects which ought to be taken into account in such decisions or even some form of automatic renewal for five years’.⁸⁰
- there is a lack of clarity as to when and how the extended appointment operates. According to one respondent, ‘[t]he wording is unclear about whether the proposal relates to one renewal of up to five years or whether an additional year or two could be granted after the renewal of three’.⁸¹
- terms should be set at the outset of the Board members’ appointment, according to two respondents who said that they did not support the proposal because they preferred two five-year terms set in advance.⁸²

Trustees’ conclusions and recommendations

108 The Trustees, noting the responses submitted, concluded that in the light of the comments expressed, there should be independent criteria that will determine when a Board member’s second term can be extended, exceptionally, from three to five years. The Trustees noted that the provision was designed to give them flexibility to extend a Board member’s term if the individual had specific specialist knowledge or experience of the particular subject that was required in order to complete a Standard.

75 BusinessEurope [CL9].

76 BusinessEurope [CL9], ANC [CL30].

77 Group 100 [CL4].

78 Group 100 [CL4].

79 ANC [CL30]; DRSC [CL17]; European Financial Reporting Advisory Group (EFRAG) [CL41]; IOC [CL42].

80 Mazars [CL23].

81 Mazars [CL23].

82 GLASS [CL44] and CINIF [CL45].

Amendments to section 30 of the *Constitution*

109 Accordingly, the Trustees agreed to the following criterion:

[o]n an exceptional basis, the Trustees shall have the discretion to appoint a Board member for a second term of up to five years, where it is anticipated that the extension of the individual's term would significantly enhance the Board's ability to deliver its strategy, research or work plan over that period.⁸³

The Trustees agreed there would be no substantive change to section 30 of the *Constitution*, and that this objective criterion would be published on the Foundation's website.⁸⁴

Section 30

Members of the Board appointed before 2 July 2009 shall be appointed for a term of five years, renewable once for a further term of five years. Members of the Board appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are **may be renewable once for a further term of three years, with the possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals.** ~~exception of the Chair and a Vice-Chair. The Chair and a Vice-Chair may serve a second term of five years, but~~ **The** terms may not exceed 10 years in total length of service as a member of the Board.

Proposal 9—Voting requirements for the Board

110 Currently section 35 provides that the publication of an exposure draft or an International Financial Reporting Standard (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by nine members of the Board if there are fewer than 16 members, or by 10 members if there are 16 members. Other decisions of the Board, including the publication of a Discussion Paper, shall require a simple majority of the members of the Board present at a meeting, provided it is attended by at least 60 per cent of the members of the Board, in person or by telecommunications.

111 In the Request for Views and the *Constitution* ED, the Trustees noted that as a consequence of reducing the size of the Board, it would also be necessary to amend the Board's voting requirements for the approval of the publication of a Standard or an Interpretation. The Trustees proposed that the approval of nine Board members would be required if there are 13 Board members or more, but when the Board has fewer than 13 members, the approval of eight members should be required.

Summary of responses

112 Most respondents agreed with this proposal; however, two respondents⁸⁵ noted that the proposal would effectively change the required votes to publish an Exposure Draft from a 60 per cent majority to something closer to a 70 per cent majority, and therefore they did not support this change.

⁸³ The Trustees agreed to this criterion at their meeting on 13 October 2016 in New Delhi.

⁸⁴ Section 31 has been renumbered because section 27 has been removed

⁸⁵ ANC [CL30] and DRSC [CL17].

113 One respondent⁸⁶ explained the potential change in the voting thresholds:

The existing *Constitution* specifies that, under normal circumstances (with a Board encompassing 16 members), majority is reached when 62.5% of the voting rights are obtained (10 members voting in favour). The amended *Constitution* specifies that under normal circumstances (with a Board encompassing 13 members), majority is reached when 69.23% of the voting rights are obtained (or 64.29% if a fourteenth member is appointed). [We] disagree with this major modification aiming at increasing the majority threshold.

... It would be more appropriate retaining a majority of 8 Board members when the Board is 13 or 14 members (61.5% or 57.14%). This would remain in line with the current *Constitution*.

In addition ... majority thresholds should be designed in percentage terms instead of being defined in absolute number of voting rights (specifying how to round up).

114 Another respondent made a similar observation:

Whilst [we] agree with adjusting the threshold necessary for Board approval, we are concerned by putting in absolute numbers rather than ratios. To demonstrate: Up until June 2016, the Board had 14 Board members, requiring nine Board members to vote in favour of a proposal. By the end of October 2016, the Board will only have 11 Board members, requiring eight Board members to vote in favour of a proposal. The change from 9/14 to 8/11 represents almost a move towards requiring a super majority (64% to 73%). Even though we acknowledge that the change will only be temporary, similar situations could arise in future if a Board member decides to step down before the regular end of his term. In order to avoid changing majority requirements over time, we propose fixing the voting ratio necessary for approval rather than the absolute number of Board members.⁸⁷

115 One respondent noted that ‘it is not clear in section 3[5] when referring to [fewer] than 14 members if that refers to all members of the Board or only to those members in attendance at the meeting’.⁸⁸

Trustees’ conclusions and recommendations

116 The Trustees, noting the responses submitted, concluded that while only two respondents objected to this change, they made a valid point—namely, that it would be inappropriate to change the voting ratio on the Board from its original position in the *Constitution* of, or about, 60 per cent to something closer to 70 per cent. Indeed, when considering the responses to the Request for Views, the Trustees, at their May 2016 meeting, reaffirmed the validity of the 60 per cent threshold required to pass a Standard, an Interpretation or an Exposure Draft.

117 However, the Trustees did not agree with the proposal that the voting requirements of the Board should be set as a percentage rather than as an absolute number, because the latter also serves as the quorum for the Board. In addition, the use of absolute numbers is in keeping with all the other provisions of the *Constitution* on Board or Committee meetings, and the Trustees did not believe that it would be appropriate to change to percentages for only one section of the *Constitution*, as it would become inconsistent with the remainder of the document. The Trustees were also concerned that such a change may necessitate a further round of consultation.

118 Sections 3.14–3.16 of the *Due Process Handbook* specifies that the Board passes IFRIC Interpretations and Standards by a well documented ballot process, following a public meeting. As a result, all members of the Board will vote on the matter.

86 ANC [CL30].

87 DRSC [CL17].

88 GLASS [CL44].

- 119 In light of comments related to balloting numbers, the Trustees agreed to return the 60 per cent threshold—or its closest number. That is, if the Board is composed of 13 or fewer members, a minimum of eight Board members will be needed to pass a Standard, an IFRIC Interpretation or an Exposure Draft, and if there are 14 members on the Board, a minimum of nine members is needed.

Amendments to section 35 of the *Constitution*

- 120 The Trustees decided that section 35 would therefore read as follows:⁸⁹

Section 35

The publication of an Exposure Draft, or an IFRS Standard (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by ~~nine~~ **eight** members of the Board, if there are ~~sixteen~~ **13** members or fewer, and by nine members if there are ~~sixteen~~ **14** members. Other decisions of the Board, including the publication of a Discussion Paper, shall require a simple majority of the Board members present at a meeting that is attended by at least 60 per cent of the Board members, in person or by telecommunications.

Proposal 10—Meetings of the Advisory Council

- 121 In the Request for Views, the Trustees did not seek specific views on the operation of the Advisory Council, but made it clear that the Advisory Council would be consulted throughout the review and that any implications for its operation would be considered. As part of that consultation, discussions have been held with the Advisory Council as to how frequently it should meet, given its broadened strategic role and the need for enhanced flexibility. These discussions have, in part, been prompted by the fact that the Trustees have themselves scheduled only three meetings in 2016 and three in 2017.
- 122 At its February 2016 meeting, the Advisory Council discussed a proposal to change the number of its meetings a year from three to two, at least on a pilot basis for 2017, with no objections being raised.
- 123 Section 45 of the *Constitution* currently states that the Advisory Council ‘shall normally meet at least three times a year’. As a consequence, the Trustees proposed that the reference to three meetings be changed to two meetings, so that the first sentence of section 45 would read as follows: ‘The Advisory Council shall normally meet at least two times a year’.

⁸⁹ Section 37 has been renumbered because section 27 has been removed

Summary of responses

124 The majority of respondents supported the proposal or otherwise passed no comment; however, a few respondents did not agree with this change.⁹⁰ Those who disagreed with the proposal noted that the Advisory Council is a critical strategic advisory body⁹¹ and expressed concern at the possible reduction in its efficiency to meet the needs of a challenging international environment. One respondent noted that the Advisory Council ‘is an important consultative forum, bringing together representatives of a wide variety of organisations with an interest in international financial reporting (see *Constitution*, section 43)⁹² and that as it is the only external body that supports the Trustees and the Board in strategic matters, the Foundation should be increasing rather than reducing the number of that Council’s meetings.

125 One respondent was concerned that ‘decreasing the Council’s number of meetings from three to two could send an unintended (negative) signal to the outside world’.⁹³

Trustees’ conclusions and recommendations

126 The Trustees noted the concerns that had been raised but were satisfied that the proposed amendment retains the Council’s flexibility to hold more meetings, if needed. The provisions of the *Constitution* merely set the minimum criteria. The proposed change does not preclude the Advisory Council from holding three or more meetings a year, should the need arise. Currently the Chair of the Advisory Council and the Trustee Chair meet regularly to discuss relevant issues, so there is no risk that the Trustees are not being well supported.

Amendments to section 45 of the *Constitution*

127 Accordingly, the Trustees agreed to adopt the proposal and amend section 45 as follows:⁹⁴

Section 45

The Advisory Council shall normally meet at least **two** ~~three~~ times a year. Meetings shall be open to the public. The Advisory Council shall be consulted by the Board in advance of Board decisions on major projects and by the Trustees in advance of any proposed changes to this *Constitution*.

Miscellaneous Comments

128 In addition to responding to the above-mentioned proposals, a number of respondents took the opportunity to comment further on other matters of concern. The following is a summary of the other matters that the Trustees considered:

Effectiveness of the IFRS Interpretations Committee

129 The Trustees noted that four European respondents⁹⁵ commented on the effectiveness of the IFRS Interpretations Committee (the Interpretations Committee). Those respondents thought that the Interpretations Committee is not as effective as it could be, and some were concerned that it leaves too many issues unresolved. In their view, this conflicts with the Foundation’s stated aim of supporting the consistent application of IFRS Standards.

90 Deloitte [CL26], ANC [CL30], JICPA [CL25], Banco Bradesco [CL21].

91 For example, ANC [CL31].

92 Deloitte [CL26].

93 DRSC [CL17].

94 Section 47 has been renumbered because section 27 has been removed

95 DRSC [CL17], ANC [CL30], European Securities and Markets Authority (ESMA) [CL33], EFRAG CFSS, OIC [CL42] and the European National Standard-Setters.

- 130 The Trustees noted that issues that the Interpretations Committee is unable to resolve, typically because they are too broad for it to deal within the confines of existing IFRS Standards, are then considered by the Board. However, some issues cannot be addressed effectively without a wider consideration of the relevant topic area. Trying to address these issues with a narrowly focused amendment to a Standard runs the risk of creating inconsistencies with other requirements and causing new questions to arise, and may also undermine the principles-based nature of IFRS Standards. The Board has considered these issues as part of its recent agenda consultation process, and will continue to do so as new issues arise.
- 131 The Trustees noted that the IFRS Foundation staff are planning to enhance the visibility of the Interpretation Committee process, and, in particular, they are seeking to explain why certain issues are not addressed. The staff are also considering how they interact with national standard-setters in dealing with emerging issues. The Board continues to look at ways to improve the efficiency of the process of responding to implementation questions.

Consequential Constitutional Amendments

- 132 The Asian-Oceanian Standard-Setters Group (AOSSG) [CL 40], the Malaysian Accounting Standards Board [CL5] and the Korean Accounting Standards Board (KASB) [CL11] noted two consequential amendments to the *Constitution* because of the changes currently being proposed.
- 133 These respondents suggested that section 36(d)(ii) be amended to reflect the Trustees' May 2016 decision to extend the interval between agenda consultations from three- to five-yearly intervals.
- 134 The Trustees decided it would also be appropriate to remove the date reference in this section and replace it with the words from the date of the most recent public agenda consultation for the following reasons:
- the date was originally inserted into the *Constitution* at the conclusion of the Foundation's 2008–2010 Constitutional Review as a transitional arrangement. Since the date has now passed, it serves no useful purpose.
 - it is inappropriate to have date references in a constitution as it will always require amendment as soon as the date has passed.
 - the Board should have the flexibility to review its own agenda at any time, particularly if and when stakeholders indicate a need for such a review.
- 135 In line with the Trustees' proposals to reduce the size of the Board (Proposal 5) and amend the Board's voting requirements for the approval of the publication of a Standard or an Interpretation (Proposal 9), the respondents proposed amending section 42.
- 136 The Trustees agreed to amend section 36(d)(ii) and section 42 of the IFRS Foundation's *Constitution* as indicated in the above proposals.

Amendments to section 36 of the *Constitution*⁹⁶

Section 36

The Board shall

(d)...

...(ii) carry~~ing~~ out a public consultation every ~~three~~ **five** years **from the date of the most recent agenda consultation.**, the first of which shall begin no later than 30 June-
2011.....?

Amendments to section 42 of the *Constitution*⁹⁷

Section 42

(d) report to the Board and obtain the approval of ~~nine~~ **eight** of its members for final Interpretations if there are ~~fewer than sixteen~~ **13** members **or fewer**, or by ~~ten~~ **nine** of its members if there are ~~sixteen~~ **14** members.

- 137 A number of other comments were submitted by respondents. Trustees noted the comments, but took the view that they were unrelated to the *Constitution*. Trustees also observed that they had already responded to the various matters raised in the Request for Views Feedback Statement published in June 2016.

⁹⁶ Section 37 has been renumbered because section 27 has been removed

⁹⁷ Section 43 has been renumbered because section 27 has been removed

APPENDICES I–III

Feedback Statement

**Trustees' Review of Structure and Effectiveness:
Amendments to the IFRS[®] Foundation *Constitution***

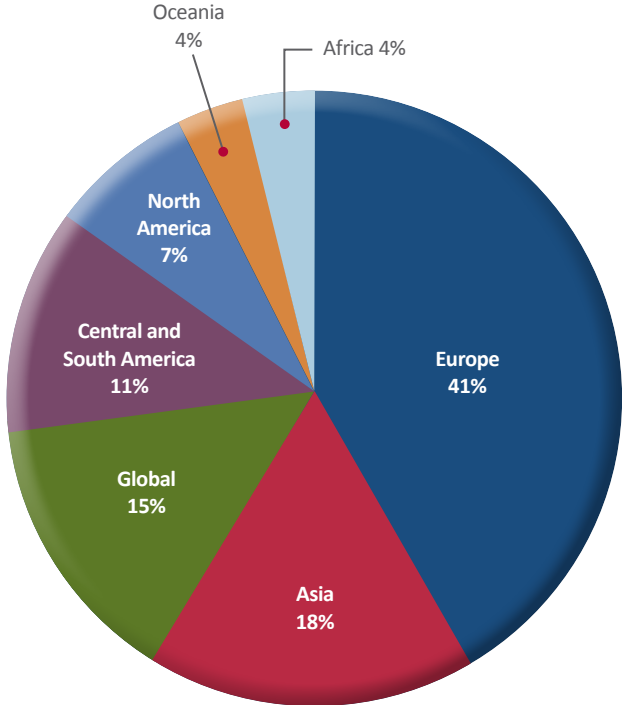
APPENDIX I: LIST OF RESPONDENTS TO THE CONSTITUTION EXPOSURE DRAFT ISSUED IN JUNE 2016

Comment Letter (CL) Number	Name of Respondent	Country/Region
1	Professor Stephen A. Zeff, Professor of Accounting, Rice University, Jones Graduate School of Business.	US
2	Gabriel Ramírez (individual)	South America
3	Denise Juvenal (individual)	Brazil
4	Group of 100	Australia
5	Malaysian Accounting Standards Board (MASB)	Malaysia
6	Ministry of Finance of the People's Republic of China	China
7	German Insurance Association (GDV)	Germany
8	External Reporting Board (XRB)	New Zealand
9	BUSINESSEUROPE	Europe
10	Association of Chartered Certified Accountants (ACCA)	UK
11	Korean Accounting Standards Board (KASB)	Korea
12	Pricewaterhouse Coopers International (PwC)	Global
13	Thai Federation of Accounting Professions	Thailand
14	Accounting Standards Oversight Council (AcSOC)	Canada
15	Sven Giegold (individual and MEP)	Germany
16	Accounting Standards Board (AcSB)	Canada
17	Accounting Standards Board of Germany (Deutsches Rechnungslegungs Standards Committee Committee e.V) (DRSC)	Germany
18	Confederation of Swedish Enterprise (Svenskt Näringsliv)	Sweden
19	The Department of Trade and Industry	South Africa
20	Swedish Financial Reporting Board (Rådet för Finansiell Rapportering)	Sweden
21	Banco Bradesco	Brazil
22	Accounting Standards Board of Japan (ASBJ)	Japan
23	MAZARS	Global
24	Grant Thornton	Global
25	Japanese Institute of Certified Public Accountants (JICPA)	Japan
26	Deloitte	Global
27	UK Financial Reporting Council (FRC)	UK
28	Federation of European Accountants (FEE)	Europe
29	ACTEO/AFEP/MEDEF	France
30	Autorité des normes comptables (ANC)	France
31	Canadian Bankers Association (CBA)	Canada
32	The Institute of Certified Public Accountants of Kenya (ICPAK)	Kenya
33	European Securities and Markets Authority (ESMA)	Europe
34	Danish Accounting Standards Board (Dansk Revisorer) (FSR)	Denmark
35	Dutch Accounting Standards Board (DASB)	Netherlands
36	Swiss Holdings	Switzerland
37	Institute of Chartered Accountants in England and Wales (ICAEW)	UK

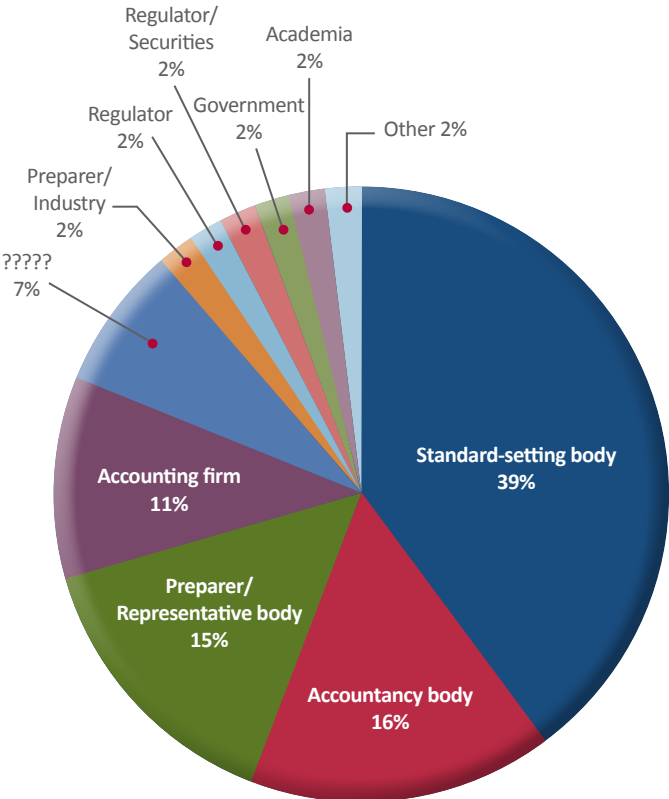
Comment Letter (CL) Number	Name of Respondent	Country/Region
38	Ernst & Young Global Ltd (EY)	Global
39	European Commission	Europe
40	Asian-Oceanian Standard-Setters Group (AOSSG)	Asia-Oceania
41	Written summary of meeting with European Financial Reporting Advisory Groups (EFRAG) Consultative Forum of Standard Setters (CFSS)	Europe
42	Organismo Italiano di Contabilità (OIC) (The Italian Standard Setter)	Italy
43	Accounting Standards Council Singapore (ASC)	Singapore
44	Group of Latin American Accounting Standard Setters (GLASS) (GLENIF)	South America
45	Consejo Mexicano de Normas de Información Financiera (CINIF)	Mexico
46	The Monitoring Board	Global

APPENDIX II: STATISTICAL SUMMARY OF COMMENT LETTERS BY GEOGRAPHICAL REGION AND TYPE OF RESPONDENTS

Respondents by Region



Respondents by Entity Type



APPENDIX III

IFRS[®] Foundation Constitution

The *Constitution* is issued by the IFRS[®] Foundation and has not been approved by the International Accounting Standards Board (the Board).

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Preface

This *Constitution* was approved in its original form by the board of the former International Accounting Standards Committee (the IASC) in March 2000 and by the members of the IASC at a meeting in Edinburgh on 24 May 2000.

At its meeting in December 1999, the IASC had appointed a Nominating Committee to select the first Trustees. Those Trustees were nominated on 22 May 2000 and took office on 24 May 2000 as a result of the approval of the *Constitution*. In execution of their duties under the *Constitution*, the Trustees formed the International Accounting Standards Committee Foundation (the IASC Foundation) on 6 February 2001. As a consequence of a resolution by the Trustees, Part C of the revised *Constitution*, approved on 24 May 2000, ceased to have effect and was deleted.

Reflecting the Trustees' decision to create the IFRS Interpretations Committee, and following public consultation, the *Constitution* was revised on 5 March 2002. Subsequently the Trustees amended the *Constitution*, with effect from 8 July 2002, to reflect other changes that had taken place since the formation of the IASC Foundation.

The *Constitution* requires the Trustees to review the *Constitution* every five years. The Trustees initiated the first review in November 2003 and following extensive consultation completed the review in June 2005. The changes were adopted and approved by the Trustees on 21 June 2005 and came into effect on 1 July 2005. Further amendments were adopted and approved by the Trustees on 31 October 2007 and they came into immediate effect.

The Trustees formally initiated their second five-yearly review of the organisation's constitutional arrangements in February 2008. The first part of that review, which focused on public accountability and the composition and size of the International Accounting Standards Board (the Board), led to changes that were approved by the Trustees on 15 January 2009 and they came into effect on 1 February 2009. This version reflects further changes made at the conclusion of the review. The Trustees approved the changes on 26 January 2010 and they came into effect on 1 March 2010.¹

Following the recommendations of the Trustees' 2011 Strategy Review *IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade* and the Monitoring Board's Governance Review of the IFRS Foundation *Final Report on the Review of the IFRS Foundation's Governance*, the Trustees amended the *Constitution* to reflect the separation of the role of the Chair of the Board from that of the Executive Director. The Trustees approved the changes on 23 January 2013 when they took immediate effect.

In July 2015, the Trustees launched a review of the Structure and Effectiveness of the IFRS Foundation. This review commenced by way of a 120-day public consultation document entitled: Request for Views—Trustees' Review of Structure and Effectiveness—Issues for the Review. The Trustees reviewed stakeholder feedback and in May 2016 concluded that it was necessary to further consult, by way of an Exposure Draft, on all the proposed changes to the Constitution arising from the review. The Trustees reviewed stakeholder feedback on this further consultation and in October 2016 agreed to amend the Constitution with immediate effect.

The Foundation's trade marks and editorial style have also been updated in this document, for example, IFRSs is now written as IFRS Standards; the defined term for the International Accounting Standards Board is 'the Board'; and an Interpretation by the IFRS Interpretations Committee is an 'IFRIC® Interpretation'.

¹ The steps necessary to give legal effect to the IFRS Foundation's change of name were completed in mid-2010.

IFRS Foundation *Constitution*

(Approved by the IASC at a meeting in Edinburgh, Scotland on 24 May 2000 and revised by the IASC Foundation Trustees on 5 March and 8 July 2002, 21 June 2005, 31 October 2007, 15 January 2009, 26 January 2010 and 13 October 2016. Revised by the IFRS Foundation Trustees on 23 January 2013 and 30 November 2016).

Name and objectives

- 1 The name of the organisation shall be the IFRS Foundation, a name which shall be put into legal effect as soon as practical and then shall replace the name the International Accounting Standards Committee Foundation (the IASC Foundation). The International Accounting Standards Board (the Board), whose structure and functions are laid out in sections 24–37, shall be the standard setting body of the IFRS Foundation.
- 2 The objectives of the IFRS Foundation are:
 - (a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world’s capital markets and other users of financial information make economic decisions.
 - (b) to promote the use and rigorous application of those standards.
 - (c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.
 - (d) to promote and facilitate adoption of the IFRS Standards, being the Standards and IFRIC® Interpretations issued by the Board, through the convergence of national accounting standards and our Standards.

Governance of the IFRS Foundation

- 3 The governance of the IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this *Constitution*. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this *Constitution* are observed; however, they may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of the Trustees.

Trustees

- 4 The Trustees shall comprise 22 individuals.

- 5 The Monitoring Board (described further in sections 18–23) shall be responsible for the approval of all Trustee appointments and reappointments. In approving such selection, the Monitoring Board shall be bound by the criteria set out in sections 6 and 7. The Trustees and the Monitoring Board shall agree a nomination process that will entitle the Monitoring Board to recommend candidates and provide other help. In administering the nomination process and putting forward nominations to the Monitoring Board for approval, the Trustees shall consult the international organisations set out in section 7.
- 6 All Trustees shall be required to show a firm commitment to the IFRS Foundation and the Board as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting standards developed for use in the world’s capital markets and by other users. The mix of Trustees shall broadly reflect the world’s capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:
- (a) six Trustees appointed from the Asia-Oceania region;
 - (b) six Trustees appointed from Europe;
 - (c) six Trustees appointed from ~~the~~ North Americas;
 - (d) one Trustee appointed from Africa; ~~and~~
 - (e) ~~one Trustee appointed from South America; and~~ ~~three~~ ~~two~~ Trustees appointed from any area, subject to maintaining overall geographical balance.
 - (f)
- 7 The Trustees shall comprise individuals that, as a group, provide ~~an appropriate~~ a balance of professional backgrounds ~~including auditors,~~ **and have an interest in promoting and maintaining transparency in corporate reporting globally. This includes individuals with global experience at a senior level in securities market regulators, firms representing investors, international audit networks,** preparers, users, academics, and officials serving the public interest. ~~Normally, two of the Trustees shall be senior partners of prominent international accounting firms. To achieve such a~~ balance, Trustees should be selected after consultation with ~~national and international organisations of auditors (including the International Federation of Accountants);~~ **the accounting and audit profession, the securities market and other public interest bodies, regulators, investors,** preparers, users and academics. The Trustees shall establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.
- 8 Trustees shall normally be appointed for a term of three years, renewable once.
- 9 Subject to the voting requirements in section 14, the Trustees may terminate the appointment of an individual as a Trustee on grounds of poor performance, misbehaviour or incapacity.

- 10 The Chair of the Trustees, and up to two Vice-Chairs, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. The role of a Vice-Chair(s) shall be to chair meetings of the Trustees in the absence of the Chair or to represent the Chair in external contacts. With the agreement of the Trustees, and regardless of prior service as a Trustee, the appointee may serve as the Chair or a Vice-Chair for a term of three years, renewable once, from the date of appointment as Chair or Vice-Chair, but may not exceed nine years in total length of service as a Trustee. The appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 11 The Trustees shall meet at least twice each year and shall be remunerated by the IFRS Foundation with an annual fee ~~and a per-meeting fee~~, commensurate with the responsibilities assumed, such fees to be determined by the Trustees. Expenses of travel on IFRS Foundation business shall be met by the IFRS Foundation.
- 12 In addition to the powers and duties set out in section 13, the Trustees may make such operational commitments and other arrangements as they deem necessary to achieve the organisation's objectives, including, but without limitation, leasing premises and agreeing contracts of employment with Board members.
- 13 The Trustees shall:
- (a) assume responsibility for establishing and maintaining appropriate financing arrangements;
 - (b) establish or amend operating procedures for the Trustees;
 - (c) determine the legal entity under which the IFRS Foundation shall operate, provided always that such legal entity shall be a foundation or other body corporate conferring limited liability on its members and that the legal documents establishing such legal entity shall incorporate provisions to achieve the same requirements as the provisions contained in this *Constitution*;
 - (d) review in due course the location of the IFRS Foundation, ~~both~~ as regards **both** its legal base and its operating location;
 - (e) investigate the possibility of seeking charitable or similar status for the IFRS Foundation in those countries where such status would assist fundraising;
 - (f) open their meetings to the public but may, at their discretion, hold certain discussions (normally only about selection, appointment and other personnel issues, and funding) in private; and
 - (g) publish an annual report on the IFRS Foundation's activities, including audited financial statements and priorities for the coming year.
- 14 There shall be a quorum for meetings of the Trustees if 60 per cent of the Trustees are present in person or by telecommunications: Trustees shall not be represented by alternates. Each Trustee shall have one vote, and a simple majority of those voting shall be required to take decisions on matters other than termination of the appointment of a Trustee, amendments to the *Constitution*, or minor variations made in the interest of feasibility of operations, in which cases a 75 per cent majority of all Trustees shall be required. Voting by proxy shall not be permitted on any issue. In the event of a tied vote, the Chair shall have an additional casting vote.

- 15 In addition to the duties set out above, the Trustees shall:
- (a) appoint the members of the Board and establish their contracts of service and performance criteria;
 - (b) appoint the Executive Director, in consultation with the Chair of the Board, and establish his or her contract of service and performance criteria;
 - (c) appoint the members of the IFRS Interpretations Committee (the Interpretations Committee) and the IFRS Advisory Council (the Advisory Council);
 - (d) review annually the strategy of the IFRS Foundation and the Board and its effectiveness, including consideration, but not determination, of the Board's agenda;
 - (e) approve annually the budget of the IFRS Foundation and determine the basis for funding;
 - (f) review broad strategic issues affecting financial reporting standards, promote the IFRS Foundation and its work and promote the objective of rigorous application of our Standards, provided that the Trustees shall be excluded from involvement in technical matters relating to financial reporting standards;
 - (g) establish and amend operating procedures, consultative arrangements and due process for the Board, the Interpretations Committee and the Advisory Council;
 - (h) review compliance with the operating procedures, consultative arrangements and due process as described in (g);
 - (i) approve amendments to this *Constitution* after following a due process, including consultation with the Advisory Council and publication of an Exposure Draft for public comment and subject to the voting requirements given in section 14;
 - (j) exercise all powers of the IFRS Foundation except for those expressly reserved to the Board, the Interpretations Committee and the Advisory Council; and
 - (k) foster and review the development of educational programmes and materials that are consistent with the IFRS Foundation's objectives.
- 16 The Trustees may terminate the appointment of a member of the Board, the Interpretations Committee or the Advisory Council on grounds of poor performance, misbehaviour, incapacity or other failure to comply with contractual requirements, and the Trustees shall develop procedures for such termination.
- 17 The accountability of the Trustees shall be ensured, inter alia, through:
- (a) a commitment made by each Trustee to act in the public interest;
 - (b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23; **and**
 - (c) their undertaking a review of the ~~strategy entire structure~~ of the IFRS Foundation and its effectiveness, such review to include consideration of **the structure of the organisation (if appropriate) and** changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, ~~the review beginning three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution; and~~

- (d) ~~their undertaking a similar review subsequently~~ **at the latest** every five years **after the conclusion of the most recent review**.

The Monitoring Board

- 18 The Monitoring Board will provide a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard setters. A Memorandum of Understanding will be agreed between the Monitoring Board and the Trustees describing the interaction of the Monitoring Board with the Trustees. This Memorandum of Understanding will be made available to the public.
- 19 The responsibilities of the Monitoring Board shall be:
- (a) to participate in the process for appointing Trustees and to approve the appointment of Trustees according to the guidelines in sections 5–8.
 - (b) to review and provide advice to the Trustees on their fulfilment of the responsibilities set out in sections 13 and 15. The Trustees shall make an annual written report to the Monitoring Board.
 - (c) to meet **with** the Trustees or a subgroup of the Trustees at least once annually, and more frequently as appropriate. The Monitoring Board shall have the authority to request meetings with the Trustees or separately with the Chair of the Trustees (**or** with the Chair of the Board as appropriate) about any area of work of either the Trustees or the Board. These meetings may include discussion of issues that the Monitoring Board has referred for timely consideration by the IFRS Foundation or the Board, and of any proposed resolution of those issues by the IFRS Foundation or the Board.
- 20 The Monitoring Board shall develop a charter that sets out its organisational, operating and decision-making procedures. The charter shall be made public.
- 21 Initially, the Monitoring Board shall comprise:
- (a) the responsible member of the European Commission;
 - (b) the Chair of the International Organization of Securities Commissions (IOSCO) Emerging Markets Committee;
 - (c) the Chair of the IOSCO Technical Committee (or Vice-Chair or designated securities commission Chair in cases where either the Chair of an EU securities regulator, commissioner of the Japan Financial Services Agency or Chair of the US Securities and Exchange Commission is the Chair of the IOSCO Technical Committee);
 - (d) the commissioner of the Japan Financial Services Agency;
 - (e) the Chair of the US Securities and Exchange Commission; and
 - (f) as an observer, the Chair of the Basel Committee on Banking Supervision.
- 22 The Monitoring Board shall reconsider its composition from time to time relative to its objectives.
- 23 The Monitoring Board shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.

The International Accounting Standards Board

- 24 The International Accounting Standards Board (the Board) shall **normally** comprise 14 members; ~~increasing to 16 members at a date no later than 1 July 2012.~~ The members of the Board are appointed by the Trustees under section 15(a). Up to three members may be part-time members (the expression ‘part-time’ meaning that the members concerned commit most of their time ~~in~~ **to** paid employment ~~to~~ **by** the IFRS Foundation) and shall meet appropriate guidelines of independence established by the Trustees. The remaining members shall be full-time members (the expression ‘full-time’ meaning that the members concerned commit all of their time ~~in~~ **to** paid employment ~~to~~ **by** the IFRS Foundation). The work of the Board shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.
- 25 The main qualifications for membership of the Board shall be professional competence and **recent relevant professional** ~~practical~~ experience. The Trustees shall select members of the Board, consistently with the ‘Criteria for Board members’ set out in the Annex to the *Constitution*, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience, **including auditors, preparers, users, academics and market and/or financial regulators**, in order ~~to~~ **that the Board as a group can** contribute to the development of high quality, global financial reporting standards. The members of the Board shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and a member of the Board at the same time.
- 26 In a manner consistent with the ‘Criteria for Board members’ as set out in the Annex to the Constitution and in order to ensure a broad international basis, there shall normally be, ~~by 1 July 2012:~~
- (a) four members from the Asia-Oceania region;
 - (b) four members from Europe;
 - (c) four members from **the North Americas**;
 - (d) one member from Africa; **and**
 - (e) ~~one member from South America; and~~
 - (~~f~~**e**) ~~two~~ **one** member appointed from any area, subject to maintaining overall geographical balance.

The work of the Board shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.

- ~~27 The Trustees shall select members of the Board so that the Board as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.~~
- ~~28~~**7** The Board will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters, other standard-setters and other official bodies with an interest in accounting standard-setting in order to assist in the development of IFRS Standards and to promote the convergence of national accounting standards and our Standards.

- 298 Each full-time and part-time member of the Board shall agree contractually to act in the public interest and to have regard to the Board's *Framework*² (as amended from time to time) in deciding on and revising the Standards.
- 3029 The Trustees shall appoint one of the full-time members as the Chair of the Board. Up to two of the full-time members of the Board may also be designated by the Trustees as a Vice-Chair, whose role shall be to chair meetings of the Board in the absence of the Chair or to represent the Chair in external contacts. The appointment of the Chair and the designation as Vice-Chair shall be for such term as the Trustees decide. The title of Vice-Chair would not imply that the member (or members) concerned is (or are) the Chair elect. The appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 310 Members of the Board appointed before 2 July 2009 shall be appointed for a term of five years, renewable once for a further term of five years. Members of the Board appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are ~~may be~~ renewable ~~once~~ for a further term of three years, with the **possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals.** ~~exception of the Chair and Vice-Chair(s). The Chair and Vice-Chair(s) may serve a second term of five years, but **The** terms may not exceed 10 years in total length of service as a member of the Board.~~
- 321 The Trustees shall develop rules and procedures to ensure that the Board is, and is seen to be, independent, and, in particular, on appointment, full-time members of the Board shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives that might call into question their independence of judgment in setting financial reporting Standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the Board would not be expected to sever all other employment arrangements.
- 332 Full-time and part-time members of the Board shall be remunerated at rates commensurate with the respective responsibilities assumed: such rates shall be determined by the Trustees. Expenses of travel on Board business shall be met by the IFRS Foundation.
- 343 The Board shall meet at such times and locations as it determines: meetings of the Board shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the discretion of the Board.
- 354 Each member of the Board shall have one vote. On both technical and other matters, proxy voting shall not be permitted nor shall members of the Board be entitled to appoint alternates to attend meetings. In the event of a tied vote, on a decision that is to be made by a simple majority of the members of the Board present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote.
- 365 The publication of an Exposure Draft, or an IFRS Standard (including an IAS[®] Standard or an IFRIC Interpretation of the Interpretations Committee) shall require approval by ~~nine~~ **eight** members of the Board, if there are ~~16~~**13** members or fewer, or by ~~10~~**nine** members if there are ~~16~~**14** members. Other decisions of the Board, including the publication of a Discussion Paper, shall require a simple majority of the members of the Board present at a meeting that is attended by at least 60 per cent of the members of the Board, in person or by telecommunications.

2 The reference to the Framework is to the IASC Foundation's Framework for the Preparation and Presentation of Financial Statements, adopted by the Board in 2001. In September 2010 the Board replaced the Framework with the Conceptual Framework for Financial Reporting.

376 The Board shall:

- (a) have complete responsibility for all Board technical matters, including the preparation and issuing of IFRS Standards (other than IFRIC Interpretations) and Exposure Drafts, each of which shall include any dissenting opinions, and the approval and issuing of IFRIC Interpretations developed by the Interpretations Committee.
- (b) publish an Exposure Draft on all projects and normally publish a discussion document for public comment on major projects in accordance with procedures approved by the Trustees.
- (c) in exceptional circumstances, and only after formally requesting and receiving prior approval from 75 per cent of the Trustees, reduce, but not dispense with, the period for public comment on an Exposure Draft below that is described as the minimum in the IFRS Foundation Due Process Handbook.
- (d) have full discretion in developing and pursuing its technical agenda, subject to the following:
 - (i) consulting the Trustees (consistently with section 15(d)) and the Advisory Council (consistently with section 44(a)); and
 - (ii) **carrying out a public consultation every ~~three~~five years from the date of the most recent public agenda consultation, the first of which shall begin no later than 30 June 2011.**
- (e) have full discretion over project assignments on technical matters: in organising the conduct of its work, the Board may outsource detailed research or other work to national standard-setters or other organisations.
- (f) establish procedures for reviewing comments made within a reasonable period on documents published for comment.
- (g) normally form working groups or other types of specialist advisory groups to give advice on major projects.
- (h) consult the Advisory Council on major projects, agenda decisions and work priorities.
- (i) normally publish a Basis for Conclusions with a Standard or an Exposure Draft.
- (j) consider holding public hearings to discuss proposed Standards, although there is no requirement to hold public hearings for every project.
- (k) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed Standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project.
- (l) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (g), (i), (j) and (k).

387 The authoritative text of any Exposure Draft, draft Interpretation or Standard shall be that published by the Board in the English language. The Board may publish authorised translations or give authority to others to publish translations of the authoritative text of Exposure Drafts, draft Interpretations and Standards.

IFRS Interpretations Committee (the Interpretations Committee)

- ~~398~~ The Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee, shall comprise 14 voting members, appointed by the Trustees under section 15(c) for renewable terms of three years. The Trustees shall select members of the Interpretations Committee so that it comprises a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRS Standards and analysis of financial statements prepared in accordance with the Standards. Expenses of travel on Interpretations Committee business shall be met by the IFRS Foundation.
- ~~4039~~ The Trustees shall appoint a member of the Board, the Director of Technical Activities or another senior member of the Board staff, or another appropriately qualified individual, to chair the Interpretations Committee. The Chair has the right to speak to the technical issues being considered but not to vote. The Trustees, as they deem necessary, shall appoint as non-voting observers representatives of regulatory organisations, who shall have the right to attend and speak at meetings.
- ~~410~~ The Interpretations Committee shall meet as and when required and 10 voting members present in person or by telecommunications shall constitute a quorum: one or two Board members shall be designated by the Board and shall attend meetings as non-voting observers; other members of the Board may attend and speak at the meetings. On exceptional occasions, members of the Interpretations Committee may be allowed to send non-voting alternates, at the discretion of the Chair of the Interpretations Committee. Members wishing to nominate an alternate should seek the consent of the Chair in advance of the meeting concerned. Meetings of the Interpretations Committee shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the Interpretations Committee's discretion.
- ~~421~~ Each member of the Interpretations Committee shall have one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting shall not be permitted. Approval of draft or final IFRIC Interpretations shall require that not more than four voting members vote against that draft or final Interpretation.
- ~~432~~ The Interpretations Committee shall:
- (a) interpret the application of IFRS Standards and provide timely guidance on financial reporting issues not specifically addressed in the Standards, in the context of the Board's *Framework*,³ and undertake other tasks at the request of the Board;
 - (b) in carrying out its work under (a) above, have regard to the Board's objective of working actively with national standard-setters to bring about convergence of national accounting standards and IFRS Standards to high quality solutions;
 - (c) publish, after clearance by the Board, draft Interpretations for public comment and consider comments made within a reasonable period before finalising an IFRIC Interpretation; and
 - (d) report to the Board and obtain the approval of ~~nine~~ **eight** of its members for final IFRIC Interpretations if there are ~~16-13~~ members **or fewer**, or by ~~10~~ **nine** of its members if there are ~~16-14~~ members.

³ In September 2010 the Board replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.

IFRS Advisory Council (the Advisory Council)

~~4443~~ The Advisory Council, formerly called the Standards Advisory Council, whose members shall be appointed by the Trustees under section 15(c), provides a forum for participation by organisations and individuals, with an interest in international financial reporting, having diverse geographical and functional backgrounds, with the objective of:

- (a) giving advice to the Board on agenda decisions and priorities in the Board's work;
- (b) informing the Board of the views of the organisations and individuals on the Advisory Council on major standard-setting projects; and
- (c) giving other advice to the Board or the Trustees.

~~4544~~ The Advisory Council shall comprise 30 or more members, having a diversity of geographical and professional backgrounds, appointed for renewable terms of three years. The Chair of the Advisory Council shall be appointed by the Trustees, and shall not be a member of the Board or a member of its staff. The Trustees shall invite the Chair of the Advisory Council to attend and participate in the Trustees' meetings, as appropriate.

~~4645~~ The Advisory Council shall normally meet at least ~~three~~~~two~~ times a year. Meetings shall be open to the public. The Advisory Council shall be consulted by the Board in advance of decisions of the Board on major projects and by the Trustees in advance of any proposed changes to this *Constitution*.

Executive Director and staff

~~4746~~ An Executive Director of the IFRS Foundation, appointed by the Trustees and the Chair of the Board, shall be responsible for overseeing operational decisions affecting the day-to-day management of the IFRS Foundation and staff. The Executive Director shall report to the Chair of the Board on matters relating to the Board's standard-setting activities and to the Trustees on all other matters.

~~4847~~ The Chair of the Board shall be responsible for establishing the senior technical team of the Board, in consultation with the Trustees, and will be responsible for the supervision of this team and its staff.

Administration

~~4948~~ The administrative office of the IFRS Foundation shall be located in such location as may be determined by the Trustees in accordance with section 13(d).

~~5049~~ The IFRS Foundation shall be a legal entity as determined by the Trustees and shall be governed by this *Constitution* and by any laws that apply to such legal entity, including, if appropriate, laws applicable because of the location of its registered office.

~~5150~~ The IFRS Foundation shall be bound by the signature(s) of such person or persons as may be duly authorised by the Trustees.

ANNEX

IFRS FOUNDATION

Criteria for Board members

The following would represent criteria for Board membership:

- 1 **Demonstrated technical competence and knowledge of financial accounting and reporting.** All members of the Board, regardless of whether they are from the accounting profession, preparers, users or academics, should have demonstrated a high level of knowledge and technical competence in financial accounting and reporting. The credibility of the Board and its individual members and the effectiveness and efficiency of the organisation will be enhanced with members who have such knowledge and skills.
- 2 **Ability to analyse.** Members of the Board should have demonstrated the ability to analyse issues and consider the implications of that analysis for the decision-making process.
- 3 **Communication skills.** Effective oral and written communication skills are necessary. These skills include the ability to communicate effectively in private meetings with members of the Board, in public meetings, and in written materials such as financial reporting standards, speeches, articles, memos and external correspondence. Communication skills also include the ability to listen to and consider the views of others. While a working knowledge of English is necessary, there should not be discrimination in selection against those for whom English is not their first language.
- 4 **Judicious decision-making.** Members of the Board should be capable of considering varied viewpoints, weighing the evidence presented in an impartial fashion, and reaching well-reasoned and supportable decisions in a timely fashion.
- 5 **Awareness of the financial reporting environment.** High quality financial reporting will be affected by the financial, business and economic environment. Members of the Board should have an understanding of the global economic environment in which the Board operates. This global awareness should include awareness of business and financial reporting issues that are relevant to, and affect the quality of, transparent financial reporting and disclosure in the various capital markets worldwide, including those using IFRS Standards.
- 6 **Ability to work in a collegial atmosphere.** Members should be able to show respect, tact and consideration for one another's views and those of third parties. Members must be able to work with one another in reaching consensus views based on the objective of the Board to develop high quality and transparent financial reporting. Members must be able to put the objective of the Board above individual philosophies and interests.
- 7 **Integrity, objectivity and discipline.** The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow members of the Board and others. Members should demonstrate an ability to be objective in reaching decisions. Members also should demonstrate an ability to show rigorous discipline and carry a demanding workload.
- 8 **Commitment to the IFRS Foundation's mission and public interest.** Members should be committed to achieving the objective of the IFRS Foundation of establishing international financial reporting standards that are high quality, comparable and transparent. A candidate for the Board should also be committed to serving the public interest through a private standard setting process.

Notes



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