

IFRS Foundation

Constitution

Constitution

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IFRS® FOUNDATION *CONSTITUTION*

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Preface

This *Constitution* was approved in its original form by the former International Accounting Standards Committee (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 (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*, which came into 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 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 (IASB), led to changes that were approved by the Trustees on 15 January 2009 and 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. In 2010, the IASC Foundation changed its name to the IFRS Foundation.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 IASB 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

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

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feedback on this further consultation and in October 2016 agreed to amend the *Constitution* with immediate effect.

In October 2018, the Trustees approved a narrow-scope amendment to section 11 of the Foundation's *Constitution* to extend the term of the Trustee Chair and Vice-Chairs up to a maximum of nine years, taking into account any previous term already served as Trustee, Vice-Chair or Chair, as the case may be. The Trustees also approved an amendment to allow for the Trustee Chair to be appointed from among the Trustees or to be recruited externally. These changes came into effect on 1 December 2018.

In August 2020, resulting from the amendments to the IFRS Foundation *Due Process Handbook*, the Trustees amended sections 60–63 of the IFRS Foundation *Constitution*. These amendments reflect that the Advisory Council advises the IASB (and Trustees) on strategic matters and no longer functions as a technical consultative body.

In 2020, as part of their five-yearly review of the strategy of the Foundation, the Trustees published the *Consultation Paper on Sustainability Reporting* to assess the demand for global sustainability reporting standards and to consult on how the Foundation should respond to that demand. In the light of the feedback to that consultation paper, the Trustees published the Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards* in April 2021. In October 2021, in connection with their decision to establish the International Sustainability Standards Board, the Trustees approved the necessary changes to the *Constitution*.

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(Approved by the members of the IASC at a meeting in Edinburgh, Scotland on 24 May 2000 and revised by the Trustees of the IFRS Foundation (formerly the IASC Foundation) on 5 March and 8 July 2002, 21 June 2005, 31 October 2007, 15 January 2009, 26 January 2010, 23 January 2013, 13 October 2016, 1 December 2018, 1 August 2020 and 21 October 2021.)

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 (IASC Foundation). The International Accounting Standards Board (IASB), whose structure and functions are laid out in sections 25–38, and the International Sustainability Standards Board (ISSB), whose structure and functions are laid out in sections 44–59, shall be the two standard-setting bodies of the IFRS Foundation.
- 2 The objectives of the IFRS Foundation are:
 - (a) through the IASB and the ISSB, to develop, in the public interest, high-quality, understandable, enforceable and globally accepted standards (referred to as ‘IFRS Standards’) for general purpose financial reporting based on clearly articulated principles. The IASB is responsible for developing a set of accounting standards (referred to as ‘IFRS Accounting Standards’) and the ISSB is responsible for developing a set of sustainability disclosure standards (referred to as ‘IFRS Sustainability Disclosure Standards’). These complementary sets of IFRS Standards are intended to result in the provision of high-quality, transparent and comparable information in financial statements and in sustainability disclosures that is useful to investors and other participants in the world’s capital markets in making economic decisions.
 - (b) to promote the use and rigorous application of IFRS 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 the adoption of IFRS Standards through the convergence of national and regional standards and IFRS Standards.
- 3 Information arising from the application of IFRS Standards is designed to meet the needs of investors and other capital market participants; however, other parties may also find the information useful. The ISSB develops IFRS Sustainability Disclosure Standards acknowledging the importance of their interoperability with other reporting initiatives that address broader information needs of other parties.

Governance of the IFRS Foundation

- 4 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 19–24) 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.

The Trustees

- 5 The Trustees shall comprise 22 individuals.
- 6 The Monitoring Board (described further in sections 19–24) 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 7 and 8. 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 8.
- 7 All Trustees shall be required to show a firm commitment to the IFRS Foundation, the IASB and the ISSB as high-quality global standard-setters, to be financially knowledgeable, and to be able to meet the time commitment required. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high-quality global accounting and sustainability disclosure 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 to ensure a broad set of skills, experience and perspectives. 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 balance, there shall be:
- (a) six Trustees appointed from the Asia-Oceania region;
 - (b) six Trustees appointed from Europe;
 - (c) six Trustees appointed from the Americas;
 - (d) one Trustee appointed from Africa; and
 - (e) three Trustees appointed from any area, subject to maintaining overall geographical balance.
- 8 The Trustees shall comprise individuals that, as a group, provide a balance of professional backgrounds, 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 and as preparers, users, academics and officials serving the public interest. To achieve such a balance, Trustees should be selected after consultation with 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.

- 9 Trustees shall normally be appointed for a term of three years, renewable once.
- 10 Subject to the voting requirements in section 15, the Trustees may terminate the appointment of an individual as a Trustee on grounds of poor performance, misbehaviour or incapacity.
- 11 The Chair and up to two Vice-Chairs of the Trustees shall be appointed by the Trustees, subject to the approval of the Monitoring Board:
 - (a) The Chair may be appointed from among the Trustees or recruited externally. With the agreement of the Trustees, a Chair that is appointed from among the Trustees may serve as Chair for a term of three years, renewable twice, from the date of appointment as Chair, but may not exceed nine consecutive years in total length of service, whether in the capacity of Trustee, Vice-Chair and/or Chair. If the Chair is appointed through an external recruitment process, he or she may serve as Chair for a term of three years, renewable twice, up to a maximum of nine consecutive years in total length of service as Chair. The appointment of a Chair should be made with regard to maintaining a geographical balance.
 - (b) Vice-Chairs shall only be appointed from among the Trustees. Their role 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, a Vice-Chair may serve for a term of three years, renewable twice, from the date of appointment as Vice-Chair, but may not exceed nine consecutive years in total length of service as a Trustee. The appointment of a Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 12 The Trustees shall meet at least twice each year and shall be remunerated by the IFRS Foundation with an annual fee, commensurate with the responsibilities assumed, such fee to be determined by the Trustees. Expenses of travel on IFRS Foundation business shall be met by the IFRS Foundation.
- 13 In addition to the powers and duties set out in section 14, 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 IASB and ISSB members.

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- 14 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, as regards both its legal base and its operating location(s);
 - (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.
- 15 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.
- 16 In addition to the duties set out above, the Trustees shall:
- (a) appoint the members of the IASB and the ISSB and establish their contracts of service and performance criteria;
 - (b) appoint the Executive Director, in consultation with the Chairs of the IASB and the ISSB, and establish his or her contract of service and performance criteria;
 - (c) appoint the members of the IFRS Interpretations Committee (Interpretations Committee) and the IFRS Advisory Council (Advisory Council);

- (d) review annually the strategy of the IFRS Foundation, the IASB and the ISSB and its effectiveness, including consideration, but not determination, of the agendas of the IASB and the ISSB and the effectiveness of the coordination between the IASB and the ISSB in ensuring the compatibility of their respective standards;
 - (e) approve annually the budget of the IFRS Foundation and determine the basis for funding;
 - (f) review broad strategic issues affecting corporate reporting, promote the IFRS Foundation and its work and promote the objective of rigorous application of IFRS Standards, provided that the Trustees shall be excluded from involvement in technical matters relating to IFRS Standards;
 - (g) establish and amend operating procedures, consultative arrangements and due process for the IASB and the ISSB, 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 15;
 - (j) exercise all powers of the IFRS Foundation except for those expressly reserved to the IASB and the ISSB, 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.
- 17 The Trustees may terminate the appointment of a member of the IASB, the ISSB, 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.
- 18 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 19–24;
 - (c) a review of the strategy 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 at the latest every five years after the conclusion of the most recent review; and

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- (d) a similar review subsequently every five years.

The Monitoring Board

- 19 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 corporate reporting standard-setters and those public authorities that have generally overseen corporate reporting 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.
- 20 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 6–9.
 - (b) to review and provide advice to the Trustees on their fulfilment of the responsibilities set out in sections 14 and 16. 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 IASB or the ISSB as appropriate) about any area of work of either the Trustees, the IASB or the ISSB. These meetings may include discussion of issues that the Monitoring Board has referred for timely consideration by the IFRS Foundation, the IASB or the ISSB, and of any proposed resolution of those issues by the IFRS Foundation, the IASB or the ISSB.
- 21 The Monitoring Board shall develop a charter that sets out its organisational, operating and decision-making procedures. The charter shall be made public.
- 22 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.

- 23 The Monitoring Board shall reconsider its composition from time to time relative to its objectives.
- 24 The Monitoring Board shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.

The International Accounting Standards Board

- 25 The IASB shall normally comprise 14 members. The members of the IASB are appointed by the Trustees under section 16(a). Up to three members may be part-time members (the expression 'part-time' meaning that the members concerned commit most of their time to paid employment 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 to paid employment by the IFRS Foundation). The work of the IASB 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.
- 26 The main qualifications for membership of the IASB shall be professional competence and recent relevant professional experience. The Trustees shall select members of the IASB, consistently with the 'Criteria for IASB members' set out in the Annex to this *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 or financial regulators, in order that the IASB as a group can contribute to the development of high-quality, global accounting standards. The members of the IASB 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 IASB at the same time.
- 27 In a manner consistent with the 'Criteria for IASB members' as set out in the Annex to this *Constitution* and in order to ensure a broad international balance, there shall normally be:
- (a) four members from the Asia-Oceania region;
 - (b) four members from Europe;
 - (c) four members from the Americas;
 - (d) one member from Africa; and
 - (e) one member appointed from any area, subject to maintaining overall geographical balance.

The work of the IASB 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.

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- 28 The IASB 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 Accounting Standards and to promote the convergence of national accounting standards and IFRS Accounting Standards.
- 29 Each full-time and part-time member of the IASB shall agree contractually to act in the public interest and to have regard to the IASB's *Conceptual Framework for Financial Reporting* (as amended from time to time) in deciding on and revising IFRS Accounting Standards.
- 30 The Trustees shall appoint one of the full-time members as the Chair of the IASB. Up to two of the full-time members of the IASB may also be designated by the Trustees as a Vice-Chair, whose role shall be to chair meetings of the IASB 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 does not imply that the member concerned is the Chair elect. The appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 31 Members of the IASB shall be appointed initially for a term of five years. A term may be renewable 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. The term of an individual member of the IASB may not exceed 10 years in total.
- 32 The Trustees shall develop rules and procedures to ensure that the IASB is, and is seen to be, independent, and, in particular, on appointment, full-time members of the IASB 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 judgement in setting IFRS Accounting Standards. Secondments and any rights to return to an employer would, therefore, not be permitted. Part-time members of the IASB would not be expected to sever all other employment arrangements but must be able to demonstrate and maintain a sufficient level of independence.
- 33 Full-time and part-time members of the IASB shall be remunerated at rates commensurate with the respective responsibilities assumed; such rates shall be determined by the Trustees. Expenses of travel on IASB business shall be met by the IFRS Foundation.
- 34 The IASB shall meet at such times and locations as it determines; meetings of the IASB 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 IASB.
- 35 Each member of the IASB shall have one vote. On both technical and other matters, voting by proxy shall not be permitted nor shall members of the IASB 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 IASB present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote.

36 The publication of an Exposure Draft or issuing of an IFRS Accounting Standard (including an IAS® Standard or an IFRIC® Interpretation of the Interpretations Committee) shall require approval by eight members of the IASB if it comprises 13 members or fewer, or by nine members if it comprises 14 members. Other decisions of the IASB, including the publication of a Discussion Paper, shall require a simple majority of the members of the IASB present at a meeting that is attended by at least 60 per cent of the members of the IASB, in person or by telecommunications.

37 The IASB shall:

- (a) have complete responsibility for all IASB technical matters, including the preparation and issuing of IFRS Accounting 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 the IFRS Foundation *Due Process Handbook*;
- (c) in exceptional circumstances, and only after formally requesting and receiving approval from 75 per cent of the Trustees, reduce, but not dispense with, the public comment period on an Exposure Draft to below the minimum specified in the IFRS Foundation *Due Process Handbook*;
- (d) have full discretion in developing and pursuing its technical agenda, subject to:
 - (i) consulting the Trustees (consistently with section 16(d)) and the Advisory Council (consistently with section 61); and
 - (ii) carrying out a public consultation every five years from the date of the most recent public agenda consultation.
- (e) have full discretion over project assignments on technical matters; in organising the conduct of its work, the IASB 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;

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- (i) with the ISSB, establish procedures for working with the ISSB with the objective of developing IFRS Accounting Standards that are compatible, and avoid inconsistencies and conflicts, with IFRS Sustainability Disclosure Standards;
 - (j) normally publish a Basis for Conclusions with an IFRS Accounting Standard or an Exposure Draft;
 - (k) consider holding public hearings to discuss proposed IFRS Accounting Standards, although there is no requirement to hold public hearings for every project;
 - (l) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed IFRS Accounting Standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project; and
 - (m) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (g), (j), (k) and (l).
- 38 The authoritative text of any Exposure Draft, draft Interpretation or IFRS Accounting Standard shall be that published by the IASB in the English language. The IASB may publish authorised translations or give authority to others to publish translations of the authoritative text of Exposure Drafts, draft Interpretations and IFRS Accounting Standards.

The IFRS Interpretations Committee

- 39 The Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee, shall comprise 14 voting members, appointed by the Trustees under section 16(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 Accounting Standards and analysis of financial statements prepared in accordance with those Standards. Expenses of travel on Interpretations Committee business shall be met by the IFRS Foundation.
- 40 The Trustees shall appoint a member of the IASB, the Executive Technical Director or another senior member of the IASB 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.
- 41 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 IASB members shall be designated by the IASB and shall attend meetings as non-voting observers; other members of the IASB 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.

42 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.

43 The Interpretations Committee shall:

- (a) interpret the application of IFRS Accounting Standards and provide timely guidance on financial reporting issues not specifically addressed in those Standards, in the context of the IASB's *Conceptual Framework for Financial Reporting*, and undertake other tasks at the request of the IASB;
- (b) in carrying out its work under (a) above, have regard to the IASB's objective of working actively with national standard-setters to bring about convergence of national accounting standards and IFRS Accounting Standards to high-quality solutions;
- (c) publish, after clearance by the IASB, draft Interpretations for public comment and consider comments made within a reasonable period before finalising an IFRIC Interpretation; and
- (d) report to the IASB and obtain the approval of eight of its members for final IFRIC Interpretations if the IASB comprises 13 members or fewer, or by nine of its members if it comprises 14 members.

The International Sustainability Standards Board

44 The ISSB shall normally comprise 14 members but no fewer than eight members. The members of the ISSB are appointed by the Trustees under section 16(a). A minority of ISSB members may be part-time members (the expression 'part-time' meaning that the members concerned commit most of their time to paid employment 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 to paid employment by the IFRS Foundation). The work of the ISSB 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.

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- 45 The main qualifications for membership of the ISSB shall be professional competence and recent relevant professional experience. The Trustees shall select members of the ISSB, consistently with the 'Criteria for ISSB members' set out in the Annex to this *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 or financial regulators. A broad base of skills, experience and perspectives is needed, therefore ISSB members may also have professional backgrounds that reflect a diverse range of expertise and roles that are relevant to sustainability. The ISSB collectively will be expected to demonstrate expert knowledge, relevant industry expertise in sustainability reporting and share practical, relevant and up-to-date experience of sustainability reporting in order that the ISSB as a group can contribute to the development of high-quality, global sustainability disclosure standards. The members of the ISSB 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 ISSB at the same time.
- 46 In a manner consistent with the 'Criteria for ISSB members' as set out in the Annex to this *Constitution* and in order to ensure a broad international balance, there shall normally be:
- (a) three members from the Asia-Oceania region;
 - (b) three members from Europe;
 - (c) three members from the Americas;
 - (d) one member from Africa; and
 - (e) four members appointed from any area, subject to not creating overall geographical imbalance.
- The work of the ISSB 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.
- 47 The ISSB will, in consultation with the Trustees, be expected to establish and maintain liaison with relevant stakeholders with an interest in sustainability reporting standard-setting in order to assist in the development of sustainability disclosure standards and to promote the convergence of national and regional sustainability reporting standards and IFRS Sustainability Disclosure Standards.
- 48 Each full-time and part-time member of the ISSB shall agree contractually to act in the public interest and to have regard to the ISSB's objectives (and conceptual framework once created) in deciding on and revising IFRS Sustainability Disclosure Standards.

- 49 The Trustees shall appoint one of the full-time or part-time members as the Chair of the ISSB. Up to two of the full-time members of the ISSB may also be designated by the Trustees as a Vice-Chair, whose role shall be to chair meetings of the ISSB 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 does not imply that the member concerned is the Chair elect. The appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 50 Members of the ISSB shall be appointed initially for a term no greater than five years. A term may be renewable 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. The term of an individual member of the ISSB may not exceed 10 years in total.
- 51 The Trustees shall develop rules and procedures to ensure that the ISSB is, and is seen to be, independent, and, in particular, on appointment, full-time members of the ISSB 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 judgement in setting IFRS Sustainability Disclosure Standards. Secondments and any rights to return to an employer would, therefore, not be permitted. Part-time members of the ISSB would not be expected to sever all other employment arrangements but must be able to demonstrate and maintain a sufficient level of independence.
- 52 Full-time and part-time members of the ISSB shall be remunerated at rates commensurate with the respective responsibilities assumed; such rates shall be determined by the Trustees. Expenses of travel on ISSB business shall be met by the IFRS Foundation.
- 53 The ISSB shall meet at such times and locations as it determines; meetings of the ISSB 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 ISSB.
- 54 Each member of the ISSB shall have one vote. On both technical and other matters, voting by proxy shall not be permitted nor shall members of the ISSB 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 ISSB present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote.
- 55 The publication of an Exposure Draft or issuing of an IFRS Sustainability Disclosure Standard shall require approval by eight members of the ISSB if it comprises 13 members or fewer, or by nine members if it comprises 14 members. As an interim measure, and until the ISSB comprises at least 12 members, the publication of an Exposure Draft or an IFRS Sustainability Disclosure Standard shall require approval by a simple majority of the ISSB plus one member. Other decisions of the ISSB, including the publication of a Discussion Paper, shall require a simple majority of the members of the ISSB

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present at a meeting that is attended by at least 60 per cent of the members of the ISSB, in person or by telecommunications.

56 Until the ISSB comprises its minimum of eight members, the Chair and the Vice-Chair(s), in consultation with any appointed members, may publish:

- (a) a request for information to obtain public input to assist the ISSB in developing its work plan; and
- (b) Exposure Drafts for public comment on climate-related disclosures and/or general requirements for disclosure of sustainability-related financial information.

57 The decisions of the Chair and the Vice-Chair(s) to publish the documents specified in section 56 shall be subject to oversight by the Trustees' Due Process Oversight Committee. After publication, the ISSB shall review the comments made on each document and make further decisions on the related projects in accordance with the ISSB's usual procedures as outlined in sections 53–55 and 58.

58 The ISSB shall:

- (a) have complete responsibility for all ISSB technical matters, including the preparation and issuing of IFRS Sustainability Disclosure Standards and Exposure Drafts, each of which shall include any dissenting opinions;
- (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 approval from 75 per cent of the Trustees, reduce, but not dispense with, the public comment period on an Exposure Draft to below the minimum specified in procedures approved by the Trustees or, in the absence of any such approved procedures for the ISSB, reduce the public comment period to below the minimum in the IFRS Foundation *Due Process Handbook* for an Exposure Draft published by the IASB;
- (d) have full discretion in developing and pursuing its technical agenda, subject to:
 - (i) consulting the Trustees (consistently with section 16(d)) and the Advisory Council (consistently with section 61); and
 - (ii) carrying out a public consultation at least every five years from the date of the most recent public agenda consultation;
- (e) have full discretion over project assignments on technical matters; in organising the conduct of its work, the ISSB 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) with the IASB, establish procedures for working with the IASB with the objective of developing IFRS Sustainability Disclosure Standards that are compatible, and avoid inconsistencies and conflicts, with IFRS Accounting Standards;
 - (j) normally publish a Basis for Conclusions with an IFRS Sustainability Disclosure Standard or an Exposure Draft;
 - (k) consider holding public hearings to discuss proposed IFRS Sustainability Disclosure Standards, although there is no requirement to hold public hearings for every project;
 - (l) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed IFRS Sustainability Disclosure Standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project; and
 - (m) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (g), (j), (k) and (l).
- 59 The authoritative text of any Exposure Draft or IFRS Sustainability Disclosure Standard shall be that published by the ISSB in the English language. The ISSB may publish authorised translations or give authority to others to publish translations of the authoritative text of Exposure Drafts and IFRS Sustainability Disclosure Standards.

The IFRS Advisory Council

- 60 The Advisory Council, formerly called the Standards Advisory Council, whose members shall be appointed by the Trustees under section 16(c), provides a forum for participation by organisations and individuals, with an interest in international corporate reporting, having diverse geographical and functional backgrounds.
- 61 The Advisory Council provides broad strategic advice to the Trustees, the IASB and the ISSB and can provide views that are supplemental to other consultative processes.
- 62 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 IASB, the ISSB or a member of staff. The Trustees shall invite the Chair of the Advisory Council to attend and participate in the Trustees' meetings, as appropriate.

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- 63 The Advisory Council shall normally meet at least twice a year. Meetings shall be open to the public. The matters on the agenda for the Advisory Council's meetings will include those strategic matters and other priorities identified through consultation among the Chair of the Advisory Council and representatives of the Trustees, the IASB and the ISSB. The Advisory Council shall also be consulted by the Trustees in advance of any proposed changes to this *Constitution*.

The Executive Director and staff

- 64 An Executive Director of the IFRS Foundation, appointed by the Trustees, in consultation with the Chairs of the IASB and the ISSB, 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 Trustees and engage with the Chairs of the IASB and the ISSB.
- 65 The Chairs of the IASB and the ISSB shall be responsible for establishing the senior technical team of their respective boards, in consultation with the Trustees, and shall be responsible for the supervision of their respective teams and their staffs.

Administration

- 66 The administrative office of the IFRS Foundation shall be located in such location as may be determined by the Trustees in accordance with section 14(d).
- 67 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.
- 68 The IFRS Foundation shall be bound by the signature(s) of such a person or persons as may be duly authorised by the Trustees.

ANNEX

IFRS Foundation—Criteria for Board members

Part A—Criteria for IASB members

The criteria for IASB membership are:

- 1 **Demonstrated technical competence and knowledge of financial accounting and reporting**—all members of the IASB, 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 IASB and its individual members and the effectiveness and efficiency of the organisation will be enhanced by members who have such knowledge and skills from recent experience.
- 2 **Ability to analyse**—members of the IASB 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 IASB, in public meetings, and in written materials such as IFRS Accounting 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 be no discrimination in selection against those for whom English is not their first language.
- 4 **Judicious decision-making**—members of the IASB 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 environments. Members of the IASB should have an understanding of the global economic environment in which the IASB 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 Accounting 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 IASB to develop high-quality and transparent accounting standards. Members must be able to put the objective of the IASB above individual philosophies and interests.

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- 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 IASB and others. Members should demonstrate an ability to be objective in reaching decisions. Members should also 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 IFRS Standards that are of high quality, comparable and transparent. A candidate for the IASB should also be committed to serving the public interest through a private standard-setting process.

Part B—Criteria for ISSB members

The criteria for ISSB membership are:

- 1 **Demonstrated technical competence and knowledge of sustainability and reporting**—all members of the ISSB, regardless of whether they are from the accounting or sustainability reporting profession, preparers, users or academics, should have demonstrated a high level of knowledge and technical competence in sustainability and reporting. A broad base of skills, experience and perspectives is needed, therefore ISSB members may also have professional backgrounds that reflect a diverse range of expertise and roles that are relevant to sustainability. The credibility of the ISSB and its individual members and the effectiveness and efficiency of the organisation will be enhanced by members who have such knowledge and skills from recent experience.
- 2 **Ability to analyse**—members of the ISSB 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 ISSB, in public meetings, and in written materials such as IFRS Sustainability Disclosure 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 be no discrimination in selection against those for whom English is not their first language.
- 4 **Judicious decision-making**—members of the ISSB 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 sustainability reporting environment**—high-quality sustainability reporting will be affected by the financial, business and economic environments. Members of the ISSB should have an understanding of the global economic environment in which the ISSB operates. This global awareness should include awareness of sustainability, business and financial reporting issues that are relevant to, and affect the quality of, transparent sustainability reporting and disclosure in the various capital markets worldwide.
- 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 ISSB to develop high-quality and transparent sustainability disclosure standards. Members must be able to put the objective of the ISSB above individual philosophies and interests.

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- 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 ISSB and others. Members should demonstrate an ability to be objective in reaching decisions. Members should also 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 IFRS Standards that are of high quality, comparable and transparent. A candidate for the ISSB should also be committed to serving the public interest through a private standard-setting process.