

June 2016

IFRS Foundation

Exposure Draft

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

Comments to be received by 15 September 2016



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Effectiveness: Proposed Amendments to
the IFRS Foundation Constitution**

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Introduction and Invitation to Comment

- 1 The IFRS Foundation *Constitution* (Sections 17(c) and (d)) requires the Trustees to undertake a review every five years of the entire structure of the IFRS Foundation and its effectiveness.
- 2 The Trustees have been undertaking their latest review and in July 2015 issued a document *Request for Views – Trustees’ Review of Structure and Effectiveness: Issues for the Review* (‘the RFV’). In response to the RFV, the Foundation received 97 comment letters, as well as feedback from a number of outreach events and the views of the IFRS Advisory Council. The Feedback Statement on the RFV, which is being published together with this Exposure Draft (‘ED’) sets out the issues raised in the RFV, the feedback received from constituents, as well as the Trustees’ responses and proposals in the light of that feedback. The Feedback Statement should be read in conjunction with this ED.
- 3 A number of the Trustees’ proposals require changes to the *Constitution* and they are outlined in this document. The proposed changes focus on those required as a result of the review.
- 4 This ED is structured as follows:
 - (a) introduction and explanation of each of the proposed changes to the *Constitution*, followed by a short table setting out both the current wording of the relevant section and the proposed changed wording. Deleted text is struck through and new text is underlined and in bold.
 - (b) in the Appendix to this ED, a copy of the whole *Constitution*, with the proposed changes in marked up format, so that stakeholders are able to see the various changes within the context of the full document.
- 5 The proposed amendments are set out in order of their appearance in the *Constitution*.
- 6 **The Trustees are not asking separate questions on each proposal but seek views on all the proposed changes to the *Constitution* set out in this document and whether stakeholders support those changes. For any changes that stakeholders do not support, the Trustees would welcome reasons why and what alternatives you would propose.**
- 7 Comments should be received no later than **15 September 2016**. The Trustees acknowledge that they are proposing a shorter comment period than 120-days, but note that the issues have already been consulted on as part of the RFV and that they relate to specific amendments to the *Constitution*.

How to comment

Comments should be submitted using one of the following methods.

Electronically
(our preferred method)

Visit the 'Comment on a proposal' page, which can be found at:
go.ifrs.org/comment

Email

Email comments can be sent to: commentletters@ifrs.org

Postal

IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

All comments will be on the public record and posted on our website unless confidentiality is requested. Such requests will not normally be granted unless supported by good reason, for example, commercial confidence. Please see our website for details on this and how we use your personal data.

IFRS Foundation Review of Structure and Effectiveness: Exposure Draft of proposed amendments to the IFRS Foundation *Constitution*

Proposal 1: Geographical distribution of the Trustees – draft proposed change to Section 6 of the *Constitution*

- 8 The *Constitution* requires that the geographical distribution of Trustees should be considered as part of each review undertaken of the structure and effectiveness of the organisation, in response to changing global economic conditions.
- 9 In the RFV, the Trustees set out their view that the basis of their geographical distribution should continue to be representative of the world's capital markets and to ensure a broad international base. The Trustees sought views on how the geographical distribution of their membership might be determined; and asked whether respondents agreed with a proposal that the number of 'at-large' appointments be increased from two members to five, while retaining a total complement of twenty-two members.
- 10 As explained in the accompanying Feedback Statement, responses to the RFV revealed:
- (a) a substantial body of opinion (albeit still in the minority) who 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 (or a commitment to adopt) IFRS Standards, and/or jurisdictions making a funding contribution to the Foundation;
 - (b) a majority in support of the proposal to increase the number of at-large appointments, as a means of giving the Foundation the ability to find the best candidates as Trustees and the flexibility to adapt to changing circumstances.
- 11 Having considered the feedback, the Trustees have reaffirmed their view that their geographical distribution should continue to be representative of the world's capital markets and to ensure a broad international base. While the Trustees take the view that representation should not be linked directly to either adoption of the Standards or funding, they also acknowledge that jurisdictions that have not adopted the Standards or have not been contributing to the Foundation's financing (in accordance with the organisation's principles for funding contributions) should not be over-represented. The Trustees are therefore proposing that the geographical distribution should be adjusted in a way that achieves an appropriate balance between these different perspectives.
- 12 Accordingly, the Trustees are proposing that Section 6 of the *Constitution* should be amended as follows:

Current <i>Constitution</i> – Section 6	Proposed Amended <i>Constitution</i> – Section 6
<p>All Trustees shall be required to show a firm commitment to the IFRS Foundation and the IASB 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:</p> <ul style="list-style-type: none"> (a) six Trustees appointed from the Asia/Oceania region; (b) six Trustees appointed from Europe; (c) six Trustees appointed from North America; (d) one Trustee appointed from Africa; (e) one Trustee appointed from South America; and (f) two Trustees appointed from any area, subject to maintaining overall geographical balance. 	<p>All Trustees shall be required to show a firm commitment to the IFRS Foundation and the IASB 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:</p> <ul style="list-style-type: none"> (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) one Trustee appointed from South America; three two Trustees appointed from any area, subject to maintaining overall geographical balance. <p>(f)</p>

13 First, the Trustees are proposing that the current categories of ‘North America’ and ‘South America’ as specified in the *Constitution* should be combined into a single ‘Americas’ category. In proposing this, the Trustees note that this proposal:

- (a) would increase the flexibility around Trustee appointments while at the same time being consistent with the core idea that the Trustees’ geographical allocation should be representative of the world’s capital markets and to ensure a broad international base;

- (b) would be consistent with the geographical distribution of the relatively-recently established Accounting Standards Advisory Forum ('ASAF'), which also has a geographical distribution of members, with 'Americas' being one of the categories; and
 - (c) would eliminate the confusion around whether countries like Mexico or other Central American countries should be classified as North American countries or South American countries.
- 14 The Trustees will ensure that, for each of the geographical regions specified, there shall be a reasonable spread of jurisdictions from which the members originate.
- 15 The Trustees are also proposing to retain the category of at-large appointments, but to increase their number to three, as a means of providing a further degree of flexibility in making appointments. The Trustees will develop guidelines for the basis within which at-large appointments will be made.

Proposal 2: the professional background of the Trustees – Section 7 of the *Constitution*

- 16 The RFV described the current guidance in Section 7 of the *Constitution* regarding the balance of professional backgrounds of the Trustees. The RFV stated that the Trustees do not plan to introduce any specific quota regarding professional backgrounds, 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 RFV asked respondents' views on the current specifications regarding professional backgrounds of Trustees and whether respondents believe any change is necessary.
- 17 Respondents generally agreed that the Trustees should be made up of members with diverse professional backgrounds and that there should not be a quota used to determine the Trustees in this regard. 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 negated the principle of not having a quota in this area.
- 18 Having considered the feedback received, the Trustees are proposing to remove the sentence in the *Constitution* that refers to two Trustees normally being senior partners of prominent international accounting firms.
- 19 As a consequence, the proposed changes to Section 7 of the *Constitution* would be as follows:

Current <i>Constitution</i> – Section 7	Proposed Amended <i>Constitution</i> – Section 7
<p>The Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, 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), 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.</p>	<p>The Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, 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), 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.</p>

Proposal 3: the remuneration of the Trustees – Section 11 of the *Constitution*

20 Before the formal commencement of this latest review of structure and effectiveness, the Trustees considered their remuneration arrangements and decided to change the basis of those arrangements from an annual fee and a per-meeting fee to solely an annual fee (the change did not entail any increase in the annual fee), with an additional amount payable to those chairing Trustee Committees. As a consequence, the Trustees propose to amend Section 11 of the *Constitution*, as follows:

Current <i>Constitution</i> – Section 11	Proposed Amended <i>Constitution</i> – 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.	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 – Section 17 of the *Constitution*

- 21 Currently section 17 of the *Constitution* provides that the accountability of the Trustees is ensured, *inter alia*, by their undertaking a review of the entire structure and effectiveness of the Foundation every five years.
- 22 In the RFV, the Trustees proposed amending the guidance in Section 17 of the *Constitution* in two ways:
- (a) to state that the Trustees should undertake periodic reviews of the **strategy** and effectiveness of the organisation (including, as appropriate, its structure) rather than the **structure** and effectiveness of the organisation; and
 - (b) to require reviews to commence, 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 years or less after the completion of a previous review).
- 23 Most respondents agreed with the proposal, although many said that their support was contingent on the fact that the Foundation would have the flexibility to initiate a review less than five years after the last one if such a review was needed.
- 24 Accordingly, the Trustees are proposing to amend Section 17 of the *Constitution* as set out in the RFV, as follows:

Current <i>Constitution</i> – Section 17	Proposed Amended <i>Constitution</i> – Section 17
<p>17 The accountability of the Trustees shall be ensured <i>inter alia</i> through:</p> <p>(a) a commitment made by each Trustee to act in the public interest;</p> <p>(b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23;</p> <p>(c) their undertaking a review of the entire structure of the IFRS Foundation and its effectiveness, such review to include consideration of 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</p> <p>(d) their undertaking a similar review subsequently every five years.</p>	<p>17 The accountability of the Trustees shall be ensured <i>inter alia</i> through:</p> <p>(a) a commitment made by each Trustee to act in the public interest;</p> <p>(b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23; and</p> <p>(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 previous review.</p> <p>(d)</p>

Proposal 5: the size of the Board – Section 24 of the *Constitution*

- 25 The *Constitution* currently specifies that the Board shall comprise sixteen members. In the RFV, the Trustees noted that, since July 2014, the Board has been operating successfully with fourteen members on an interim basis. In the RFV, the Trustees proposed reducing the maximum size of the Board to thirteen members and sought views on that proposal.
- 26 As noted in the accompanying Feedback Statement, respondents' views were mixed on the proposal to reduce the size of the Board to thirteen members. Roughly the same number of respondents agreed and disagreed with the proposal, although those who disagreed were split between retaining a sixteen-member Board, as specified in the *Constitution*, or retaining the current fourteen-member Board.
- 27 Having considered the feedback received, the Trustees continue to believe that a smaller Board than sixteen members is more effective, for the reasons set out in the RFV. The Trustees are therefore proposing that the *Constitution* should be amended to provide for a Board that comprises thirteen members, but with the flexibility to appoint a fourteenth member if the Trustees deem it appropriate. Accordingly, the first sentence of Section 24 of the *Constitution* would be amended as follows:

Current <i>Constitution</i> – Section 24	Proposed Amended <i>Constitution</i> – Section 24
The IASB shall comprise fourteen members, increasing to sixteen members at a date no later than 1 July 2012.	The IASB shall normally comprise fourteen thirteen members, but the Trustees shall have the discretion to appoint a fourteenth member if they deem it appropriate increasing to sixteen members at a date no later than 1 July 2012.

Proposal 6: professional background of the Board – Sections 25 and 27 of the *Constitution*

- 28 At present, 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* goes on to provide that Trustees shall select Board members so that the Board as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.
- 29 In the RFV, the Trustees made clear that they did not wish to introduce a quota of the backgrounds that should be represented on the Board, preferring to retain a degree of flexibility. However, the RFV noted the Trustees' view that Section 27 implies an unduly restrictive limitation on professional backgrounds of Board members, rather than the more flexible reference in Section 25, which refers simply to the Board comprising 'the best available combination of technical expertise and diversity of international business and market experience'. To overcome this, the RFV proposed the deletion of the wording in Section 27 and the amendment of Section 25 to provide that the mix of professional backgrounds on the IASB should include auditors, preparers, users, academics and market and/or financial regulators (the last of these not currently being referred to in the *Constitution*).
- 30 Most respondents to the RFV agreed with the proposed amendments, although some respondents expressed concerns that including a reference to regulators should 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.
- 31 As noted in the Feedback Statement, the Trustees do not take the view that including a reference to market and/or financial regulators among the professional backgrounds for Board members would lead to standard-setting being framed by regulatory viewpoints. The Trustees acknowledge the concerns expressed about the importance of Board members having "recent practical experience", but believe that it would be more appropriate to use the term "recent relevant professional experience", on the grounds that the term "practical experience" may also be interpreted as being unduly limited. The Trustees propose that the reference to "recent relevant professional experience" be used in the *Constitution*.
- 32 As a consequence, the proposed changes to Sections 25 and 27 of the *Constitution* would be as follows:

Current <i>Constitution</i> – Sections 25 and 27	Proposed Amended <i>Constitution</i> – Section 25 and 27
<p>Section 25</p> <p>The main qualifications for membership of the IASB shall be professional competence and practical experience. The Trustees shall select members of the IASB, consistently with the Criteria for IASB 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 in order to contribute to the development of high quality, global financial reporting 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 an IASB member at the same time.</p> <p>Section 27</p> <p>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.</p>	<p>Section 25</p> <p>The main qualifications for membership of the IASB shall be professional competence and <u>recent relevant professional</u> practical experience. The Trustees shall select members of the IASB, consistently with the Criteria for IASB 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 <u>including auditors, preparers, users, academics and market and/or financial regulators</u> in order to <u>that the IASB as a group can</u> contribute to the development of high quality, global financial reporting 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 an IASB member at the same time.</p> <p>Section 27</p> <p>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.</p>

Proposal 7: geographical distribution of the Board – Section 26 of the *Constitution*

- 33 In the RFV the Trustees proposed amending the normal geographical distribution of the Board to reflect the proposal to reduce the size of the Board to thirteen members. The responses to the RFV on the geographical distribution of the Trustees (as covered under Proposal 1 above), also incorporated similar considerations about the geographical distribution of Board members.
- 34 Having considered the feedback on this issue, in line with their proposals in relation to the geographical distribution of the Trustees (Proposal 1 above) and the size of the Board (Proposal 4 above), the Trustees are proposing that the geographical distribution of Board members should incorporate:
- a combined North and South American category, to be known as ‘the Americas’;
 - an equal distribution of four Board members for each of Asia-Oceania, the Americas and Europe;
 - one member from Africa (as now); and
 - reducing the “at-large” category from two to one member, with this category being used should a fourteenth member be appointed to the Board, as referred to in Proposal 5 above.
- 35 As a consequence, the proposed changes to Section 26 of the *Constitution* would be as follows:

Current <i>Constitution</i> – Section 26	Proposed Amended <i>Constitution</i> – Section 26
<p>In a manner consistent with the Criteria for IASB 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:</p> <ul style="list-style-type: none"> (a) four members from the Asia/Oceania region; (b) four members from Europe; (c) four members from North America; (d) one member from Africa; (e) one member from South America; and (f) two members appointed from any area, subject to maintaining overall geographical balance. <p>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.</p>	<p>In a manner consistent with the Criteria for IASB 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:</p> <ul style="list-style-type: none"> (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; at times when the Board comprises fourteen members, onetwo members appointed from any area, subject to maintaining overall geographical balance. <p>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.</p>

Proposal 8: terms of reappointment of the Board – Section 31 of the *Constitution*

- 36 Currently, Section 31 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 ten years in total length of service as a Board member.
- 37 The RFV outlined the Trustees’ proposal that the term for Board members appointed after 2 July 2009 should be renewable once for a further term of up to five years (other than the Chair and the Vice Chair, who may serve a second term of five years).
- 38 Most respondents agreed with the proposal. These respondents agreed with the rationale put forth in the RFV, stating that a longer reappointment period would increase flexibility in reappointments, provide continuity for major projects with long lifecycles and be helpful for the steep learning curve that Board members have. These respondents also approved of the consistency between the reappointment of the Chair, Vice-Chair, and rest of the Board members.
- 39 However, some respondents disagreed with the proposal, arguing in particular that this would make Board members too removed from recent practical experience.
- 40 On reflection, the Trustees acknowledge the concern that if all Board members serve a ten-year term that would potentially have an impact on demonstrating recent relevant professional experience. As a consequence, the Trustees are proposing that Section 31 should continue to state that a Board member’s renewal should normally be for three years, but with the flexibility for the Trustees to renew appointments up to a maximum of five years on a case-by-case basis in exceptional circumstances. The Trustees propose 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.
- 41 The Trustees also agreed to change the wording of the Section to state that terms “may be renewable” so as to indicate that reappointment will not be automatic and will be subject to reappointment procedures developed by the Trustees. Finally, Trustees are proposing to delete the distinction between the terms of the Chair and Vice Chair and the other members of the Board.
- 42 As a consequence, the proposed change to Section 31 of the *Constitution* would be as follows:

Current <i>Constitution</i> – Section 31	Proposed Amended <i>Constitution</i> – Section 30
<p>Members of the IASB 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 IASB appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are renewable once for a further term of three years, with the exception of the Chair and a Vice-Chair. The Chair and a Vice-Chair may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IASB.</p>	<p>Members of the IASB 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 IASB appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are <u>may be</u> renewable once for a further term of three years, with the <u>possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals.</u> exception of the Chair and a Vice-Chair. The Chair and a Vice-Chair may serve a second term of five years, but <u>The terms</u> may not exceed ten years in total length of service as a member of the IASB.</p>

Proposal 9: voting requirements for the Board – Section 36 of the *Constitution*

- 43 In the RFV, the Trustees noted that a consequence of reducing the size of the Board would be 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 thirteen members, but when the Board has fewer than thirteen members, the approval of eight members should be required.
- 44 Few specific comments on this proposal were raised by respondents and the Trustees are proposing to amend the *Constitution* as outlined in the RFV. Accordingly, the Trustees propose that Section 36 be amended as follows:

Current <i>Constitution</i> – Section 36	Proposed Amended <i>Constitution</i> – Section 35
The publication of an exposure draft, or an IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by nine members of the IASB, if there are fewer than sixteen members or by ten members if there are sixteen 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.	The publication of an exposure draft, or an IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by nine eight members of the IASB, if there are fewer than sixteen thirteen members or by ten nine members if there are sixteen thirteen or fourteen 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.

Proposal 10: meetings of the IFRS Advisory Council – Section 46 of the *Constitution*

- 45 In the RFV, the Trustees did not seek specific views on the operation of the Advisory Council, but made clear that the Advisory Council would be consulted throughout the review and 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 that its role in recent years is a more strategic one. These discussions have, in part, been prompted by the fact that the Trustees have themselves scheduled only three meetings each in 2016 and 2017.
- 46 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. Section 46 of the *Constitution* currently states that the Advisory Council “shall normally meet at least three times a year”. As a consequence, the Trustees are proposing that the reference to three meetings be changed to two meetings, so that the first sentence of Section 46 would read as follows:

Current <i>Constitution</i> – Section 46	Proposed Amended <i>Constitution</i> – Section 45
The Advisory Council shall normally meet at least three times a year.	The Advisory Council shall normally meet at least three two times a year.

Appendix A
IFRS Foundation draft *Constitution* in marked up format

**IFRS Foundation
Constitution**

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ANNEX

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Preface

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

At its meeting in December 1999, the IASC Board 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 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 International Financial Reporting 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 for 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, led to changes that were approved by the Trustees on 15 January 2009 for 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 for 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 IASB from that of the Executive Director. The Trustees approved the changes on 23 January 2013 for immediate effect.

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

[draft] text to update Preface for this review and Constitution amendments:

[In July 2015, the Trustees launched a review of the Structure and Effectiveness of the IFRS Foundation. The review was 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 RFV’)”. The Trustees reviewed stakeholder feedback and in May 2016 concluded that it was necessary to further consult, by way of an Exposure Draft (ED) on all the specific proposed changes to Constitution arising from the review. The Trustees reviewed stakeholder feedback on this further consultation and in [date] agreed to amend the Constitution with immediate effect.]

IFRS Foundation Constitution

(approved by the Members of 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 and 26 January 2010. Revised by the IFRS Foundation Trustees on 23 January 2013 and [date] in October 2016).

Name and objectives

- 1 The name of the organisation shall be the International Financial Reporting Standards Foundation (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 24–38, 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 International Financial Reporting Standards (IFRSs), being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRSs.

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 twenty-two 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 IASB 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)
- 7 The Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, 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), 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 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-Chairs 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 IASB 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 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 IASB and establish their contracts of service and performance criteria;
- (b) appoint the Executive Director, in consultation with the IASB Chair, 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 IASB and its effectiveness, including consideration, but not determination, of the IASB'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 IFRSs, 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 IASB, 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 IASB, 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 IASB, 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 last review.**

The Monitoring Board

- 18 A 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 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 (with the Chair of the IASB as appropriate) about any area of work of either the Trustees or the IASB. These meetings may include discussion of issues that the Monitoring Board has referred for timely consideration by the IFRS Foundation or the IASB, and of any proposed resolution of those issues by the IFRS Foundation or IASB.
- 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 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.

IASB

- 24 The IASB shall **normally** comprise ~~fourteen~~ **thirteen** members, **but the Trustees shall have the discretion to appoint a fourteenth member if they deem it appropriate** ~~increasing to sixteen members at a date no later than 1 July 2012~~. The members of the IASB 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 paid employment to 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 paid employment to 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.
- 25 The main qualifications for membership of the IASB shall be professional competence and **recent relevant professional** ~~practical~~ experience. The Trustees shall select members of the IASB, consistently with the Criteria for IASB 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 IASB as a group can** contribute to the development of high quality, global financial reporting 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 an IASB member at the same time.
- 26 In a manner consistent with the Criteria for IASB 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~~;
- (f) **at times when the Board comprises fourteen members, one** ~~two~~ members 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.

~~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.~~

~~28~~27 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 IFRSs and to promote the convergence of national accounting standards and IFRSs.

~~29~~28 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 *Framework*² (as amended from time to time) in deciding on and revising standards.

~~30~~29 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 would not imply that the member (or members) concerned is (or are) the Chair elect. The appointment of a Chair and Vice-Chairs should be made with regard to maintaining a geographical balance.

~~31~~30 Members of the IASB 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 IASB 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 ten years in total length of service as a member of the IASB.

~~32~~31 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

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

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 financial reporting 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.

~~33~~32 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~~33 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~~34 Each member of the IASB shall have one vote. On both technical and other matters, proxy voting 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~~35 The publication of an exposure draft, or an IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by ~~nine~~ **eight** members of the IASB, if there are fewer than ~~sixteen~~ **thirteen** members or by ~~ten~~ **nine** members if there are ~~sixteen~~ **thirteen or fourteen** 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~~36 The IASB shall:

- (a) have complete responsibility for all IASB technical matters including the preparation and issuing of IFRSs (other than Interpretations) and exposure drafts, each of which shall include any dissenting opinions, and the approval and issuing of 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 described as the minimum in the 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 years, 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 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.
- (i) normally publish a basis for conclusions with an IFRS 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).

3837 The authoritative text of any exposure draft, draft Interpretation or IFRS 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 IFRSs.

IFRS Interpretations Committee (the Interpretations Committee)

3938 The Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee, shall comprise fourteen 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 IFRSs and analysis of financial statements prepared in accordance with IFRSs. Expenses of travel on Interpretations Committee business shall be met by the IFRS Foundation.

4039 The Trustees shall appoint a member of the IASB, the Director of Technical Activities 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.

~~4140~~ The Interpretations Committee shall meet as and when required and ten 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.

~~4241~~ 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 Interpretations shall require that not more than four voting members vote against the draft or final Interpretation.

~~4342~~ The Interpretations Committee shall:

- (a) interpret the application of IFRSs and provide timely guidance on financial reporting issues not specifically addressed in IFRSs, in the context of the IASB's *Framework*,³ 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 IFRSs 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 Interpretation; and
- (d) report to the IASB and obtain the approval of nine of its members for final Interpretations if there are fewer than sixteen members, or by ten of its members if there are sixteen members.

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

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

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

~~45~~44 The Advisory Council shall comprise thirty 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 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.

~~46~~45 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 IASB in advance of IASB decisions on major projects and by the Trustees in advance of any proposed changes to this Constitution.

Executive Director and staff

~~47~~46 An Executive Director of the IFRS Foundation, appointed by the Trustees and the IASB Chair, 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 IASB on matters relating to the IASB's standard-setting activities and to the Trustees on all other matters.

~~48~~47 The Chair of the IASB shall be responsible for establishing the senior technical team of the IASB, in consultation with the Trustees, and will be responsible for the supervision of this team and their staff.

Administration

~~49~~48 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).

~~50~~49 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.

~~51~~50 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 IASB Members

The following would represent criteria for IASB membership:

- 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 with members who have such knowledge and skills.
- 2 **Ability to analyse.** IASB members 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 IASB members, 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.** IASB members 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. IASB members 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 IFRSs.
- 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 IASB's objective of developing high quality and transparent financial reporting. Members must be able to put the objective of the IASB 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 IASB members 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 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.



IAS®

International Financial Reporting Standards®

IFRIC®

IFRS Foundation®

SIC®

IFRS®

IASB®

Contact the IFRS Foundation for details of countries where its trade marks are in use and/or have been registered.

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