



IFRS Foundation
Chairman of the Trustees
30 Cannon Street
London EC4M 6XH
United Kingdom

1 September 2016

Dear Sir,

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

BUSINESSEUROPE is pleased to respond to the request for views on the Trustees' Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution.

The proposed amendments to the IFRS Foundation Constitution are a result of the Trustees' previous consultation in 2015 (Request for Views - Trustees' Review of Structure and Effectiveness: Issues for the Review (RFV)).

BUSINESSEUROPE believes that amendments to the Constitution should contribute to improving the governance of the IFRS Foundation and the standard-setting of the IASB, thereby ensuring that the mission of the IFRS organisation is fulfilled in the best possible way.

We support some of the proposed amendments and consider some to be of minor importance. However, BUSINESSEUROPE does not support the proposals regarding the change to the geographical distribution of Trustees and Board members. Further, we do not support the reduction of the number of Board members and the possibility to extend their term. Adding to this, we reiterate that it is important to have a balance of professional experience among the Board members, not letting the IASB become dominated by market and/or financial regulators.

Our detailed response to the questions raised is provided in the Appendix to this letter.

Please do not hesitate to contact us should you wish to discuss these issues any further.

Yours sincerely,

Jérôme P. Chauvin
Deputy Director General



APPENDIX

Proposal 1: Geographical distributions of the Trustees

It is proposed that six Trustees are appointed from the Americas, instead of six from North America and one from South America. Further, the number of at-large Trustees are increased from two to three.

In the RFV in 2015, it was proposed to increase the number of at-large Trustees from two to five.

In our comment letter to the RFV in 2015, we said that the Trustees should be able to represent all parts of the world, and we strongly argued that the IFRS Foundation should have as its primary focus the needs of those jurisdictions which already have adopted IFRS or are firmly and irrevocably committed to the adoption of IFRS, and should also take into account the stable and permanent financial commitment made by jurisdictions. The principal criteria for qualifying to be represented by a Trustee should therefore be a commitment to IFRS and to the stable long-term funding of the IFRS Foundation.

We thought that before any decisions were made about the number of “at-large” Trustees, the current composition of the Trustees’ appointments should be reviewed using the criteria we proposed. We would expect that the US representation would be reduced, thereby making room for additional “at-large” appointments. In any event, given the commitment of Europe to the IFRS Foundation and its funding, we were opposed to any reduction in European representation.

BUSINESSEUROPE welcomes that no reduction of European representation is proposed. We believe, however, that proposed amendment does not go far enough in meeting the criteria we described in our previous comment letter.

Proposal 2: the professional background of the Trustees

It is proposed that the current requirement that normally two of the Trustees shall be senior partners of prominent international accounting firms, is deleted.

As also stated in our comment letter to the RFV, we support not setting a quota for different types of professional backgrounds. We therefore support this amendment. It is, however, also important that the Trustees have a balanced background and that no group becomes too dominant.

Proposal 3: the remuneration of the Trustees

It is proposed that the Trustees are remunerated by an annual fee instead of an annual fee and a per meeting fee.

This amendment has already been implemented in practice according to the proposal.



We therefore find it peculiar that constituents are asked if this amendment is appropriate. We would have expected that deviations from or amendments of the Constitution are exposed for comment before they are implemented.

Proposal 4: focus and frequency of reviews of structure and effectiveness of the IFRS Foundation

It is proposed that the Trustees undertake a review of the strategy of the IFRS Foundation and its effectiveness. The review should take place at the latest every five years after the conclusion of the previous review.

Currently section 17 of the Constitution provides that the accountability of the Trustees is ensured, inter alia, by their undertaking of a review of the entire structure and effectiveness of the Foundation every five years.

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).

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. The Trustees accordingly proposes to amend Section 17 of the Constitution as set out in the RFV.

BUSINESSEUROPE supported the proposal in the RFV. We therefore also support the proposed amendment to the Constitution.

Proposal 5: the size of the Board

It is proposed the Board is reduced from sixteen members to thirteen, with an option to appoint a fourteenth member if the Trustees deem it appropriate.

It is noted that the IASB, in deviation from the Constitution, has operated with fourteen members since July 2014. We also note that the proposal for amending the Constitution, reducing the number of members, is based on a perceived increase in effectiveness.

As we stated in our comment letter to the RFV, the IFRS Foundation's goal of developing a single set of high quality, globally accepted financial reporting standards inevitably means that a very wide range of jurisdictions is targeted. In addition, when we consider the amount of meetings and conferences, and the related preparation that



has to be undertaken, and the detailed knowledge the Board members have to provide, the workload of the Board members seems heavy. We have not noted the perceived advantages of a reduced Board in practice. On the other hand, we have not become aware of any evident disadvantages.

We think that it is important to maintain a balance of members which represent the wide range of jurisdictions actively committed to IFRS and the varied professions that make up the IFRS constituency. What is essential is that IFRS continues to be of high quality. We are therefore not convinced that a smaller IASB can provide the broad range of representation required, and thus we do not support a reduction in the number of members from 16 to 13. We believe that 16 members is an appropriate size for the Board. We are not convinced that a reduction to 13 members will make the Board so much more effective.

Please also refer to our comments related to Proposals 6 and 7.

Proposal 6: the professional background of the Board

It is proposed that the requirement for Board members to have “practical experience” is amended to have “recent relevant professional experience”. Also, it is proposed to add market and/or financial regulators to the mix of professional backgrounds that will comprise a group that can represent the best available combination of technical expertise and diversity of international business and market experience.

In our comment letter to the RFV, we noted that there are some members of the current Board whose background is really that of “market and/or financial regulators” and this amendment in effect would validate an accepted status quo. Also, as stated in our response to the RFV, we do not disagree with this background being represented, provided that this does not exceed twenty to twenty-five percent of the Board, and the Board remains balanced overall.

Proposal 7: geographical distribution of the Board

It is proposed to amend the geographical distribution of the IASB.

In the RFV the Trustees proposed amending the geographical distribution of the Board to reflect the proposal to reduce the number of members to thirteen. 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.

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 IASB 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.

Similar to our view stated above in respect of the Trustees, if a decision is to be made to reduce the number of Board members, then we are firmly of the opinion that Board seats should be allocated on the basis of commitment to the use of IFRS and funding of the IFRS Foundation. On these grounds, we welcome that a reduction in the representation of Europe is not proposed. However, we are concerned that the combination of the Americas into one category still will not reflect the diminished shift in the commitment of the US to IFRS.

Proposal 8: terms of reappointment of the Board

It is proposed to amend the terms of reappointment for Board members. A Board member may be reappointed for a further term of three years (as today) with the possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals.

As stated in our comment letter to the RFV, we think that the maximum term of service for Board members should remain at eight years, with ten years for the Chairman and Vice-Chairman. We believe that it is important that members’ relevant practical and/or professional experience be recent, and any period longer than the current term allowed would increase the risk of the experience no longer being relevant in a changing world. We therefore do not support the proposed amendment.

Proposal 9: voting requirements for the Board

It is proposed to amend the voting requirements as a consequence of reducing the size of the IASB.

In the RFV, the Trustees noted that a consequence of reducing the size of the IASB 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.

It is now proposed to require eight members to approve if there are fewer than thirteen members and nine members to approve if there are thirteen or fourteen members of the IASB.

As stated above, BUSINESSEUROPE does not support the proposed reduction of the number of IASB members. If a reduction nevertheless is made, we do not object to amending the voting requirements.

Proposal 10: meetings of the IFRS Advisory Council

It is proposed to amend the number of meetings normally held with the IFRS Advisory Council from at least three to two times a year.

BUSINESSEUROPE does not object to the proposed amendment.

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