



International Accounting Standards
Committee Foundation

Press Release

FOR IMMEDIATE RELEASE

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TRUSTEES ANNOUNCE STRATEGY TO ENHANCE GOVERNANCE, REPORT ON CONCLUSIONS AT TRUSTEES' MEETING

The Trustees of the International Accounting Standards Committee (IASC) Foundation, the oversight body of the International Accounting Standards Board (IASB), today announced, following a strategy review over recent months, proposals to enhance the organisation's governance arrangements and reinforce the organisation's public accountability. The Trustees will begin a series of consultations with key stakeholders on these proposals in the build up to the Constitution Review, which is scheduled to start in 2008.

The announcement regarding governance is one of a series of conclusions that the Trustees reached at their meeting on 31 October-1 November held in New York. Details of the enhanced governance proposals and other Trustee decisions are described below.

Governance proposals aimed at enhanced public accountability

Following the last Constitution Review completed in July 2005, the Trustees initiated a number of reforms to improve confidence in the standard-setting process. The Trustees approved amendments to the due process of the International Accounting Standards Board (IASB), increased Trustee engagement with external parties, improved and clarified their oversight responsibilities, and implemented a programme aimed at establishing a broader funding.

With more than 100 countries now using or in the process of adopting International Financial Reporting Standards (IFRSs), the Trustees commenced a strategy review earlier this year in anticipation of the Constitution Review. The Trustees' objective in launching the review was to begin considering enhanced ways to strengthen public accountability and to fulfil their commitment to the public interest.

To demonstrate clearer public accountability, the Trustees have now adopted the following proposals as a result of their strategy review:

- **Establish a formal reporting link to official organisations:** The Trustees should establish a link to a representative group of official organisations, including securities regulators. This body would approve Trustee appointments and review Trustee oversight activities, including the adequacy of the annual funding arrangements as well as the overall budget.
- **Develop a multi-layered, multi-faceted approach to accountability beyond the formal link to official organisations:** The Trustees should intensify and deepen their engagement with key stakeholder groups and develop mechanisms for the Trustees to receive input outside formalised procedures. This would necessarily include

mechanisms for meeting with official organisations and policymakers and private sector institutions. Furthermore, such accountability would require consideration of the role and structure of the Standards Advisory Council in the organisation's accountability.

- **Create a mechanism for public input to the Trustees outside regularly scheduled meetings with specific stakeholder groups:** The Trustees should establish enhanced mechanisms for input from interested parties who wish to comment on the IASC Foundation's and the IASB's policies, processes, and procedures.
- **Continue efforts towards a sustained, broad-based funding regime:** Having already significantly broadened the funding base through the new approach adopted in 2006, the Trustees should continue their work to broaden the funding base further.

The Trustees will begin discussions with key stakeholder groups, including those from the securities regulatory community and other official bodies, regarding the proposals and elements to implement these proposals.

In announcing the enhanced governance strategy, Philip Laskawy, Chairman of the Trustees, stated:

The use of IFRSs is growing throughout the world, and we are getting closer to our ultimate objective of having a single set of high-quality financial reporting standards used worldwide. My fellow Trustees and I strongly believe that the independence of the standard-setting process and the ongoing convergence work of the IASB have been essential in making this success possible. At the same time, the IASC Foundation, as an independent private sector body, is a unique organisation in the field of international cooperation. We believe that our proposals for enhanced governance are essential in demonstrating our continued commitment to public accountability and the public interest.

Gerrit Zalm, incoming Chairman of the Trustees and former Deputy Prime Minister and Finance Minister of the Netherlands, added:

I welcome the enhanced governance strategy that the Trustees agreed upon as an important step in addressing challenging issues related to public accountability. One of my leading priorities as Chairman will be to engage interested parties in the Trustees' strategy in order to reach a well thought-out and broadly supported Constitution Review. As Finance Minister, I recognised the important role that IFRSs and an independent international standard-setter could have for European and global capital markets. The progress of IFRSs throughout the world has gathered pace, and the organisation must continue to adapt to meet this new reality.

Trustees address funding, convergence, and other oversight issues

In addition to agreeing to a strategy for enhanced public accountability, the Trustees reviewed a number of issues related to their responsibilities:

- **Broad-based funding regime:** The Trustees assessed the efforts that have been made to establish a broad-based and sustainable regime for 2008, according to the principles agreed in 2006. To date, the Trustees have achieved multi-year financing commitments of more than £12 million of a £16 million annual target.

National funding schemes (either through a levy or national payment) are in place in a number of countries (such as Australia, the Netherlands, New Zealand, and the United Kingdom). Broad-based voluntary programmes in other jurisdictions (such as China, France, Germany, India, Japan, Korea, Luxembourg, South Africa, and Switzerland) are in place or are already agreed. In other countries where fundraising efforts are continuing and are approaching an advanced stage, such as the United States, the Trustees are committed to establishing a broad funding base. The result of these ongoing efforts will bring the sources of funding from less than 200 organisations in 2005 to several thousand by 2008.

The Trustees will enhance their communications on funding arrangements by providing greater information regarding country-specific programmes on the IASC Foundation's Website and on levels of financing in the annual report.

- **Commitment to convergence, MoU:** The Trustees reviewed the IASB's current work programme and items being considered as additions to the IASB's agenda. The Trustees reiterated their support for continuing the convergence work programme described by the February 2006 Memorandum of Understanding between the IASB and the US Financial Accounting Standards Board (FASB), noting that the future work is largely focused on areas in which the objective is to develop a new world class international standard.

The Trustees asked the IASB to report, at the next Trustees' meeting, on the IASB's conclusions regarding agenda additions.

- **Expansion of IFRIC to 14 members:** The Trustees approved a proposal to expand the membership of the International Financial Reporting Interpretations Committee (IFRIC) from 12 to 14 members in order to broaden IFRS expertise on the committee. The Trustees will publish the revised Constitutional language and an advertisement for new members shortly.
- **Review of feedback statements, impact assessments:** The Trustees' Due Process Oversight Committee (formerly the Procedures Committee) will review the IASB's first feedback statements and impact statements before publication. The Due Process Oversight Committee also reported on its recent meeting with the IASB and indicated that it will schedule regular meetings with the IASB.

Trustee and IASB appointment matters

After consultation with the Trustees' Appointments Advisory Group on issues related to the Trustee selection, the Trustees announced the following:

- Mr Laskawy, the current Chairman of the Trustees, will become Vice Chairman of the Trustees, when Mr Zalm assumes the chairmanship in January 2008. As previously

agreed, Bertrand Collomb will stand down as Vice Chairman at year end and will remain as a Trustee.

- Jeffrey Lucy, former Chairman of the Australian Securities and Investments Commission and incoming Chairman of the Australian Financial Reporting Council, will join the Trustees for a three-year term, beginning January 2008.
- Kees Storm, former Chairman of AEGON, will resign from the Trustees at the end of the year due to other commitments. The Trustees will initiate a public search for his successor shortly.
- The Trustees will consult the Trustees Appointments Advisory Group as part of the Trustees' efforts to fill the two other Trustee vacancies, created by the retirements of Roberto Teixeira da Costa and William McDonough.
- The Trustees' Nominating Committee will begin a new search to fill the vacancy on the IASB.

In commenting on Mr Laskawy's appointment as Vice Chairman, Mr Zalm stated:

I am delighted that Phil Laskawy will serve as Vice Chairman during an important period for the organisation. Under Phil's tenure as Chairman, the IASC Foundation made significant progress on issues of governance, funding and due process, and his continued presence on the Trustees will help us advance these issues further. I am looking forward to working with Phil in the coming months.

Regarding Trustee appointments, Mr Laskawy added:

We are delighted to welcome Jeffrey Lucy to the Trustees. We also appreciate all of the work that our departing Trustees—Richard Humphry, William McDonough, Malcolm Knight, Kees Storm, and Roberto Teixeira da Costa—have undertaken for the cause of IFRSs.

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NOTE TO EDITORS

1. The International Accounting Standards Committee (IASC) Foundation, based in London, is the oversight body of the International Accounting Standards Board (IASB). The governance of the organisation rests with 22 Trustees. Six of the Trustees must be selected from the Asia/Oceania region, six from Europe, six from North America, and four from any region. The Chairman is a part-time position.

2. Paul Volcker, former chairman of the US Federal Reserve Board, served as the first Chairman of the Trustees from 2001 to 2005. Tommaso Padoa-Schioppa assumed the chairmanship in January 2006, but stepped down when he became Finance Minister of Italy in May 2006. Philip Laskawy, former Chairman of Ernst & Young International, has served as Chairman since then and will step down from that position when Mr Zalm takes office on 1 January 2008.
3. The IASC Foundation, through the IASB, is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements.

About Constitution Reviews

The IASC Foundation Constitution sets out the governance arrangements of the IASC Foundation, the IASB, and other subsidiary committees. The original Constitution was approved after consultation with international regulatory bodies and the public at large in 2000.

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 current version of the Constitution reflects changes adopted and approved by the Trustees on 21 June 2005 for effect on 1 July 2005. More information on the IASC Foundation Constitution is found at <http://www.iasb.org/About+Us/About+the+Foundation/Constitution.htm>.

The next Constitution Review must begin no later than July 2008.

Criteria for selecting Trustees

The IASC Foundation has adopted the following guidelines for the selection of Trustees, as set out in its Constitution:

- 5 The Trustees shall be responsible for the selection of all subsequent Trustees to fill vacancies caused by routine retirement or other reason. In making such selection, the Trustees shall be bound by the criteria set forth in Sections 6 and 7 and in particular shall undertake mutual consultation with international organisations as set out in Section 7, for the purpose of selecting an individual with a similar background to that of the retiring Trustee, where the retiring Trustee was selected through a process of mutual consultation with one or more international organisations.
- 6 All Trustees shall be required to show a firm commitment to the IASC 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 a 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 North America;
 - (b) six Trustees appointed from Europe;
 - (c) six Trustees appointed from the Asia/Oceania region; and
 - (d) four Trustees appointed from any area, subject to establishing overall geographical balance.
- 7 The Trustees shall comprise individuals that as a group provide an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Two of the Trustees shall normally 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: in order to provide continuity, some of the initial Trustees will serve staggered terms so as to retire after four or five years.

The Trustee Appointments Advisory Group

This is a high level and broadly representative advisory group to help the Trustees in discharging their responsibility for nominating and appointing highly qualified and interested people as Trustees.

The use of the Advisory Group is aimed at increasing consultation between the Trustees and official international and regional organisations with an interest in accounting standard-setting. The Advisory Group's terms of reference are set out below.

The members of the Trustee Appointments Advisory Group are:

- Jane Diplock, Chairman of the Executive Committee, International Organisation of Securities Commissions
- Mario Draghi, Chairman, Financial Stability Forum
- Donald Kaberuka, President, African Development Bank
- Haruhiko Kuroda, President, Asian Development Bank
- Luis Alberto Moreno, President, Inter-American Development Bank
- Managing Director, International Monetary Fund (*to be confirmed following appointment*)
- Jean-Claude Trichet, President, European Central Bank
- Paul Volcker, Chairman of the Appointments Advisory Group and former Chairman of the Trustees
- Robert Zoellick, President, World Bank

Terms of reference and operating procedures of the Trustee Appointments Advisory Group

Mandate

1. The Trustees of the IASC Foundation shall consult the Trustee Appointments Advisory Group on nominations to the IASC Foundation Trustees before a final decision is made regarding appointments.
2. Members of the Advisory Group are free to suggest candidates who they believe would be well-qualified Trustees.
3. The ultimate decision on appointments will remain with the Trustees, consistently with the need to maintain organisational independence. However, the Trustees will explain to the members of the Advisory Group the rationale for any decision contrary to reservations expressed by members of the Advisory Group.

Membership

4. The Advisory Group shall comprise five to eight leaders of official international and regional organisations that have an interest in the development of a single set of rigorous, internally consistent, and enforceable international accounting standards, faithfully and consistently applied throughout the world's capital markets.
5. The organisations selected for representation should reflect a geographical balance.
6. The membership of the Advisory Group shall also reflect the different perspectives of the official community with an interest in accounting standard-setting, including, but not limited to, securities regulators, banking supervisors, and development organisations.

Operations

7. The Advisory Group shall meet at least once annually, either in person or by conference call. Additional meetings may be necessary in the event of extraordinary appointments.
8. The Chairman of the Trustees of the IASC Foundation shall chair the meetings of the Advisory Group. The Chairman of the Trustees shall determine whether other Trustees and the secretariat shall attend meetings of the Advisory Group.
9. The secretariat of the IASC Foundation shall be responsible for handling administrative arrangements for meetings of the Advisory Group, including the preparation of meeting materials. Such materials shall be sent to members of the Advisory Group at least seven days in advance of the meetings.