

IASC Foundation Constitution

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. These 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.

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. This version reflects changes adopted and approved by the Trustees on 21 June 2005 for effect on 1 July 2005 and further amendments adopted and approved by the Trustees on 31 October 2007 for immediate effect.

IASC 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 and 31 October 2007)

This Constitution consists of Part A and Part B. Part A deals with the organisation's name and objectives, and the membership and appointment of Trustees. Part B sets out the provisions that came into effect when the Trustees formed the International Accounting Standards Committee Foundation on 6 February 2001, following a Trustees' Resolution. In accordance with the Trustees' decision, Part C of the Constitution approved on 24 May 2000 no longer pertains.

Part A

Name and objectives

- 1 The name of the organisation shall be the International Accounting Standards Committee Foundation (abbreviated as "IASC Foundation"). The International Accounting Standards Board (abbreviated as "IASB"), whose structure and functions are laid out in Sections 18–32, shall be the standard-setting body of the IASC Foundation.
- 2 The objectives of the IASC Foundation are:
 - (a) to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users 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 special needs of small and medium-sized entities and emerging economies; and
 - (d) to bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards to high quality solutions.

Governance of the IASC Foundation

- 3 The governance of the IASC Foundation shall rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they are empowered to make minor variations in the interest of feasibility of operation if such variations are agreed by 75% of all the Trustees.

Trustees

- 4 The Trustees shall comprise twenty-two individuals.
- 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.
- 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.

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- 10 The Chairman of the Trustees shall be appointed by the Trustees from among their own number. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman for a term of three years, renewable once, from the date of appointment as Chairman.
- 11 The Trustees shall meet at least twice each year and shall be remunerated by the IASC 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 IASC Foundation business shall be met by the IASC 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 IASC 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 IASC Foundation, both as regards its legal base and its operating location;
 - (e) investigate the possibility of seeking charitable or similar status for the IASC 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 IASC 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% 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% 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 Chairman shall have an additional casting vote.

Part B

Trustees

- 15 In addition to the duties set out in Part A, the Trustees shall:
- (a) appoint the members of the IASB and establish their contracts of service and performance criteria;
 - (b) appoint the members of the International Financial Reporting Interpretations Committee and the Standards Advisory Council;
 - (c) review annually the strategy of the IASC Foundation and the IASB and its effectiveness, including consideration, but not determination, of the IASB's agenda;
 - (d) approve annually the budget of the IASC Foundation and determine the basis for funding;
 - (e) review broad strategic issues affecting accounting standards, promote the IASC Foundation and its work and promote the objective of rigorous application of International Accounting Standards and International Financial Reporting Standards, provided that the Trustees shall be excluded from involvement in technical matters relating to accounting standards;
 - (f) establish and amend operating procedures, consultative arrangements and due process for the IASB, the International Financial Reporting Interpretations Committee and the Standards Advisory Council;
 - (g) review compliance with the operating procedures, consultative arrangements and due process as described in (f);
 - (h) approve amendments to this Constitution after following a due process, including consultation with the Standards Advisory Council and publication of an Exposure Draft for public comment and subject to the voting requirements given in Section 14;
 - (i) exercise all powers of the IASC Foundation except for those expressly reserved to the IASB, the International Financial Reporting Interpretations Committee and the Standards Advisory Council; and
 - (j) foster and review the development of educational programmes and materials that are consistent with the IASC Foundation's objectives.
- 16 The Trustees may terminate the appointment of a member of the IASB, the International Financial Reporting Interpretations Committee or the Standards 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 undertaking a review of the entire structure of the IASC Foundation and its effectiveness, such review to include consideration of changing the

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geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, the review commencing 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 (6 February 2006, five years after the date of the incorporation of the IASC Foundation); and

- (c) their undertaking a similar review subsequently every five years.

IASB

- 18 The IASB shall comprise fourteen members, appointed by the Trustees under Section 15(a), of whom twelve shall be full-time members (the expression 'full-time' meaning that the members concerned commit all of their time in paid employment to the IASC Foundation). The remaining two members shall be part-time members (the expression 'part-time' meaning that the members concerned commit most of their time in paid employment to the IASC Foundation) and shall meet appropriate guidelines of independence, established by the Trustees. The work of the IASB shall not be invalidated by its failure at any time to have a full complement of fourteen members, although the Trustees shall use their best endeavours to achieve a full complement.
- 19 The main qualifications for membership of the IASB shall be professional competence and practical experience. The Trustees shall select members of the IASB 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 accounting standards. No individual shall be both a Trustee and an IASB member at the same time.
- 20 The selection of members of the IASB shall not be based on geographical criteria, but the Trustees shall ensure that the IASB is not dominated by any particular constituency or geographical interest. In particular, the Trustees shall observe the general parameters set out in the Criteria for IASB Members which are attached to this Constitution.
- 21 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.
- 22 The IASB will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies concerned with standard-setting in order to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards.
- 23 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 *Framework* (as amended from time to time) in deciding on and revising standards.

- 24 The Trustees shall appoint one of the full-time members as Chairman of the IASB, who shall also be the Chief Executive of the IASC Foundation. One of the full-time members of the IASB shall also be designated by the Trustees as Vice-Chairman, whose role shall be to chair meetings of the IASB in the absence of the Chairman in unusual circumstances (such as illness). The appointment of the Chairman and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the individual concerned is the Chairman-elect.
- 25 Members of the IASB shall be appointed for a term of up to five years, renewable once. The Trustees shall develop rules and procedures to ensure that the IASB is, and is seen to be, independent, and, in particular, on appointment, full-time members of the IASB shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives which might call into question their independence of judgement in setting accounting standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the IASB would not be expected to sever all other employment arrangements.
- 26 The terms of appointment of members of the IASB shall be staggered so that not all members retire at once. To accomplish this, the Trustees shall consider initial terms of three years for some members, four years for others and a full five years for the remaining initial members.
- 27 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 IASC Foundation.
- 28 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.
- 29 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 Chairman shall have an additional casting vote.
- 30 The publication of an Exposure Draft, International Accounting Standard, International Financial Reporting Standard, or final Interpretation of the International Financial Reporting Interpretations Committee shall require approval by nine of the fourteen members of the IASB. 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% of the members of the IASB, in person or by telecommunications.
- 31 The IASB shall:
 - (a) have complete responsibility for all IASB technical matters including the preparation and issuing of International Accounting Standards, International Financial Reporting Standards and Exposure Drafts, each of

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which shall include any dissenting opinions, and final approval of Interpretations by the International Financial Reporting Interpretations Committee;

- (b) publish an Exposure Draft on all projects and normally publish a discussion document for public comment on major projects;
 - (c) have full discretion in developing and pursuing the technical agenda of the IASB and 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;
 - (d)
 - (i) establish procedures for reviewing comments made within a reasonable period on documents published for comment,
 - (ii) normally form working groups or other types of specialist advisory groups to give advice on major projects,
 - (iii) consult the Standards Advisory Council on major projects, agenda decisions and work priorities, and
 - (iv) normally issue bases for conclusions with International Accounting Standards, International Financial Reporting Standards, and Exposure Drafts;
 - (e) consider holding public hearings to discuss proposed standards, although there is no requirement to hold public hearings for every project;
 - (f) 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; and
 - (g) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (d)(ii), d(iv), (e) and (f).
- 32 The authoritative text of any Exposure Draft or International Accounting Standard or International Financial Reporting Standard or Draft or final Interpretation 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 and International Accounting Standards and International Financial Reporting Standards and Draft and final Interpretations.

International Financial Reporting Interpretations Committee

- 33 The International Financial Reporting Interpretations Committee shall comprise fourteen voting members, appointed by the Trustees under Section 15(b) for renewable terms of three years. The Trustees shall select members of the 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 International Financial Reporting Standards (IFRSs) and analysis of financial statements prepared in accordance with IFRSs. Expenses of travel on Committee business shall be met by the IASC Foundation.

- 34 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 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.
- 35 The 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 Committee may be allowed to send non-voting alternates, at the discretion of the Chair of the Committee. Members wishing to nominate an alternate should seek the consent of the Chair in advance of the meeting concerned. Meetings of the 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 Committee's discretion.
- 36 Each member of the 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.
- 37 The Committee shall:
- (a) interpret the application of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and provide timely guidance on financial reporting issues not specifically addressed in IASs and IFRSs, in the context of the IASB *Framework*, 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 IASs 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.

Standards Advisory Council

- 38 The Standards Advisory Council, whose members shall be appointed by the Trustees under Section 15(b), provides a forum for participation by organisations and individuals, with an interest in international financial reporting, having diverse geographical and functional backgrounds, with the objective of
- (a) giving advice to the IASB on agenda decisions and priorities in the IASB's work,

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- (b) informing the IASB of the views of the organisations and individuals on the Council on major standard-setting projects and
 - (c) giving other advice to the IASB or the Trustees.
- 39 The Council shall comprise thirty or more members, having a diversity of geographical and professional backgrounds, appointed for renewable terms of three years. The Chairman of the 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 Chairman of the Council to attend and participate in the Trustees' meetings, as appropriate.
- 40 The Council shall normally meet at least three times a year. Meetings shall be open to the public. The 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.

Chief Executive and Staff

- 41 As provided under Section 24, the Chairman of the IASB shall also be the Chief Executive of the IASC Foundation, and shall be subject to supervision by the Trustees.
- 42 The Chief Executive shall be responsible for the staffing of the IASB, which shall include a Director of Technical Activities appointed by the Chief Executive in consultation with the Trustees: the Director of Technical Activities, while not a member of the IASB, shall be entitled to participate in the debate but not to vote at meetings of the IASB and the International Financial Reporting Interpretations Committee.
- 43 A Director of Operations and a Commercial Director shall also be appointed by the Chief Executive in consultation with the Trustees. They shall have responsibility for publications and copyright, communications, administration, and finance under the supervision of the Chief Executive and for fundraising under the supervision of the Trustees.

Administration

- 44 The administrative office of the IASC Foundation shall be located in such location as may be determined by the Trustees in accordance with Section 13(d).
- 45 The IASC Foundation shall be a legal entity as determined by the Trustees and shall be governed by this Constitution and by any laws which apply to such legal entity, including, if appropriate, laws applicable because of the location of its registered office.
- 46 The IASC Foundation shall be bound by the signature(s) of such person or persons as may be duly authorised by the Trustees.

Annex

International Accounting Standards Committee Foundation Criteria for IASB Members

The following would represent criteria for IASB membership:

- 1 **Demonstrated Technical Competency 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 competency 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 accounting standards, speeches, articles, memos and correspondence with constituents. 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 International Financial Reporting Standards.
- 6 **Ability to Work in a Collegial Atmosphere.** Members should be able to show respect, tact and consideration for one another's and constituents' views. 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.

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- 7 **Integrity, Objectivity and Discipline.** The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow IASB members and constituents. 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 IASC Foundation's Mission and Public Interest.** Members should be committed to achieving the objective of the IASC Foundation of establishing international accounting and financial reporting standards that are of high quality, comparable, and transparent. A candidate for the IASB also should be committed to serving the public interest through a private standard-setting process.