

1

IASC Foundation

Inspiring confidence and trust in independent standard-setting

b	Report of the Chairman of the IASC Foundation Trustees	6–8
c	Key changes to the IASC Foundation Constitution	9
d	Report of the Due Process Oversight Committee	10–12
e	Trustees of the IASC Foundation	13–16
f	Senior staff of the IASC Foundation	17
g	Members of the Monitoring Board of the IASC Foundation	17

2006

Trustees focus on encouraging countries to adopt IFRSs, continue to develop effective oversight and build a sustained basis of financing

2007

Trustees introduce annual review of their oversight activities

Conduct a strategy review which recommends the creation of a link to a Monitoring Board

Approve an outreach programme to enhance the relationships and mutual understanding between stakeholder groups and the IASC Foundation

Require the IASB to produce a feedback statement on major projects

Trustees develop a strategy to ensure the quality of the IFRS XBRL taxonomy and of official translations of IFRSs

2008

Trustees begin second Constitution Review with priority for enhancing their public accountability functions

Trustees support and monitor closely the IASB's response to the global financial crisis

The SAC is restructured to comprise representatives of organisations with an interest in standard-setting

2009

Trustees conclude first part of the Constitution Review, establish a link to a Monitoring Board of public capital market authorities and expand the membership of the IASB to 16 members by 2012 with a recommended geographical distribution

Trustees undertake second part of the Constitution Review

Report of the Chairman of the IASC Foundation Trustees

A clear lesson of the financial crisis is that global financial markets demand a globally accepted and enforced financial reporting framework.



GERRIT ZALM
CHAIRMAN OF THE IASC
FOUNDATION TRUSTEES

This is something that the leaders of the G20 countries recognised when at their summit in Pittsburgh in September 2009 they ‘called on our international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard-setting process, and complete their convergence project by June 2011’.

A globally recognised standard

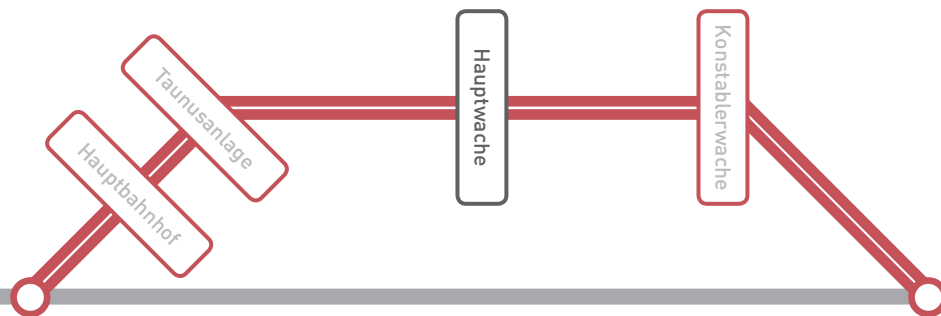
In 2009 remarkable progress was made towards the objective of a single set of high quality, global accounting standards. Beginning in 2010 and in the period to 2012, we are witnessing the second major wave of IFRS adoption. Argentina, Brazil, Canada, India, Indonesia, Japan, Korea, Malaysia and Mexico – to name but a few – are in the process of adopting IFRSs.

Importantly, Japan, the world’s second largest national capital market, took a big step towards fully adopting IFRSs. The Japan Financial Services Agency (FSA) announced that it would permit Japanese companies to use IFRSs for their 2010 filings, and set a timetable for IFRS adoption.

Towards the end of 2009 there were positive developments in the United States. On 5 November the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) reaffirmed their commitment to convergence. The two boards established work plans to complete their programme by June 2011. The two respective Trustee bodies agreed to interact formally and regularly to monitor the progress on convergence goals and to help resolve issues within the context of our oversight mandates and the independent standard-setting process. In February 2010, citing the ongoing convergence work, the US Securities and Exchange Commission (SEC) reaffirmed its commitment to make a decision in 2011 on IFRS adoption.

Enhanced public accountability and stakeholder engagement

As IFRSs become an integral part of the new global regulatory framework, the Trustees took steps in 2009 to ensure that the organisation was ready. Throughout 2009, the Trustees introduced reforms aimed at enhancing public accountability, improving stakeholder engagement, and reinforcing our commitment both to investors as a



primary target of financial information and to the independence of the standard-setting process.

A notable innovation was made in January 2009 when, in completing of the first part of the five-yearly review of the IASC Foundation's Constitution, the Trustees established a direct link to a Monitoring Board of public capital market authorities – one that would seek to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. The Monitoring Board's main responsibilities are, first, to ensure that the Trustees continue to discharge their duties as defined by the Constitution and, second, to approve the appointment or reappointment of Trustees. The Monitoring Board now comprises the relevant leaders from the IOSCO Emerging Markets and Technical Committees, the European Commission, the Japan FSA, and the US SEC, with the Basel Committee on Banking Supervision taking part as an observer.

The Trustees moved quickly to develop their proposals for the second part of the review. These proposals, published in September 2009, sought to enhance still further the governance of the organisation and its public

'The Monitoring Board now comprises the relevant leaders from the IOSCO Emerging Markets and Technical Committees, the European Commission, the Japan FSA, and the US SEC, with the Basel Committee on Banking Supervision taking part as an observer.'

accountability. The Trustees committed themselves to improving the involvement of stakeholders with a broad range of perspectives in both developed and emerging markets. In addition to the formal process of written comment on these proposals, in which more than 60 groups participated, the Trustees consulted stakeholders around the world through a series of public round-table meetings in London, New York and Tokyo. These consultations enabled the Trustees to approve amendments to the Constitution at their meeting in January 2010.

Strengthening the commitment to the investment community

In 2009 the Trustees took steps to encourage greater involvement of the global investment community, a primary beneficiary of financial reporting

standards. Standard-setters have always found it challenging to involve investors and other users, and I am pleased to say that our efforts to involve users more in the organisation's governance and decision-making processes have met with some success:

- **Trustees:** four Trustees have current or recent experience with companies making investments, and five Trustees have served as securities regulators.
- **IASB:** following the appointment of Patrick Finnegan and Patricia McConnell, the IASB now has three members with extensive international experience as financial analysts.
- **Advisory Council:** the IFRS Advisory Council (formerly known as the SAC) has been reconstituted with a Vice-Chair from the investment community. Eight major investor organisations are represented on the Council, and have regular meetings with the Trustees.



- **Outreach:** the IASB has appointed a staff manager of investor liaison and is undertaking initiatives specifically targeted at the investment community.

Providing the necessary resources for a growing workload

One of the major responsibilities of the Trustees remains securing the necessary resources to operate the organisation effectively. In 2009 we continued to expand staff resources prudently to respond to growing requirements. At the same time, in the light of the forthcoming wave of jurisdictions adopting IFRSs, we completed a five-year planning exercise to give us a better sense of long-term resource requirements.

In 2009 the IASC Foundation ran a small operating deficit of £307,000, compared with an operating surplus of £528,000 in 2008. The deficit emerged for two non-recurring reasons.

First, in accordance with a change in the Constitution, the Trustees expanded the IASB to 15 members in July 2009 from the 14 members previously required and therefore the IASB's recruitment costs, including the use of a search firm,

were higher than anticipated. Second, in an effort to broaden access to expertise, the IASC Foundation financed meetings of the Financial Crisis Advisory Group and supported an unprecedented outreach programme for the IASB's work on financial instruments.

Although the IASC Foundation is reporting an operating deficit for 2009, the financial statements show a gain from total comprehensive income of £647,000 (compared with a deficit of £1,747,000 in 2008). This gain is primarily the result of fair value gains from the unwinding of forward exchange contracts, used to remove exchange rate risk associated with contributions. The great majority of IASC Foundation financing is set in either US dollars or euros, while the organisation's expenditures are in sterling.

As mentioned earlier, the Trustees undertook a five-year resource planning exercise. We concluded that there will continue to be a need to expand the technical staffing resources of the organisation and its engagement with stakeholders. We also noted the desire of many stakeholders that the IASC Foundation should set up liaison offices for the Americas and Asia.

To accomplish all these objectives the organisation would need an additional £3-4 million each year in financing. While good progress has been made in establishing broad-based levies and payments in many jurisdictions (see page 46), continued work is needed to eliminate the funding gap. In the short term, the IASC Foundation will draw down the reserves at a rate of £2 million per year. Consequently, eliminating the financing gap will be a leading priority in 2010. The Trustees will work with the Monitoring Board to complete this work.

My fellow Trustees and I have acted and will continue to act to ensure that IFRSs become the global standard for financial reporting, providing necessary information for investors, regulators and other participants in the world's financial markets. In the past year we have improved our public accountability through the link to the Monitoring Board and taken steps to encourage greater stakeholder involvement in our activities. We are closer than ever to our objective – we will not rest until it is achieved.

Gerrit Zalm
Chairman of the
IASC Foundation Trustees

Key changes to the IASC Foundation Constitution

In 2008-2010 the Trustees of the IASC Foundation undertook the second mandatory Constitution Review based on broad public consultation. In 2009 the first part of the constitutional changes agreed by the Trustees came into effect.

The Trustees substantially accomplished the second part of the Constitution Review by the end of 2009.

Final decisions on part 2 were taken by the Trustees in the January 2010 meeting in Rio de Janeiro and are reflected in the highlights adjacent.

Key changes to the Constitution as part of the second Constitution Review

Part 1 (effective as of January 2009)

Creation of an official link to a Monitoring Board of public capital market authorities.

Expansion of the IASB to 16 members by 2012 with a suggested geographical distribution.

Part 2 (effective as of March 2010)

Introduction of three-yearly public consultations on the IASB's technical agenda starting in 2011.

Emphasis that convergence is a means to facilitate the adoption of IFRSs as the ultimate objective of the Foundation.

A commitment to a 'principle-based' approach for IFRSs.

Specific designation of investors as a major target audience for financial statements.

Requirement to have due process in all circumstances and the introduction of an emergency due process procedure for the IASB in the most exceptional circumstances and only after approval by at least 75 per cent of the Trustees.

Creation of vice-chairs both for the Trustees and for the IASB.

Streamlining of names in use across the organisation to align them more closely with the standards.

Emphasis on consultation with a broader range of organisations with an interest in standard-setting, including prudential supervisors.

Working for enhanced accountability: Report of the Due Process Oversight Committee

The Committee focused in 2009 mainly on matters that respond directly to the issues raised by the G20 leaders and others and continued to consider changes and improvements to the due process and working procedures of the IASB.

The financial crisis has focused attention on the process of accounting standard-setting. In April 2009, following their London Summit, the G20 leaders called on the IASB Foundation: ‘within the framework of the independent accounting standard-setting process, [to] improve involvement of stakeholders, including prudential regulators and emerging markets, through the IASB’s constitutional review.’

Reiterating the importance of accounting standard-setting, in the statement released following their Pittsburgh Summit in September 2009 the G20 leaders stated:

‘... The International Accounting Standards Board’s (IASB) institutional framework should further enhance the involvement of various stakeholders.’

In his Chairman’s Report, Gerrit Zalm emphasises the importance that the Trustees attach to the points made by the G20 and other global stakeholders

about governance, stakeholder relations, and the timeliness of the IASB’s response to the financial crisis. The Constitution Review completed in January 2010, co-operation with the US Financial Accounting Foundation Trustees on convergence, a new Standards Advisory Council (including an enhanced dialogue with users) and an intensification of the Trustees’ outreach activities all responded directly to those points. In compliance with the G20 recommendations, the Trustees strongly supported the IASB’s creation of an enhanced dialogue with prudential supervisors and other market regulators.

Indeed, those actions taken by the Trustees built on the substantial body of work already in place and completed in 2009 by the Due Process Oversight Committee, which is the Trustees’ committee responsible for overseeing the IASB’s due process and consultation practices. A full report of the Committee’s activities in 2009 is

posted on the Foundation’s website. Furthermore, to facilitate better understanding of its work and to provide greater transparency, the Committee will maintain a page on the Foundation’s website which will provide regular updates of its activities.

In addition to reviewing the IASB’s formal compliance with its due process, the Committee focused in 2009 mainly on matters that respond directly to the issues raised by the G20 leaders and others. The Committee also continued its work of considering changes and improvements to the due process and working procedures of the IASB.

The Committee, working with the IASB, therefore carried out a survey of all IASB working group members. The survey has led to improvements in the IASB’s practices to ensure that there is more effective dialogue and feedback between the IASB and its working groups.



The Committee continued its practice of quarterly meetings and regular face-to-face meetings with the IASB. The Committee supported the IASB's deepening of its engagement with its stakeholders and its taking account of the Basel Committee's guiding principles and the report of the Financial Crisis Advisory Group (FCAG). While recognising the IASB's commitment to investors as the primary users of financial information the Committee is pleased that the IASB, amongst other actions, has already established an enhanced technical dialogue with prudential supervisors, market regulators and other stakeholders. The Committee is also pleased with the IASB's unprecedented global efforts to take into account the views of all stakeholders in the development of the new financial instruments standard, IFRS 9. In future, such an intensive outreach programme will be the norm on major standards.

The Committee reviews:

- Trustee performance against measures of effectiveness;
- the composition of advisory groups of the IASB to ensure balance of views and expertise put forward by the IASB;
- proposed procedures for its due process on new projects; and
- compliance with agreed procedures.

In 2009 the Committee established clear roles and responsibilities for the governance of the Foundation's XBRL IFRS taxonomy work and agreed to be the Committee responsible for overseeing the XBRL work at the Foundation. XBRL is playing a more important role in the way financial information is used. The commitment to XBRL represents a recognition that users require a single, trusted taxonomy based on IFRSs.

The enhanced governance surrounding the IFRS taxonomy is aimed at providing additional public accountability, assessing the adequacy of the quality assurance mechanism (the XBRL Quality Review Team), and reviewing the appropriateness of the scope of the Foundation's XBRL activities.



The Committee's priorities in 2010 are:

- to monitor the IASB's progress towards 2011 convergence;
- to assist the IASB in enhancing outreach activities;
- to review the efficiency of the Interpretation's Committee; and
- to determine the extent of involvement of the IASC Foundation in IFRS taxonomy extensions.

Lastly, the Committee reviewed letters expressing concern about the IASB's due process. When these concerns arise, the Committee investigates the matter thoroughly and discusses the issues amongst the Trustees and the IASB before taking action. The Committee has not yet found an instance of a breach of the IASB's due process. At the same time, the Committee has used these instances as an opportunity to improve the IASB's processes further.

While the continued improvement of the effectiveness of the IASB's due process and enhanced outreach remain at the heart of the Committee's focus, the Committee has set a number of specific priorities for 2010. First, in conjunction with a special subgroup of the Trustees,

including the chair of the Committee, the Committee will monitor the IASB's progress towards the June 2011 convergence goal. Second, the Committee will maintain its emphasis on assisting the IASB in enhancing outreach activities, particularly those targeted at the investor community and prudential supervisors. Third, much like its survey of working groups in 2009, the Committee will review the efficiency of the IFRS Interpretations Committee (previously called IFRIC). Lastly, XBRL remains a continuing area of interest. The Committee will work with the management team to determine the extent to which the Foundation should be involved with the development of common extensions to the IFRS taxonomy.

Trustees of the IASC Foundation

At 31 December 2009

1 Gerrit Zalm, Chairman
Former Deputy Prime Minister and Finance Minister
The Netherlands
Term expires: December 2010

2 Philip A Laskawy, Vice-Chairman
Chairman, Fannie Mae; Retired Chairman, Ernst & Young International
United States
Term expired: December 2009

Africa

3 Jeff van Rooyen
CEO, Uranus Investment Holdings; former Vice Chairman, IOSCO; former CEO, South African Financial Services Board
South Africa
Term expires: December 2012

Asia/Oceania

4 Marvin Cheung
Retired Chairman, KPMG Hong Kong
Hong Kong SAR, People's Republic of China
Term expires: December 2011

5 Tsuguoki (Aki) Fujinuma
Former Chairman and President, Japanese Institute of Certified Public Accountants (JICPA), Former President of the International Federation of Accountants (IFAC)
Japan
Term expires: December 2010

6 Zhongli Liu
President, Chinese Institute of Certified Public Accountants; former Minister, Ministry of Finance
People's Republic of China
Term expires: December 2011

7 Jeffrey Lucy AM
Chairman, the Australian Financial Reporting Council; former Chairman, the Australian Securities and Investments Commission
Australia
Term expires: December 2010

8 T V Mohandas Pai
Member of the Board, Infosys Technologies Limited and Chairman, Infosys BPO Limited
India
Term expires: December 2011

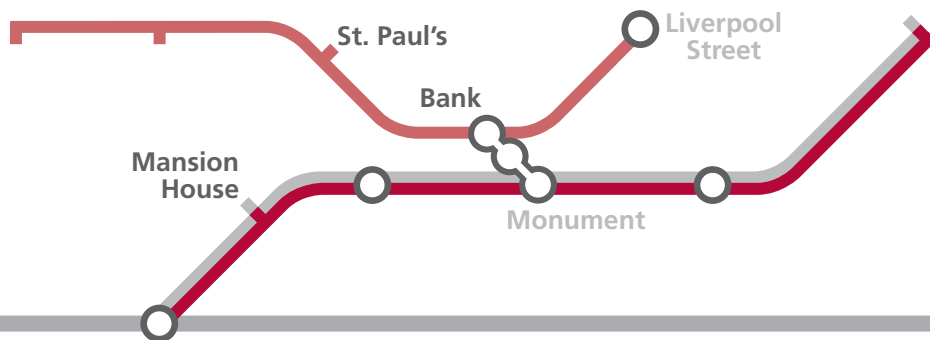
9 Noriaki Shimazaki
Special Adviser, former CFO and Member of the Board, Sumitomo Corporation
Japan
Term expires: December 2011



Europe

- 10 Clemens Börsig**
Chairman of the Supervisory Board, Deutsche Bank AG
Germany
Term expires: December 2011
- 11 Bertrand Collomb**
Honorary Chairman, Lafarge
France
Term expired: December 2009
- 12 Oscar Fanjul**
Vice Chairman, Omega Capital; former Chairman, Founder and CEO, Repsol
Spain
Term expires: December 2010
- 13 Alicja Kornasiewicz**
Member of the Board, CA IB Corporate Finance GmbH, Vienna, CEO; Chairman, CA IB Group
Poland
Retired: December 2009
- 14 Sir Bryan Nicholson GBE**
Former Chairman, Financial Reporting Council
United Kingdom
Term expires: December 2011
- 15 Luigi Spaventa**
Former Chairman, Commissione nazionale per le società e la borsa (Consob) and Minister of the Budget
Italy
Term expires: December 2012
- 16 Antonio Vegezzi**
President, Capital Italia Fund, former President and Director, Capital International
Switzerland
Term expires: December 2010





North America

- 17 Samuel A DiPiazza, Jr**
Retired Chief Executive Officer,
PricewaterhouseCoopers
International
United States
Term expires: December 2011
- 18 Scott Evans**
Executive Vice President –
Asset Management, TIAA-CREF
and Chief Executive Officer, TIAA-
CREF Investment Management LLC
United States
Term expires: December 2011
- 19 Robert Glauber**
Retired Chairman and Chief
Executive Officer, NASD Regulation;
former Under Secretary of the
Treasury for Finance
United States
Term expires: December 2011



- 20 David Sidwell**
Director, UBS and Fannie Mae;
former CFO, Morgan Stanley
United States
Term expires: December 2012

- 21 Paul Tellier**
Former President and CEO,
Bombardier and CN; former Clerk
of the Privy Council and Secretary
of the Cabinet; Director, Rio Tinto
plc and Rio Tinto Ltd.; Director,
McCain Foods and Chairman,
Global Container Terminals (GCT)
Canada
Term expires: December 2012



South America

- 22 Pedro Malan**
Former Chairman of the Board,
Unibanco; former Finance Minister
and President, Central Bank
Brazil
Term expires: December 2010



Successors for Trustees retiring at the end of 2009

New appointments

23 Yves-Thibault de Silguy
Chairman of the Board of VINCI,
former member of the European
Commission responsible for
economic, monetary and
financial affairs

France

Term starts: 1 January 2010

24 Harvey Goldschmid
Dwight Professor of Law, Columbia
University, former Commissioner,
US Securities and Exchange
Commission (SEC)

United States

Term starts: 1 January 2010

Reappointments

25 Jeff van Rooyen
South Africa

26 David Sidwell
United States

27 Luigi Spaventa
Italy

28 Paul Tellier
Canada



Senior staff of the IASC Foundation

Tom Seidenstein

Chief Operating Officer

Michael Butcher

Editorial Director

Mark Byatt

Director of Corporate Communications

Miranda Corti

Director of Finance and Resources

Ken Creighton

Director of IFRS Content Services

Olivier Servais

Director of XBRL Activities

Mike Wells

Director of IFRS Education Initiative

Members of the Monitoring Board of the IASC Foundation*

Member organisations at 31 December 2009

European Commission

Internal Market and Services Directorate General
Michel Barnier, Commissioner

Financial Services Agency of Japan

Katsunori Mikuniya, Commissioner

International Organization of Securities Commissions (IOSCO)

IOSCO Technical Committee
Hans Hoogervorst, Chairman (also Chairman of the Monitoring Board)

Emerging Markets Committee

Guillermo Larraín, Chairman

United States Securities and Exchange Commission (SEC)

Mary Schapiro, Chairman

Observer

Basel Committee on Banking Supervision

Nout Wellink, Chairman

* The Monitoring Board's main responsibilities are to ensure that the Trustees continue to discharge their duties as defined by the IASC Foundation constitution, as well as approving Trustee appointments.