

AGENDA PAPER

IFRS Foundation Trustees' meeting – Due Process Oversight Committee

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Strategic Work Plan 2016: benchmarking - an initial consideration

Introduction

1. The purpose of this paper is to put on record for the DPOC the staff's considerations to date of how the IFRS® Foundation might benchmark itself, in particular in relation to the due process of the International Accounting Standards Board® ('the Board'), in line with one of the required actions – as noted below - in the organisation's *Strategic Work Plan for 2016*.
2. The focus of this paper is to set out the staff's work so far on benchmarking against the requirements of a number of relevant frameworks. At a future meeting, the staff plan to analyse how we think the Foundation and the Board measure up against a number of similar organisations.
3. The staff would welcome any views, comments and suggestions from DPOC members.

Structure of the paper

4. This paper is structured as follows:
 - a. background to the issue (paragraph 5);
 - b. a summary of earlier work undertaken on benchmarking (paragraphs 6-8);
 - c. reviving work on benchmarking (paragraph 8), with the emphasis on benchmarking against relevant frameworks (paragraphs 9-16, with detailed analysis in appendices A-D) and an introduction to the staff's plans to benchmark the organisation against a number of similar organisations (paragraph 17).

Background

5. The Foundation's *Strategic Work Plan for 2016* was presented to the Trustees at the plenary session of the meeting held in January 2016 (Agenda Paper, AP 1D for that meeting refers). In that document, one of the actions proposed under one of the secondary strategic goals ('Ensure IFRS Standards serve the public interest') is to continue to monitor the due process of the International Accounting Standards Board

(‘the Board’), “including benchmarking against relevant frameworks and similar organisations”.

Earlier work on benchmarking

6. Benchmarking is not a new issue for the Foundation and has been looked at from time to time, as summarised in the following paragraphs.
7. Back in 2007, an organisation called the One World Trust (a not-for-profit organisation that works to make global governance more accountable), included the “IASB” in its *2007 Global Accountability Report* (‘the 2007 report’) that assessed 30 global organisations from the inter-governmental, non-governmental and corporate sectors against the Global Accountability Framework (‘GAF’) it had developed. The 2007 report outlined how each of the organisations measured up against the four dimensions of the GAF: transparency, participation, evaluation, and complaint and response mechanisms. The Foundation was ranked 6th out of the 30 organisations assessed and 2nd out of the 10 non-governmental bodies and qualified as a ‘high performer’¹. The OneWorldTrust assessed a further 30 organisations in its *2008 Global Accountability Report*, but has not undertaken any further or repeat assessments since then.
8. In the February 2012 report of the Trustees’ *Strategy Review*², one of the recommendations was that the Board’s due process should continue to be reviewed and regularly enhanced, benefiting from regular benchmarking against other organisations. That report noted that such a benchmarking exercise was currently underway, which compared the Board’s due process against that of a number of other organisations (although the results were never made public).

Reviving work on benchmarking

9. The action in the *Strategic Work Plan for 2016* provides the catalyst to look again at benchmarking. As set out below, the staff view is that there should be two aspects to the work:
 - a. looking at benchmarking in an ‘absolute’ sense, as measured against relevant frameworks; and
 - b. looking at it in a ‘relative’ sense, as measured against other similar organisations.

Measuring against relevant frameworks

10. Other than the OneWorldTrust GAF referred to above, the staff have identified a number of frameworks that we believe provide relevant benchmarks against which to measure

¹ The OneWorldTrust classified as ‘high performers’ those organisations that scored over 50 per cent in at least three of the four dimensions.

² IFRS Foundation (2012) *Report of the Trustees’ Strategy Review 2011— IFRSs as the Global Standards: Setting a Strategy for the Foundation’s Second Decade*, available at: <http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Strategy-Review/Documents/TrusteesStrategyReviewFeb2012.pdf>.

the Foundation and the Board’s due process (acknowledging that there are, and may be, other frameworks that have not been examined in detail³). Frameworks relating to accounting standard-setting bodies are very few in number, so we have also looked at some that relate to what we see as the closest proxies, usually relating to regulators.

11. In terms of a framework addressed directly to an accounting standard-setting body, the most relevant we have found is one developed by the International Corporate Governance Network (‘ICGN’). The ICGN’s Accounting and Auditing Practices Committee has developed a position paper *What Investors Want from Financial Reporting*⁴. Section VI of the Paper *The governance of standard setters* sets out the ICGN’s view of the standards that it expects to be met in relation to the governance of standard setters.
12. The table at Appendix A sets out the ICGN’s Principles that relate to governance and the staff’s assessment as to how the Foundation matches up in each case. With the caveat that this is a self-assessment (which applies to all the frameworks examined), overall, the staff believe that the Foundation’s governance meets the Principles specified by the ICGN.
13. In relation to frameworks addressed to regulators, the staff have identified two that are of particular relevance, namely:
 - a. the International Organization of Securities Commissions (‘IOSCO’) has developed its *Objectives and Principles of Securities Regulation*⁵, that sets out 38 principles across the broad range of securities regulation, including 8 principles that relate to the regulator itself. The staff have used those 8 principles as the basis for the self-assessment exercise of how the Foundation matches up (the details are at Appendix B). Again, the staff view is that we meet the principles set out by IOSCO;
 - b. the Organisation for Economic Co-operation and Development (‘OECD’) has developed its *Best Practice Principles for Regulatory Policy: The Governance of Regulators*⁶, that sets out 7 principles for the governance of regulators. The preparation and issue of the document represents part of the OECD’s on-going work to establish itself as a source of international principles for good regulatory

³ For example, the US Council for Institutional Investors (‘CII’) in 2011 issued a White Paper prepared by Professor Donna Street *Criteria for an Independent Accounting Standard Setter: How Does the IASB Rate?*, which set out an assessment at that time of how the author believed the Board met the CII’s seven criteria for the independence of a standard-setter. The White Paper can be accessed at: http://www.cii.org/files/publications/white_papers/06_06_11_criteria_for_an_independent_accounting_standard_setter.pdf. The White Paper was written through a US lens and the staff have not, at this stage, sought to revisit and reassess from our perspective, our view in 2016 of how we believe the Board now matches up against those criteria.

⁴ Available via the Accounting and Auditing Practices Committee page at: <https://www.icgn.org/policy/committees/accounting-and-auditing>.

⁵ IOSCO (June 2010) *Objectives and Principles of Securities Regulation*, available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD323.pdf>.

⁶ OECD (July 2014) *Best Practice Principles for Regulatory Policy: The Governance of Regulators*, available at: <http://www.oecd.org/gov/regulatory-policy/governance-regulators.htm>.

practices. The principles outlined in the document aim to develop a framework for achieving good governance through outlining general principles that might apply to all regulators. The staff have used those 7 principles as the basis for the self-assessment exercise of how the Foundation matches up (the details are at Appendix C). Overall, the staff believe that the Foundation's governance meets the OECD's principles that are relevant to the organisation.

14. The staff are also aware that the International Law Association ('ILA') in 2004 produced a report *Accountability of International Organisations* that sets out recommended rules and procedures it believes should be common to all international organisations. This was used as a reference point in studies of 9 international organisations (including the 'IASB') commissioned by the Economic and Monetary Affairs Committee ('ECON') of the European Parliament ('EP') as part of its 'own initiative' project on the European Union ('EU') role in the framework of international financial, monetary and regulatory institutions and bodies⁷ (the Trustees were given an update on this ECON study at your meeting in October 2015 – AP1H for that meeting refers).
15. The staff's assessment to date has been to look at how we believe the Foundation meets the ILA's principles of good governance (to the extent that they are applicable) is set out at Appendix D. The study report on the 'IASB' for ECON did not examine the ILA principles in detail, but in commenting on the principles of good governance, noted that the Board makes "an extensive effort to engage in discussion and to invite the interested public for comment on standard drafts, but this should not be mistaken for democratic participation"⁸. In response to the comment about democratic participation, the staff observe that the Board does not have the authority to impose its Standards in any jurisdiction. The European Union retains its sovereignty by having the most developed and stringent endorsement process in the world for adopting the Standards for use in Europe.
16. As with the other frameworks referred to above, the staff view is that the Foundation meets the applicable criteria (noting again the caveat above about this being a self-assessment). That said, the staff are not complacent and we think that the Foundation should continue to monitor carefully our governance and activities and look to make further improvements wherever possible. In addition, the staff plan to explore the potential for the Foundation to be assessed externally (as in the case of the OneWorldTrust example referred to above), or for the self-assessments to be reviewed by an external party.

⁷ The Trustees were provided with details of this project and implications for the Foundation at their meeting held in October 2015, AP 1H for that meeting refers).

⁸ Botzem (2015) The European Union's Role in International Economic Fora - Paper 7: The IASB, Study for the ECON Committee, available at: [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/542196/IPOL_STU\(2015\)542196_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/542196/IPOL_STU(2015)542196_EN.pdf).

Measuring against similar organisations

17. The staff have not, as yet, undertaken any benchmarking against similar organisations, but plan to do so in the coming period. A list of potential organisations against which the Foundation and the Board might compare themselves, in particular in relation to our due process, is set out at Appendix E. As noted in paragraph 2 above, the staff plan to undertake a benchmarking assessment against these organisations and to report the results to the DPOC at a future meeting.

Question for the DPOC

Question 1 for the DPOC

Do DPOC members have any views, comments and suggestions on the work to date on benchmarking and on how any further work on the issue should be take forward?

ICGN Principles: assessment of IFRS Foundation

ICGN Principle	Comments on IFRS Foundation
<p>1. To achieve high quality global accounting standards, standard setters should engage fully with investors globally and their accountability, including funding, should be clear and representative. Full accountability and monitoring needs to be built in clearly and firmly. In particular:</p>	<p>The IFRS Foundation has an Investor Liaison team, which co-ordinates the organisation’s investor outreach and engagement. In December 2014, the Board launched the <i>Investors in Financial Reporting</i> programme. Created with the support of some of the world’s leading asset managers and owners, the programme is designed to foster greater investor participation in the development of IFRS Standards. The programme has been developed to further extend investor participation by specifically encouraging greater involvement from the buy-side community.</p> <p>Central to the <i>Investors in Financial Reporting</i> programme is a mutually agreed <i>Statement of Shared Beliefs</i>, with which:</p> <ul style="list-style-type: none"> • the Board and the investment community highlight the importance of high quality, transparent reporting for building trust in the capital markets and for making investment decisions; • the Board publicly reaffirms its commitment to continue to seek and consider investor views in the development of new accounting standards; and • leading representatives from the global investment community make visible their commitment that as responsible investors they will contribute to the development of high quality financial reporting standards. <p>That commitment involves working with the Board to ensure that the investor perspective is articulated clearly and is considered in the standard-setting process. Details of the programme can be accessed at: http://www.ifrs.org/Investors-in-Financial-Reporting/Pages/Home.aspx.</p> <p>The Foundation’s <i>Due Process Handbook</i> (on which more below) recognises that investors and investment intermediaries tend to be under-represented as submitters of comment letters and that the Board must take additional steps to consult investors on its proposals (paragraphs 3.46-3.48 of the <i>Due Process Handbook</i>).</p> <p>The IFRS Foundation <i>Constitution</i> sets out the governance structure in place, under which public accountability is assured through a formal reporting line from the Trustees to the Monitoring Board. Further details are set out in a Memorandum of Understanding (MoU) between the Foundation and the Monitoring Board, which is available at: http://www.ifrs.org/The-organisation/Governance-and-accountability/Documents/Monitoring Board Mou October-2014.PDF.</p> <p>For comments on funding, see below.</p>
<p>2. The Board and Trustees should be representative of the constituents whose interests the standards seek to address and over time should seek to</p>	<p>The IFRS Foundation <i>Constitution</i> requires that 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 (Section 7). The <i>Constitution</i> also specifies that the Trustees be financially knowledgeable and have an understanding of, and be</p>

ICGN Principle	Comments on IFRS Foundation
<p>have a balance of investor representatives. ICGN supports a diverse board where emphasis is on the competence and skill-sets of the Trustees and Board members and the selection process is free from any political influence.</p>	<p>sensitive to, the challenges associated with the adoption and application of high quality global accounting standards (Section 6). As referred to in the <i>Constitution</i> and their MoU, the Trustees and the Monitoring Board have agreed a nomination process for the appointment of Trustees, which are subject to approval by the Monitoring Board (see 3 below).</p> <p>As noted in 4 below, the July 2015 Request for Views (RFV) document on the review of the structure and effectiveness of the Foundation notes that the Trustees plan to investigate how they might more effectively encourage and incentivise representatives of the investor community to be more active participants in the structure of the Foundation.</p> <p>The <i>Constitution</i> states that the main qualifications for membership of the Board shall be professional competence and practical experience but also specifies specific criteria for Board members (Section 25 and the Annex). The <i>Constitution</i> also requires that the Board 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 Board are selected by the Trustees so as to provide an appropriate mix of recent practical experience among auditors, preparers, users and academics (Section 27).</p>
<p>3. Appointment procedures generally should become more transparent.</p>	<p>Vacancies for Trustees and members of the Board are advertised publicly and the material made available publicly specifies the procedures to be followed.</p> <p>The detailed process for Trustee appointments, together with the role specification for Trustees, are available on the Foundation’s website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Pages/Process-and-Timetable-for-Trustee-Appointments.aspx.</p> <p>The detailed process for Board member appointments, together with the specifications for both members and the Chair of the Board, are available on the Foundation’s website at: http://www.ifrs.org/About-us/IASB/Members/Pages/Process-for-IASB-Member-Appointments.aspx.</p>
<p>4. All major stakeholders internationally should be consulted on changes to governance structures.</p>	<p>Public consultation is undertaken before any changes are made to governance structures. Any amendments to the IFRS Foundation <i>Constitution</i> can only be approved by the Trustees after following a due process, including consultation with the IFRS Advisory Council and publication of an exposure draft for public comment (<i>Constitution</i>, Section 15(i)).</p> <p>In addition, the Trustees are required to undertake every five years a review of the entire structure of the IFRS Foundation and its effectiveness and to publish the proposals of that review for public comment (<i>Constitution</i>, Section 17(c) and (d)). The Trustees issued a Request for Views (RFV) on their latest review on 7 July 2015, which is available at: http://www.ifrs.org/Alerts/PressRelease/Pages/Trustees-seek-public-input-on-review-of-the-structure-and-effectiveness-of-the-IFRS-Foundation.aspx.</p>

ICGN Principle	Comments on IFRS Foundation
<p>5. The standard setting process should be transparent so that stakeholders can trace the evolution of the standard, the consideration of alternative views and the final position. Stakeholders should have the opportunity to provide input to the standard setting process and there should be transparency as to how any concerns are addressed.</p>	<p>The due process requirements of the Board and the Interpretations Committee are set out in the <i>Due Process Handbook</i>, which is available at: http://www.ifrs.org/DPOC/Due-Process-Handbook/Pages/Due-Process-Handbooks.aspx. The due process requirements are built on the principles of transparency, full and fair consultation – considering the perspective of those affected by IFRS Standards globally – and accountability. The <i>Due Process Handbook</i> sets out the requirements for public consultation, in terms of the main output of the research programme, the development of new or amended Standards, the development of Interpretations, and a Request for Information (Rfi) as part of a Post-Implementation Review (PIR).</p>
<p>6. To ensure IFRS are credible, the IFRS Foundation and Board should be fully accountable and have sustainable funding that does not infringe their independence. ICGN considers the burden should be shared globally between a diverse range of sources from the global capital markets and all major economies should participate.</p>	<p>As noted in 1 above, the IFRS Foundation and the Board are accountable to the Monitoring Board.</p> <p>On funding, the Trustees have sought to establish a broad and sustainable source of funding through jurisdictional financing regimes, proportionate to Gross Domestic Product (GDP). This has been successful to an extent, although challenges remain with a number of jurisdictions. The Trustees continue to work towards establishing a global funding regime that maintains the independence of the standard-setting process, but provides organisational accountability. Other funding is provided through contributions made by the major accounting networks and through self-generated income through, for example, the sale of publications. Contributions are transparent and a list of contributors is provided in the IFRS Foundation’s <i>Annual Report</i>.</p> <p>The RFV document referred to above outlines the Trustees’ belief that the current funding model is appropriate and should be retained. That said, the document does seek the views of stakeholders on the funding model and suggestions as to how its functioning might be strengthened.</p>

IOSCO Principles: assessment of IFRS Foundation**Background**

- B1 In June 2010, IOSCO published a document *Objectives and Principles of Securities Regulation* that sets out 38 principles of securities regulation, which are based upon three broad objectives:
- protecting investors;
 - ensuring that markets are fair, efficient and transparent; and
 - reducing systemic risk.
- B2 Section A of the ‘Principles’ document sets out 8 principles that relate to the Regulator itself and which the staff have used as the basis for the assessment.
- B3 IOSCO has also produced an accompanying document *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*⁹ setting out its interpretation of the Principles and to give guidance on the conduct of a self-assessment or third-party assessment of the level of Principles implementation. For each of the Principles, the ‘Methodology’ document sets out the key issues that should be addressed.
- B4 In March 2014, staff of the World Bank’s Capital Markets Practice, Financial and Private Sector Development, produced a Policy Research Working Paper (number 6800) *Governance of Securities Regulators: A Framework*¹⁰ that reviews the published work on the governance of regulatory authorities in order to identify the basic governance standards that apply and some of the factors that affect the implementation of good governance. The paper examines the first 5 of the 8 IOSCO Principles referred to above, which the authors see as being directly relevant to good governance. It identifies four pillars of good regulatory governance, as follows:
- independence – the regulator should be operationally independent from commercial and political influences in the exercise of its functions and powers;
 - accountability – which refers to the means whereby a regulatory authority is held responsible for the actions it takes;
 - transparency – which refers to the publication of relevant information designed to demonstrate consistency and openness; and
 - integrity – which refers to the internal processes that the authority adopts to ensure that there is discipline and consistency in its operations and to limit the risk of regulatory staff acting in their own self-interest as opposed to that of the authority and the market.

⁹ Version as revised in August 2013, available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD359.pdf>.

¹⁰ Authored by Richard Pratt and Alexander Berg (2014) available at: <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6800>.

Assessment

- B5 The table below sets out the 8 IOSCO Principles that relate to the Regulator, the key issues for each of those Principles as referred to in the 'Methodology' document, together with the staff's assessment as to how the Foundation matches up in each case. Overall, the staff believe that the Foundation's governance meets those IOSCO Principles that are relevant to the organisation.

IOSCO Principles: assessment of IFRS Foundation

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
<p>1. The responsibilities of the Regulator should be clear and objectively stated.</p>	<ol style="list-style-type: none"> 1. Responsibilities of the Regulator should be clear and objectively set out, preferably in law. 2. Legislation should be designed to ensure any division of responsibility among regulators avoids gaps or inequities. Where there is a division of regulatory responsibilities, substantially the same type of conduct and product generally should be subject to consistent regulatory requirements. 3. There should be effective cooperation among responsible authorities, through appropriate channels. 	<p>The objectives and duties of the IFRS Foundation and the Board are set out in the Foundation's <i>Constitution</i>.</p>
<p>2. The Regulator should be operationally independent and accountable in the exercise of its functions and powers.</p>	<p><i>Independence</i></p> <ol style="list-style-type: none"> 1. The Regulator should be operationally independent from external political interference and from commercial, or other sectoral interests, in the exercise of its functions and powers. 	<p>The Foundation's <i>Constitution</i> establishes an independent standard-setting process, subject to extensive due process requirements (see 4 below), but protected from special and parochial interests.</p> <p>The independence of the Board in its standard-setting process is maintained within a three-tier structure (Monitoring Board, Trustees and Board) that provides an appropriate framework of public accountability.</p> <p>In addition, there is a clear division of responsibilities and reporting lines between staff supporting the Board's standard-setting functions and those working on the Foundation's operations and finances, as well as staff assisting the Trustees in their oversight function.</p>
	<ol style="list-style-type: none"> 2. Consultation with or approval by a government minister or other authority should not include operational decisions. 	<p>All parties, including governments and other authorities, are free to participate in the Board's consultations that it conducts as part of its due process.</p> <p>The Board does not have the authority to impose its Standards on any of its constituents. All</p>

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
	<p>3. In jurisdictions where particular matters of regulatory policy require consultation with, or even approval by, a government minister or other authority, the circumstances in which such consultation or approval is required or permitted should be clear and the process of consultation and criteria for action sufficiently transparent or subject to review to safeguard its integrity.</p>	<p>jurisdictions adopt IFRS Standards through public law or regulation, with many having endorsement procedures in place in which public bodies play a role. In those jurisdictions, the endorsement process is transparent. The IFRS Jurisdiction Profiles give details for each jurisdiction, available at: http://www.ifrs.org/Use-around-the-world/Pages/Jurisdiction-profiles.aspx.</p>
	<p>4. The Regulator should have a stable source of funding sufficient to exercise its powers and responsibilities.</p>	<p>The Trustees have sought to establish a broad and sustainable source of funding through jurisdictional financing regimes, proportionate to Gross Domestic Product (GDP). This has been successful to an extent, although challenges remain with a number of jurisdictions. Other funding is provided through contributions made by the major accounting networks and through self-generated income through, for example, the sale of publications. The Foundation's funding is sufficient to provide the necessary independence to the Board. The Trustees are still in the process of building reserves up to a year's operational expenditure, which also protects the independence and stability of the organisation.</p> <p>In addition, the Trustees are required to undertake every five years a review of the entire structure of the IFRS Foundation and its effectiveness and to publish the proposals of that review for public comment (<i>Constitution</i>, Section 17(c) and (d)). The Trustees issued a Request for Views (RFV) on their latest review on 7 July 2015, which is available at: http://www.ifrs.org/Alerts/PressRelease/Pages/Trustees-seek-public-input-on-review-of-the-structure-and-effectiveness-of-the-IFRS-Foundation.aspx.</p> <p>The RFV document outlines the Trustees' belief that the current funding model is appropriate and should be retained. That said, the document did seek the views of stakeholders on the funding model and suggestions as to how its functioning might be strengthened.</p>
	<p>5. There should be adequate legal protection for regulators and their</p>	<p>The IFRS Foundation is registered in Delaware, USA, as a not-for-profit (non-stock) corporation and in the UK as an Overseas Company with a UK establishment. Under both regimes, the</p>

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
	staff acting in the bona fide discharge of their functions and powers.	Trustees (who are directors for the purposes of the UK Companies Act) have limited liability, as do the staff.
	<i>Accountability</i> 6. The Regulator should be publicly accountable in the use of its powers and resources to ensure that the Regulator maintains its integrity and credibility.	Under the governance structure in place, public accountability is assured through a formal report line from the Foundation Trustees to the Monitoring Board.
	7. There should be a system permitting judicial review of final decisions of the Regulator.	This is not applicable directly as the Board cannot impose IFRS on a jurisdiction. As noted above, jurisdictions have themselves introduced legal and/or regulatory mechanisms for the adoption of IFRS Standards, which range from automatic adoption to a very specific endorsement process.
	8. Where accountability is through the government or some other external agency, the confidential and commercially sensitive nature of information in the possession of the Regulator must be respected. Safeguards should be in place to protect such information from inappropriate use or disclosure.	The IFRS Foundation's terms and conditions of employment require staff to observe confidentiality in respect of all the business and operational affairs of the Foundation not subject to the organisation's transparency requirements or already in the public domain.
3. The Regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers.	1. The Regulator should have powers of licensing, supervision, inspection, investigation and enforcement.	This is not applicable to the IFRS Foundation and the Board.
	2. The Regulator should have adequate funding to exercise its powers and responsibilities.	See Key Issues 2.4 above in relation to funding.
	3. The level of resources should recognise the difficulty of	This is done. The Trustees' Human Capital Committee is responsible for reviewing, benchmarking and making recommendations on salary and benefit levels. These

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
	attracting and retaining experienced staff.	recommendations are reviewed and approved annually by the Trustees as a whole. The Foundation has an experienced Human Resources function and it takes a structured approach to recruitment and staff retention.
	4. The Regulator should ensure that its staff receives adequate, ongoing training.	The IFRS Foundation has a learning and development strategy and developed a framework to enable a structured and comprehensive approach to developing staff.
	5. The Regulator should have policies and governance practices in place to perform its mandate adequately.	The IFRS Foundation has developed a set of policies and guidance statements that are designed to ensure that the organisation operates in a way that meets or exceeds the requirements of public interest, meets all legal requirements, and has an overall beneficial impact on the environment. These are available on the website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/IFRS-Foundation-Policies/Pages/Policies.aspx .
	6. Regulators should play an active role in promoting the education of investors and other market participants.	<p>The IFRS Foundation has an Education Initiative, whose objective is to reinforce the organisation’s goal of promoting the adoption and consistent application of a single set of high-quality international accounting standards. In fulfilling its objective, the Education Initiative takes account of the special needs of small and medium-sized entities and emerging economies. The Education Initiative has a dedicated section on the IFRS Foundation’s website at: http://www.ifrs.org/Use-around-the-world/Education/Pages/Education.aspx.</p> <p>To achieve its objective, the Education Initiative will make available an appropriate range of high-quality, understandable and up-to-date material and services about standard-setting and IFRS Standards. With regard to investors, in 2013 the Education Initiative started an investor-focused project which is designed to improve investors’ knowledge of IFRS Standards. Details are available at: http://www.ifrs.org/Investor-resources/IASB-Investor-Education/Pages/Home.aspx.</p> <p>The IFRS Foundation has an Investor Liaison team, which co-ordinates the organisation’s investor outreach and engagement. In December 2014, the IASB launched the <i>Investors in Financial Reporting</i> programme. Created with the support of some of the world’s leading asset managers and owners, the programme is designed to foster greater investor participation in the development of IFRS Standards. The programme has been developed to further extend investor participation by specifically encouraging greater involvement from the buy-side community. Details of the programme can be accessed at: http://www.ifrs.org/Investors-in-Financial-Reporting/Pages/Home.aspx.</p>
4. The Regulator should	1. In exercising its powers and	The IFRS Foundation has developed extensive due process requirements for the Board and the

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
adopt clear and consistent regulatory processes.	discharging its functions, the Regulator should adopt processes which are: <ol style="list-style-type: none"> a. consistently applied; b. comprehensible; c. transparent to the public; d. fair and equitable. 	IFRS Interpretations Committee, which are set out in the <i>Due Process Handbook</i> (available at: http://www.ifrs.org/DPOC/Due-Process-Handbook/Pages/Due-Process-Handbooks.aspx). The due process requirements are built on the principles of transparency, full and fair consultation – considering the perspective of those affected by IFRS Standards globally – and accountability.
	2. In the formulation of policy, subject to enforcement and surveillance concerns, the Regulator should: <ol style="list-style-type: none"> a. have a process for consultation with the public, including those who may be affected by the policy; b. publicly disclose its policies in important operational areas; c. have regard to the cost of compliance with regulation. 	The <i>Due Process Handbook</i> sets out the requirements for public consultation, in terms of the main output of the research programme, the development of new or amended Standards, the development of Interpretations, and a Request for Information (RfI) as part of a Post-Implementation Review (PIR). This meets the requirements of 4.2(a) and (b) of the Key Issues. With regard to 4.2(c) of the Key Issues, the <i>Due Process Handbook</i> requires the Board to assess the likely effects throughout the development of a new or amended Standard, which includes assessing and sharing knowledge about the likely costs of implementing proposed new requirements and the likely on-going associated costs and benefits of each new Standard.
	3. The Regulator should observe standards of procedural fairness.	The Trustees of the IFRS Foundation have a committee – the Due Process Oversight Committee (DPOC) – which is responsible for overseeing the due process procedures of the Board and the Interpretations Committee. The DPOC is responsible for ensuring that the due process procedures followed meet the requirements of the <i>Due Process Handbook</i> and reflect best practice. The <i>Due Process Handbook</i> also sets out a protocol for Trustee action for any perceived breaches of due process.
	<i>Transparency and confidentiality</i> 4. Transparency practices, such as publication of reports on the outcome of investigations or inquiries, where permitted, should be consistent with the rights of an individual to a fair hearing and the protection of personal data,	As noted in the comments in relation to Key Issue 4.1 above, the due process requirements are built on the principles of transparency, full and fair consultation and accountability. In terms of protecting confidentiality, the <i>Due Process Handbook</i> includes a provision for the reporting of feedback from outreach with investors and other users of financial statements, who often wish to remain anonymous. The principle as set out in the <i>Due Process Handbook</i> is to reporting of this feedback will be as transparent as possible while respecting requests for confidentiality.

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
	factors that will often preclude publicity when a matter is still the subject of investigation.	
5. The staff of the Regulator should observe the highest professional standards, including appropriate standards of confidentiality.	<ol style="list-style-type: none"> 1. The staff of the Regulator should observe the highest professional standards and be given clear guidance on matters of conduct including: <ol style="list-style-type: none"> a. the avoidance of conflicts of interest (including the conditions under which staff may trade in securities); b. the appropriate use of information obtained in the course of the exercise of powers and the discharge of duties; c. the proper observance of confidentiality and secrecy provisions and the protection of personal data; d. the observation of procedural fairness. 	<p>The IFRS Foundation has a <i>Handbook for Employees</i> which sets out the main employment policies of the IFRS Foundation, and the main procedures for personnel management. The <i>Handbook</i> makes clear that the IFRS Foundation expects the highest standards of behaviour, honesty and integrity from all its employees.</p> <p>The staff also receive regular updates on compliance at the monthly staff briefings and, from time to time, more in-depth training, including mandatory training on data protection. Annually, during appraisals, staff have to confirm in writing that they have read and understood the <i>Handbook</i>.</p>
	<ol style="list-style-type: none"> 2. Failure to meet standards of professional integrity should be subject to sanctions. 	<p>The IFRS Foundation's <i>Handbook for Employees</i> sets out a disciplinary policy and procedure under which the Foundation will take disciplinary action where an employee's actions consistently fall below expected standards or when the Foundation's rules are breached.</p>
6. The Regulator should have or contribute to a process to monitor, mitigate and manage systemic risk, appropriate to its mandate.	<ol style="list-style-type: none"> 1. The Regulator should have or contribute to regulatory processes, which may be cross-sectoral, to monitor, mitigate, and appropriately manage systemic risk. The process can vary with the complexity of the market. 2. Given the central role of markets 	<p>The Board is a member of the Financial Stability Board (FSB). As a condition of membership, the Board is committed to pursue the maintenance of financial stability, maintain the openness and transparency of the financial sector and implement international financial standards. The objective or mandate of the FSB is to promote the stability of financial markets as a whole. The Board's responsibility or objective is to focus on ensuring that investors have high quality, transparent and comparable information (general purpose financial reports) about individual entities.</p>

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	<p>in the overall financial system and their capability to generate and/or transmit risks, securities regulators should work with other supervisors to improve the overall understanding of the economics of the securities markets, their vulnerabilities and the interconnections with the broader financial sector and the real economy.</p> <p>3. The Regulator should have or develop systems and processes to permit the sharing of information and knowledge as an essential component for the delivery of an effective regulatory response to systemic risk.</p>	<p>In terms of working with other supervisors, the <i>Due Process Handbook</i> emphasises the importance of the Board maintaining a dialogue with securities regulators and prudential supervisors.</p>
<p>7. The Regulator should have or contribute to a process to review the perimeter of regulation regularly.</p>	<p>1. The Regulator should:</p> <p>a. adopt or adapt its own process, or participate in a process with other regulators and/or government policy-makers, for conducting a regular review of products, markets, market participants and activities so as to identify and assess possible risks to investor protection and market fairness, efficiency and transparency or other risks to the financial system; and</p> <p>b. regularly review the</p>	<p>The IASB Foundation and the Board have various provisions in place to meet this principle.</p> <p>The IFRS Foundation <i>Constitution</i> requires the Trustees to undertake a review of the entire structure of the organisation and its effectiveness every five years. The Trustees are also required to publish any proposals of that review for public comment. The Trustees issued a Request for Views (RFV) on their latest review on 7 July 2015, which is available at: http://www.ifrs.org/Alerts/PressRelease/Pages/Trustees-seek-public-input-on-review-of-the-structure-and-effectiveness-of-the-IFRS-Foundation.aspx.</p> <p>In terms of the ‘perimeter of regulation’, the RFV explored the scope of IFRS Standards and whether the remit of the Board should be extended to cover developing Standards for (a) public sector entities; and (b) private sector not-for-profit (NFP) entities. Taking account of the feedback, the Trustees have decided that the remit of the Board should not be extended to encompass public sector entities. At their May 2016 meeting, the Trustees will consider the NFP entities issue. The RFV also proposed the active role that the Board should play in developments in wider corporate reporting, through co-operation with a range of bodies. In the light of</p>

IOSCO Principle	IOSCO Key Issues	Comments on IFRS Foundation
	<p style="text-align: center;">perimeter of regulation in order to promote the identification and assessment of these risks.</p> <ol style="list-style-type: none"> 2. Such review should include consideration of: <ol style="list-style-type: none"> a. whether developments in products, markets, market participants and activities have an effect on the scope of securities regulation; and b. whether the policy approach underlying the existing statutory or discretionary exemptions, continues to be valid. 3. The process should focus on determining whether the Regulator’s existing powers, operational structure, and regulations are sufficient to meet emerging risks. 4. The process should also allow for any changes to the existing perimeter of regulation to be made in a timely manner in response to an identified emerging risk. Such a necessary change may include the Regulator seeking changes to legislation. 	<p>feedback to the RFV, the Trustees have reaffirmed that role.</p> <p>Separately, the Board is required to have three-year public consultations on its agenda and priorities. The Board has been undertaking its second Agenda Consultation, with an RFV document for public comment published in August 2015, which is available at: . http://www.ifrs.org/Current-Projects/IASB-Projects/IASB-agenda-consultation/2015-agenda-consultation/Documents/Request%20for%20Views_Agenda%20Consultation_AUG%202015.pdf.</p>
<p>8. The Regulator should seek to ensure that conflicts of interest and misalignment of</p>	<ol style="list-style-type: none"> 1. The Regulator should identify and evaluate potential and actual conflicts of interests regarding regulated entities and 	<p>The Foundation has a conflict of interest policy (available on the website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/IFRS-Foundation-Policies/Documents/ConflictofInterestPolicy.pdf), the purpose of which is to protect the Foundation, the Board and its Trustees, and staff members from the appearance of any</p>

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<p>incentives are avoided, eliminated, disclosed or otherwise managed.</p>	<p>misalignment of incentives for issuers and regulated entities providing analytical or evaluative services to investors and other users of those services within the securities market.</p> <p>2. The Regulator should take steps so that conflicts of interest or misalignment of incentives among regulated entities are avoided, eliminated, disclosed or otherwise managed. Disclosure of potential or actual conflicts of interests and misalignment of incentives should be made accessible by investors and/or other users of the services or products.</p>	<p>impropriety. The policy requires that Trustees, Board members and senior staff members make an annual Declaration of Interest and as well must disclose the existence of any interest, which may be relevant to the individual’s role in the Foundation, at the earliest opportunity.</p>

OECD Principles of Good Governance of Regulators: assessment of IFRS Foundation

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
<p>1. Role clarity: an effective regulator must have clear objectives, with clear and linked functions and the mechanisms to co-ordinate with other relevant bodies to achieve the desired regulatory outcomes.</p>	<p>Objectives</p> <p>1. The legislation establishing a regulatory scheme or framework should be written so that the purpose of the regulator and the objectives of the regulatory scheme are clear to the regulator’s staff, regulated entities and citizens.</p>	<p>The objectives and duties of the IFRS Foundation and the Board are set out in the Foundation’s <i>Constitution</i>.</p> <p>The Board does not have the authority to impose its Standards on any of its constituents. All IFRS-adopting jurisdictions adopt IFRS through their own legislation or regulation, with many having endorsement procedures in place in which public bodies play a role. In those jurisdictions, the endorsement process is transparent. The IFRS Jurisdiction Profiles give details for each jurisdiction, available at: http://www.ifrs.org/Use-around-the-world/Pages/Jurisdiction-profiles.aspx.</p>
	<p>Functions</p> <p>2. The regulatory powers and other functions to be carried out to achieve the regulator’s objectives should be clearly specified in the establishing legislation and to be appropriate and sufficient to achieving the objectives.</p>	<p>As 1.1 above.</p> <p>The scope of application of IFRS Standards (on either a mandatory or voluntary basis) is determined by each jurisdiction.</p>
	<p>3. Regulators should not be assigned conflicting or competing functions or goals. The assignment of potentially conflicting functions to any regulator should only occur if there is a clear public benefit in combining these functions and the risks of conflict can be managed effectively.</p> <p>4. Where a regulator is given potentially conflicting or competing functions, there should be a mandatory mechanism whereby conflicts arising are made transparent and processes for resolving such conflicts are specified. There should also be legal ground for co-operation and</p>	<p>See 1.1 and 1.2 above for jurisdictional adoption and scope of application of IFRS Standards.</p> <p>The relationship between financial reporting standards aimed primarily at investors for capital allocation decisions and other reporting requirements for, and their impact upon, other public policy objectives (including prudential and other areas of regulation) was addressed by the Trustees in their <i>Report of the Trustees’ Strategy Review 2011</i>. In that report the Trustees recognised that general purpose financial reporting cannot, by itself, fulfil all public policy objectives that require financial</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>protocols between relevant regulators or bodies.</p> <p>5. Where a regulator is assigned competing functions, the legislation should provide a framework to guide the regulator in making trade-offs between the functions, or require the regulator to develop such a framework with the necessary bodies (e.g. legislature, executive, and judiciary).</p>	<p>information. Transparency in financial reporting is the Board's contribution to wider areas of public policy and regulation. The Trustees noted that the Board should work with regulators and other stakeholders, to the maximum extent possible, to enable other authorities to require the display of financial information outside the general purpose financial reports in a way that meets other public policy objectives without compromising transparency.</p> <p>The Board is a member of the Financial Stability Board (FSB). As a condition of membership, the IASB is committed to pursue the maintenance of financial stability, maintain the openness and transparency of the financial sector and implement international financial standards. The objective or mandate of the FSB is to promote the stability of financial markets as a whole. The Board's responsibility or objective is to focus on ensuring that investors have high quality, transparent and comparable information (general purpose financial reports) about individual entities.</p> <p>The Foundation's <i>Due Process Handbook</i> emphasises the importance of the Board maintaining dialogue with securities and other regulators. The Foundation has worked to deepen its co-operation with securities regulators, and has agreed <i>Statements of Protocols</i> for co-operation with both the International Organization for Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA). The Board also keeps an enhanced technical dialogue with prudential supervisors, particularly through the FSB and the Bank for International Settlements.</p>
	<p>6. Regulators should operate within the powers</p>	<p>As noted in 1.2 above, the scope of application of IFRS</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>attributed to them by the legislature and legislation should provide for judicial review for actions that might be held to be <i>ultra vires</i> (beyond the scope of the regulator). At the same time the scope of the regulator should recognise where appropriate discretion is needed in the way that regulatory powers are to be interpreted by the regulator to meet its objectives, without engaging in “mission creep”.</p> <p>7. The responsibility for setting or advising on government policy, particularly relating to the nature and scope of the regulator’s powers and functions, should not principally sit only with the regulator even though the regulator has the most up to date knowledge of the issues in the regulated sector. The principal responsibility for assisting the executive to develop government policy should sit with the responsible executive agency and the regulator should have a formal advisory role in this task. In all cases such policy should be advanced in close dialogue with affected regulatory and other agencies, and there should be specified mechanisms for regulators to contribute to the policy-making process.</p>	<p>Standards (on either a mandatory or voluntary basis) is determined by each jurisdiction. The decision is made by the government and/or relevant regulatory authorities in each jurisdiction. The issue of whether or not the decision is <i>ultra vires</i> is the responsibility of each jurisdiction, rather than the IFRS Foundation.</p>
	<p>Co-ordination</p> <p>8. To reduce the responsibility for setting or advising on government overlap and regulatory burden, all regulators should be explicitly empowered and required to co-operate with other bodies (non-government and other levels of government) where this will assist in meeting their common objectives.</p> <p>9. In the interests of transparency, instruments for</p>	<p>See 1.5 above for the comments on the co-operation between the IFRS Foundation/the Board and other regulators. As well as the <i>Statements of Protocols</i> referred to above, the Foundation has also agreed Memoranda of Understanding (MoUs) with a number of other international organisations that have responsibility for setting standards and/or frameworks on matters outside the current scope of the Board’s work. Those MoUs are made available on the Foundation’s website</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>co-ordination between entities, such as memoranda of understanding, formal agreements or contracts for service provision, should be published on regulators' websites, subject to the appropriate removal of information (for example, that which is commercial-in-confidence).</p>	<p>at: http://www.ifrs.org/Use-around-the-world/Pages/Jurisdictional-and-International-MoUs.aspx.</p>
<p>2. Preventing undue influence and maintaining trust: it is important that regulatory decisions and functions are conducted with the utmost integrity to ensure that there is confidence in the regulatory regime.</p>	<p>Preventing undue influence</p> <p>1. Independent regulatory decision making at arm's length from the political process, is likely to be appropriate where:</p> <ul style="list-style-type: none"> • there is a need for the regulator to be seen as independent, to maintain public confidence in the objectivity and impartiality of decisions; • both government and non-government entities are regulated under the same framework and competitive neutrality is therefore required; or • the decisions of the regulator can have a significant impact on particular interests and there is a need to protect its impartiality; • the autonomy of regulators (organisational, financial and decision making) situated within a ministry should be safeguarded by provisions in their empowering legislation. 	<p>The Foundation's <i>Constitution</i> establishes an independent standard-setting process, subject to extensive due process requirements, but protected from special and parochial interests.</p> <p>The independence of the Board in its standard-setting process is maintained within a three-tier structure (Monitoring Board, Trustees and Board) that provides an appropriate framework of public accountability.</p>
	<p>2. All regulators should operate within the power delegated by the legislature and remain subject to long term national policy.</p>	<p>See comments above in respect of Principle 1.</p>
	<p>3. New or major policy decisions should be justified by the regulator based on an empirical basis and in the light of evaluation of previous measures, and the reasoning should be made publicly available.</p>	<p>The Foundation's <i>Constitution</i> gives the Board full discretion in developing and pursuing its technical programme and in organising the conduct of its work. That said, the <i>Constitution</i> also sets out a summary of the procedures that the Board shall follow in developing IFRS</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
		<p>Standards. These and other procedures are set out in more detail in the <i>Due Process Handbook</i>, including:</p> <ul style="list-style-type: none"> • A requirement that the Board undertakes a public Agenda consultation on its work programme every three years; • A research programme, the purpose of which is to analyse possible financial reporting issues, in order to help the Board decide whether it should add to its standard-setting programme a project to develop/amend/replace a Standard; and • The criteria to be considered by the Board in deciding whether a proposed agenda item will meet users' needs. <p>Throughout the development of a new or amended Standard, the Board is required to assess the likely effects of the proposed new requirements. The effects analysis is presented as part of, or with, the Basis of Conclusions that is published with each Exposure Draft or Standard. In the Basis for Conclusions, the Board explains the rationale behind the decisions it reached in developing or changing a Standard.</p> <p>Details of all the above are publicly available.</p>
	<p>4. Regulators shall conduct horizon scanning of potential major issues and give prior notice to regulated entities and the public of any new major policy initiatives and allow reasonable period for genuine comment by stakeholders, as well as feedback from the regulator.</p>	<p>In relation to horizon scanning, as noted above the Board undertakes a public Agenda consultation on its work programme every three years. This allows for formal public input on the strategic direction and balance of the Board's forward work programme.</p> <p>For each proposal to develop a new or amended Standard, or Interpretation, the IFRS Foundation has developed extensive due process requirements for the</p>

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		<p>Board and the IFRS Interpretations Committee, which are set out in the <i>Due Process Handbook</i> (available at: http://www.ifrs.org/DPOC/Due-Process-Handbook/Pages/Due-Process-Handbooks.aspx). The due process requirements are built on the principles of transparency, full and fair consultation – considering the perspective of those affected by IFRS Standards globally – and accountability.</p> <p>In addition, the Trustees are required to undertake every five years a review of the entire structure of the IFRS Foundation and its effectiveness and to publish the proposals of that review for public comment (<i>Constitution</i>, Section 17(c) and (d)). The Trustees issued a Request for Views (RFV) on their latest review on 7 July 2015, which is available at: http://www.ifrs.org/Alerts/PressRelease/Pages/Trustees-see-public-input-on-review-of-the-structure-and-effectiveness-of-the-IFRS-Foundation.aspx.</p>
	<p>5. Board members, senior staff and staff on secondment should not be involved (<i>recused</i>) in any decisions that affect previous employers.</p>	<p>This is not directly relevant to the Foundation and the Board. The scope of application of each IFRS is specified in the Standard, although – as noted in the comments above on Principle 1 - the precise scope of the population of entities to which the Standard applies (on either a mandatory or voluntary basis) is determined by each jurisdiction.</p> <p>In general, the IFRS Foundation <i>Constitution</i> requires that both the Trustees and Board members commit to acting in the public interest in all matters. In addition, the <i>Constitution</i> requires that the full-time members of the Board shall not hold any position giving rise to economic incentives that might call into question their independence of judgement.</p>

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		<p>In addition, the Foundation has a <i>Conflicts of Interests</i> policy, available on the website, which applies to Trustees, Board members and staff members. In addition, Board members and senior staff are required to comply with a more detailed <i>Code of Conduct</i>, also available on the website. These policy documents form part of a set of policies and guidance statements that are designed to ensure that the organisation operates in a way that meets or exceeds the requirements of public interest.</p>
	<p>6. In cases where exceptions are made to a regulated entity, this should be notified to all regulated entities, the public, minister and legislature.</p>	<p>This is not directly relevant to the Foundation and the Board. An IFRS Standard would not specify an exception for one regulated entity.</p>
	<p>Maintaining trust</p> <p>7. Where legislation empowers the minister to direct an independent regulator, the limits of the power to direct the regulator should be clearly set out. The legislation should be clear about what can be directed and when. Any direction made by the minister or politicians should be documented and published. In the case of economic regulators, it is preferred that legislation should not permit powers to be directed by ministers.</p> <p>8. Any communication between the minister, the ministry and an independent regulator should occur in a way that does not compromise the actual or perceived independence of regulatory decision making.</p>	<p>No one jurisdiction has the power to direct the Foundation or the Board.</p> <p>As noted in 2.1 above, the independence of the Board in its standard-setting process is maintained within a three-tier structure (Monitoring Board, Trustees and Board) that provides an appropriate framework of public accountability.</p> <p>The responsibilities of the Monitoring Board, which comprises representatives of public capital market authorities, are set out in the Monitoring Board's <i>Charter</i> and its MoU with the Trustees. As part of its responsibilities the Monitoring Board may, through the Trustees, refer for consideration by the Board matters of broad public interest related to financial reporting. While the Board does not have to take up the referred issue, it does have an obligation to explain its decision following such a referral.</p>

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		<p>In general, all parties, including governments and other authorities, are free to participate in the Board’s consultations that it conducts as part of its due process.</p>
	<p>9. The criteria for appointing members of a regulator’s governing body, and the grounds and process for terminating their appointments, should be explicitly stated in legislation. The process should involve the legislature or judiciary for greater transparency and accountability.</p>	<p>This is not directly applicable to the Foundation and the Board, but the Trustees have put in place equivalent criteria and processes.</p> <p>In relation to the appointment of Trustees, the Monitoring Board participates in the nominations process and approves the appointment of all Trustees. The broad qualities required of Trustees are set out in the Foundation’s <i>Constitution</i> and are specified in vacancy notices which are advertised publically, together with the appointment procedures that are followed. The detailed process for Trustee appointments, together with the role specification for Trustees, are available on the Foundation’s website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Pages/Process-and-Timetable-for-Trustee-Appointments.aspx</p> <p>The criteria to be met for the appointment of Board members are also specified in the <i>Constitution</i>, with the detail given in an Annex. The responsibility rests with the Trustees for the appointments of Board members (although the Monitoring Board has a role in the selection of the Chair of the Board). As for the Trustees above, vacancy notices for Board members are also advertised publically, together with the appointment procedures that are followed. The detailed process for Board member appointments, together with the specifications for both members and the Chair of the Board, are available on the Foundation’s website at: http://www.ifrs.org/About-</p>

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		<p>us/IASB/Members/Pages/Process-for-IASB-Member-Appointments.aspx.</p> <p>The <i>Constitution</i> (Section 16) specifies the grounds on which the Trustees may terminate the appointment of members of the Board, the Interpretations Committee and the Advisory Council.</p>
	<p>10. Government and or the legislature (parliament/congress) should establish and publish for each regulator a policy (such as cool-off periods) relating to post-separation employment of senior regulatory staff and members of the regulator’s governing body.</p>	<p>The Foundation does not formally require any post-separation employment, but the <i>Code of Conduct</i> for Board members and senior staff contains provisions that specify that the Trustees expect that Board members considering retirement, resignation, or voluntary termination of their appointment, prior to the expiration of their term or at the expiration of their term if eligible for reappointment, will so advise the Chair of the Board and the Chair of the Trustees at the earliest possible date, and in any event before negotiating or initiating discussions with respect to any future employment, business partnership, consulting or similar arrangement.</p> <p>Similar provisions apply to senior staff (Directors), who are expected to advise the Executive Director.</p>
<p>3. Decision making and governing body structure for independent regulators: regulators require governance arrangements that ensure their effective functioning, preserve its regulatory integrity and deliver the regulatory objectives of its mandate.</p>	<p>Decision-making model</p> <p>1. The governing body structure of a regulator should be determined by the nature of and reason for the regulated activities and the regulation being administered, including its level of risk, degree of discretion, level of strategic oversight required and the importance of consistency over time.</p>	<p>In recognition of its unique position, the Foundation has developed a governance structure that seeks to strike a balance between its independence from undue influence from external or political forces and the requirement for public accountability. The three-tier structure of governance is designed to meet that requirement, with the Monitoring Board acting on behalf of public authorities, the Foundation Trustees who oversee all activity, and the Board as the independent standard-setting body.</p>

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	<p>Relationship between the responsible accountable political authority, governing body and the Chief Executive Officer</p> <p>2. There should be a clear allocation of decision making and other responsibilities between the responsible accountable political authority, the governing body and the Chief Executive Officer (CEO) or individual in charge of the organisation’s performance and implementation of decisions.</p> <p>3. Where a regulator has a multi-member governing body, the CEO or individual responsible for managing the organisation’s performance and implementing regulatory decisions should be primarily accountable to the regulator’s governing body. The Regulator should have adequate funding to exercise its powers and responsibilities.</p>	<p>In the three-tier governance structure referred to in 2.1 above, the <i>Constitution</i> specifies very clearly the allocation of responsibilities, powers and duties between the Monitoring Board, the Trustees and the Board.</p> <p>This distinction is an important one, such that – in particular – the Board is responsible for the development of Standards, but not for the operations of the organisation, such as funding.</p> <p>The importance of the distinction was an issue raised by the Monitoring Board in its 2012 report on the Foundation’s governance. In line with the Monitoring Board’s recommendations to preserve the Board’s independence on standard-setting and managing its own technical agenda, the Foundation has changed its management structure to separate the role of the Chair of the Board and Chief Executive Officer of the IFRS Foundation through the appointment of an Executive Director.</p> <p>In addition, again in line with the Monitoring Board’s recommendations to alleviate any concerns that might arise from perceived conflicts of interest , the Foundation has clarified staff reporting lines in accordance with the segregation of responsibilities between standard-setting and oversight and other operational functions.</p> <p>See Principle 6 below for comments on funding.</p>
	<p>Membership of the governing body</p> <p>4. To avoid conflicts of interest, where there is a need for formal representation of specific stakeholders in strategic decision making,</p>	<p>The Foundation’s <i>Conflicts of Interest</i> policy is referred to in 2.5 above.</p> <p>As far as stakeholder engagement mechanisms are</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>stakeholder engagement mechanisms such as an advisory or consultative committee should be established, rather than making those stakeholders members of the regulator’s governing body.</p>	<p>concerned, the <i>Constitution</i> requires that there is an IFRS Advisory Council which constitutes the formal advisory body to the Board and the Trustees of the IFRS Foundation. It consists of a wide range of representatives from groups that are affected by and interested in the work of the organisation. These include investors, financial analysts and other users of financial statements, as well as preparers, academics, auditors, regulators, professional accounting bodies and standard-setters. Details of the Advisory Council and its work are available at: http://www.ifrs.org/About-us/IFRS-Advisory-Council/Pages/IFRS-Advisory-Council.aspx.</p> <p>In addition, the Board has established a number of formal advisory bodies that provide an important channel for the IASB to receive input on its work and to consult interested parties from a broad range of backgrounds and geographical regions in a transparent manner. IASB normally establishes consultative groups for its major projects. Details of all the groups can be accessed at: http://www.ifrs.org/About-us/IASB/Advisory-bodies/Pages/About_advisory_bodies.aspx.</p>
	<p>5. Executive representatives are accountable to the minister, and their presence on the governing body of an independent regulator can create role conflict. They should only participate in meetings of the governing body of independent regulators in a nonvoting capacity and only when necessary and by invitation of the regulator.</p>	<p>Representatives of public authorities are not members of either the Trustees or the Board. That said, the <i>Constitution</i> (Section 7) provides for a balance of professional backgrounds among the Trustees, including officials serving the public interest. A number of current and former Trustees have served as members of governments and on regulatory bodies.</p> <p>Representatives of a number of public authorities serve as members of the Advisory Council (see 2.4 above).</p>
	<p>6. The role of members of the governing body who</p>	<p>The <i>Constitution</i> requires that both the Trustees (Section</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	are appointed for their technical expertise or industry knowledge should clearly be to support robust decision making in the public interest, rather than to represent stakeholder interests.	6) and members of the IASB (Section 25) commit themselves formally to acting in the public interest in all matters.
	7. Policies, procedures and criteria for selection and terms of appointment of the governing body should be documented and readily available to aid transparency and attract appropriate candidates.	See 2.9 above for details pertaining to the appointment of Trustees and members of the Board. See 3.8 below for terms of appointment.
	8. Members of the governing body should be limited to the number of terms of appointment to the Board.	The <i>Constitution</i> (Section 8) provides that Trustees are normally appointed for a term of three years, renewable once; and Board members (Section 31) are appointed for a term of five years, renewable once for a further term of three years. The Chair and a Vice-Chair of the Trustees may serve as a Trustee for a total term not exceeding nine years. The Chair and a Vice-Chair of the Board may serve a second term of five years, but their total length of service as a Board member may not exceed ten years.
4. Accountability and transparency: businesses and citizens expect the delivery of regulatory outcomes from government and regulatory agencies. Regulators are generally accountable to three groups of stakeholders: i) ministers and the legislature; ii) regulated entities; and iii) the public.	Accountability and transparency to the minister and the legislature <ol style="list-style-type: none"> 1. The expectations for each regulator should be clearly outlined by the appropriate oversight body. These expectations should be published within the relevant agency’s corporate plan. 2. Regulators should report to ministers or legislative oversight committees on all major measures and decisions on a regular basis and as requested. 	<p>The powers, duties and responsibilities of each of the three tiers of the organisation are specified in the <i>Constitution</i>. In addition, the Monitoring Board, as a body that is separate from the Foundation, has its own <i>Charter</i>.</p> <p>The Monitoring Board and the Trustees have a MoU (available on both the Monitoring Board and Foundation websites) that specifies the Trustees’ reporting requirements to the Monitoring Board. In addition, the Foundation publishes an Annual Report that is also made available on the website.</p>
	3. Governments and/or the legislator should monitor and review periodically that the system of regulation is working as intended under the legislation. In order to facilitate such reviews the	As well as carrying out its on-going monitoring and review, the Monitoring Board undertakes periodic reviews of the governance of the IFRS Foundation. The first such review, completed in 2012, included a public

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>regulator should develop a comprehensive and meaningful set of performance indicators.</p>	<p>consultation and the report (available on the website) was published at the same time as the report of the Trustees' <i>Strategy Review 2011</i> (for which there was a separate public consultation). While the outcomes of both reviews were positive, recommendations for further enhancements and improvements were made which the Foundation has implemented.</p> <p>In addition, a number of jurisdictions have undertaken reviews of their decisions to adopt IFRS Standards. For example, the European Commission in 2014 and 2015 undertook an evaluation of the IAS Regulation, the legal instrument that provides for the adoption of IFRS in the EU. The Commission's report, published in June 2015, reveals that IFRS Standards have been successful in creating a common accounting language for EU capital markets and that the benefits of the IAS Regulation outweigh the costs.</p> <p>Similarly, in Canada, the Accounting Standards Board (AcSB) has undertaken a comprehensive review of the financial reporting environment and the effects of applying new sets of standards (including IFRS Standards) from 2011. The AcSB has done this in order to determine the degree of success achieved relative to its long-term objectives over the term of its 2011-2016 Strategic Plan. The results of the review are set out as an appendix to the AcSB's Draft Strategic Plan 2016-2021 and reveal strong support from stakeholders for its strategies, including the adoption of IFRS for publically accountable enterprises.</p>
	<p>Accountability and transparency to regulated entities 4. Information and access to appeal processes and systems should be made easily available to</p>	<p>In the context of the Board developing IFRS, the extensive due process procedures give all stakeholders the opportunity to express their views – including</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>regulated entities by regulators. Regulators should establish and publish processes for arm’s length internal review of significant delegated decisions (such as those made by inspectors).</p>	<p>opposition – to proposals put forward by the Board. The <i>Due Process Handbook</i> sets out requirements on the Board to issue a Basis for Conclusions explaining its rationale behind the decisions to reached in developing or changing a Standard, as an analysis of the likely effects throughout the development of a new or amended Standard.</p> <p>In addition, as noted in the <i>Foundation’s Annual Report 2014</i>, the Board has taken steps to improve its public disclosure of the rationale used to reach tentative decisions and conclusions, with special attention to issues that received substantial debate in the exposure process.</p> <p>The <i>Due Process Handbook</i> also requires the Board to conduct a Post-Implementation Review (PIR) of each new Standard or major amendment. A PIR includes a public consultation and provides an opportunity to assess the effects in practice of the new requirements.</p> <p>The PIR is conducted by the Board, rather than at ‘arm’s length’ by the Trustees. The Trustees considered this as part of the review of the <i>Due Process Handbook</i> carried out in 2012. In the Feedback Statement to that review, the Trustees explained that they and the Board concluded that the Board will be able to conduct a more effective review by having the Board consider and assess directly the views of respondents rather than receiving a summary report from the Trustees. The Trustees and The Board understand the risk that this could be perceived as not being an independent assessment. However, they are confident that the transparent way in which the reviews are being conducted will protect the integrity of the process. The DPOC receives regular</p>

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		updates on the steps being taken. This approach ensures a combination of effective self-review, with the highest levels of transparency through publication of all views received and the evaluation of those views by staff, combined by effective scrutiny by the Trustees and the public at large.
	<p>5. Regulated entities should have the right of appeal of decisions that have a significant impact on them, preferably through a judicial process. Such right of appeal shall be allowable, inter alia, on the grounds that the regulator has exceeded the powers attributed to it, insufficiency of consultation, and/or material omissions in the evidence and actions that are disproportionate to the issue being addressed.</p> <p>6. Regulators may rescind decisions as a result of appeal.</p>	<p>The Trustees of the IFRS Foundation have a committee – the Due Process Oversight Committee (DPOC) – which is responsible for overseeing the due process procedures of the IASB and the Interpretations Committee. The DPOC is responsible for ensuring that the due process procedures followed meet the requirements of the <i>Due Process Handbook</i> and reflect best practice. The <i>Due Process Handbook</i> also sets out a protocol for Trustee action for any perceived breaches of due process.</p> <p>As explained in the comments on Principle 1, the Board does not have the authority to impose its Standards on any of its constituents. That said, the Board has in the past withdrawn an authoritative pronouncement, notably that of IFRIC 3 <i>Emission Rights</i>. In the face of strong opposition to the Interpretation, the Board acknowledged that it created unsatisfactory measurement and reporting mismatches and so withdrew it.</p>
	<p>Accountability and transparency to the public</p> <p>7. Key operational policies and other guidance material, covering matters such as compliance, enforcement and decision review, should be publicly available.</p>	<p>The IFRS Foundation has developed a set of policies and guidance statements that are designed to ensure that the organisation operates in a way that meets or exceeds the requirements of public interest, meets all legal requirements, and has an overall beneficial impact on the environment. These are available on the website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/IFRS-Foundation-Policies/Pages/Policies.aspx.</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>8. The regulator should recognise its special responsibility in ensuring that members of the public have channels of complaint and possible redress in relation both to the actions of a regulated entity and to the actions of the regulator.</p> <p>9. All major decisions made by the regulator shall be accompanied by publicly stated reasons.</p> <p>10. The opportunity for independent review of significant regulatory decisions should be available in the absence of strong public policy reasons to the contrary.</p> <p>11. The right of appeal of decisions by the regulator should be extended to members of the public where their standing is recognised by the judiciary.</p>	<p>See comments above on Principle 4.</p>
<p>5. Engagement: good regulators have established mechanisms for engagement with stakeholders as part of achieving their objectives. The knowledge of regulated sectors and the businesses and citizens affected by regulatory schemes assists to regulate effectively.</p>	<p>Fit for purpose</p> <p>1. Regulators should undertake regular and purposeful engagement with regulated entities and other stakeholders focused on improving the operation and outcomes of the regulatory framework or scheme.</p> <p>2. Procedures and mechanisms for engagement should be institutionalised as consistent transparent practices. There should be a focus on establishing structured and regular consultation mechanisms with regulated entities.</p>	<p>As noted in 4.4 and 4.5 above, the IFRS Foundation has developed extensive due process requirements for the Board and the IFRS Interpretations Committee, which are set out in the <i>Due Process Handbook</i> (available at: http://www.ifrs.org/DPOC/Due-Process-Handbook/Pages/Due-Process-Handbooks.aspx). The due process requirements are built on the principles of transparency, full and fair consultation – considering the perspective of those affected by IFRS globally – and accountability.</p> <p>The <i>Due Process Handbook</i> sets out the requirements for public consultation, in terms of the main output of the research programme, the development of new or amended Standards, the development of Interpretations, and a Request for Information (Rfi) as part of a PIR.</p>
	<p>Avoiding capture and conflicts of interest</p>	<p>As noted in 2.5 above, the Foundation has a conflict of</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>3. Engagement processes used should protect against potential conflicts of interests of participants and guard against the risk that the regulator may be seen to be captured by special interests.</p>	<p>interest policy (available on the website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/IFRS-Foundation-Policies/Documents/ConflictofInterestPolicy.pdf), the purpose of which is to protect the Foundation, the Board and its Trustees, and staff members from the appearance of any impropriety. The policy requires that Trustees, Board members and staff members must disclose the existence of any interest, which may be relevant to the individual's role in the Foundation, at the earliest opportunity.</p> <p>The IFRS Foundation has a <i>Handbook for Employees</i> which sets out the main employment policies of the IFRS Foundation, and the main procedures for personnel management. The <i>Handbook</i> makes clear that the IFRS Foundation expects the highest standards of behaviour, honesty and integrity from all its employees.</p> <p>The IFRS Foundation's <i>Handbook for Employees</i> sets out a disciplinary policy and procedure under which the Foundation will take disciplinary action where an employee's actions consistently fall below expected standards or when the Foundation's rules are breached.</p>
<p>6. Funding: the amount and source of funding for a regulator will determine its organisation and operations. It should not influence the regulatory decisions and the regulator should be enabled to be impartial and efficient to achieve its objectives.</p>	<p>Supports outcomes efficiently</p> <p>1. Funding levels should be adequate to enable the regulator, operating efficiently, to effectively fulfill the objectives set by government, including obligations imposed by other legislation.</p> <p>2. Funding processes should be transparent, efficient and as simple as possible.</p>	<p>The Trustees have sought to establish a broad and sustainable source of funding through jurisdictional financing regimes, proportionate to Gross Domestic Product (GDP). This has been successful to an extent, and the Foundation has sufficient funding to operate effectively and is financially sustainable. That said, some challenges remain with a number of jurisdictions. Other funding is provided through contributions made by the major accounting networks and through self-generated income through, for example, the sale of publications.</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
		<p>The Foundation’s funding is sufficient to provide the necessary independence to the Board. The Trustees are still in the process of building reserves up to a year’s operational expenditure, which also protects the independence and stability of the organisation. The Trustees acknowledge that concerns have been made that the level of contributions from the major accounting firms may be seen as a potential risk to the Board’s independence, but see this view as one of perception rather than reality. In their 2012 <i>Strategy Review</i> report, the Trustees made it very clear that funding is ‘not contingent on fulfilling any conditions that would compromise the independence of the standard-setting process’.</p> <p>In addition, the Trustees are required to undertake every five years a review of the entire structure of the IFRS Foundation and its effectiveness and to publish the proposals of that review for public comment (<i>Constitution</i>, Section 17(c) and (d)). The Trustees issued a Request for Views (RFV) on their latest review on 7 July 2015, which is available at: http://www.ifrs.org/Alerts/PressRelease/Pages/Trustees-see-public-input-on-review-of-the-structure-and-effectiveness-of-the-IFRS-Foundation.aspx.</p> <p>The RFV document outlines the Trustees’ belief that the current funding model is appropriate and should be retained. That said, the document does seek the views of stakeholders on the funding model and suggestions as to how its functioning might be strengthened.</p>
	<p>Regulatory cost recovery</p> <p>3. Regulators should not set the level of their cost recovery fees, or the scope of activities that</p>	<p>The Foundation raises a proportion of its income by self-generated means: sales of publications and subscriptions; licensing and waiver fees; and revenue</p>

OECD Principle	OECD Explanatory Text	Comments on IFRS Foundation
	<p>incur fees, without arm’s-length oversight. These fees and the scope of activities subject to fees should be in accordance with the policy objectives and fees guidance set by government or, where these are not in place, the OECD’s Best Practice Guidelines for User Charging for Government Services (OECD, 1998).</p> <p>4. Where cost recovery is required, the regulator should not be at risk of setting unnecessary or inefficient administrative burdens or compliance costs on regulated entities.</p>	<p>from conferences. In so doing, the Trustees are aware of the need to maintain an appropriate balance between raising revenue from such sources and the Foundation’s public interest mission. The Foundation makes the core Standards available free of charge. The fees charged to jurisdictions for the use of the Foundation’s materials and Intellectual Property are set at a level to secure cost recovery.</p>
	<p>Litigation and enforcement costs</p> <p>5. Because of the significant and unpredictable costs involved, regulators should follow a defined process to obtain funding for major unanticipated court actions in the public interest that is consistent with the degree of independence of the regulator.</p>	<p>This is not anticipated as being a significant risk for the organisation, given that it is the relevant authorities in jurisdictions, and not the Board, that take the decisions to adopt IFRS Standards.</p>
	<p>Funding of external entities by a regulator</p> <p>6. A regulator should only fund other entities to deliver activities where they are directly related to the regulator’s objectives, such as information and education about how to comply with regulation, or research to inform the regulator’s priorities. Any funding of representative or policy advocacy organisations should be the responsibility of the relevant ministry, not the regulator.</p>	<p>Other than in a very minimal way, the Foundation does not fund external entities. Where it does so, it is in line with the explanatory text as set out by the OECD.</p>
<p>7. Performance evaluation: it is important that regulators are aware of the impacts of their regulatory actions and decisions. This helps to drive improvements and enhance systems and processes internally. It also demonstrates the effectiveness of the regulator to whom it is</p>	<p>Identifying the scope</p> <p>1. Regular independent external reviews of regulators should be arranged by the government, legislature or the regulator itself, in addition to any internal reviews.</p> <p>2. Regulators should clearly define and agree the</p>	<p>The IASB Foundation and the Board have various provisions in place to meet this principle.</p> <p>As noted in 2.4 above, the Trustees are undertaking a review of the entire structure of the organisation and its effectiveness. The RFV highlights that the Trustees have</p>

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accountable and helps to build confidence in the regulatory system.	<p>scope of their mandate that will be assessed with key stakeholders. This may already be contained within legislation.</p> <p>3. Regulators should determine which regulatory decisions, actions and interventions will be evaluated in the performance assessment.</p>	<p>previously undertaken two <i>Constitution Reviews</i> and two <i>Strategy Reviews</i>. As noted above, the Monitoring Board also undertakes periodic reviews of the Foundation's governance.</p> <p>Separately, the Board is required to have three-year public consultations on its agenda and priorities. The IASB is currently undertaking its second Agenda Consultation, with an RFV document for public comment published in August 2015.</p>
	<p>4. Regulators should conduct a periodic review of regulations that are put into effect after a number of years of implementation (post-implementation reviews). More broadly; regulators should evaluate their activities and decisions on a continuing basis in the light of their legislative mandate and taking into account the views of outside interested parties.</p>	<p>See the comments about PIRs under Principle 4.4 above.</p>
	<p>Developing indicators</p> <p>5. Regulators should consider which operational indicators can be used to demonstrate the systems, processes and procedures that are applied within the organisation to complete the tasks of the regulator e.g. following published procedures are satisfactory and appropriate.</p> <p>6. Regulators should consider which outcome indicators can be linked to the actions of the regulator to demonstrate the overall strategic results of regulatory interventions in relation to operations e.g. investment in infrastructure.</p>	<p>The Foundation has developed a <i>Strategic Overview 2015-17</i> and from that a <i>Strategic Work Plan for 2016</i>. As part of this, the Foundation has developed a number of 'success metrics' that attempt to provide measures of the Foundation's performance in meeting its strategic goals.</p>
	<p>7. Comparisons and peer expertise and evaluation should be utilised.</p>	<p>In the report of their <i>Strategy Review 2011</i>, the Trustees recommended that the Board's due process should</p>

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		<p>continue to be reviewed and regularly enhanced, benefiting from regular benchmarking against other organisations and from stakeholder advice.</p> <p>The Board has in the past been independently assessed and benchmarked. In its <i>2007 Global Accountability Report</i>, the One World Trust assessed the Board as a 'high performer', scoring at least 50 per cent in three out of four dimensions used as the basis for assessment: transparency; participation; evaluation; and complaints and response.</p> <p>A further benchmarking exercise, to be conducted by Foundation staff, is being carried out in the context of the <i>Strategic Work Plan for 2016</i>.</p>
	<p>Use of performance evaluation</p> <p>8. The main purpose of the performance evaluation should be to maintain and drive improvements in the performance of the regulator.</p> <p>9. The performance evaluation criteria and results should be published.</p>	<p>The Foundation has yet to decide on publishing the <i>Strategic Overview 2015-17</i> or the <i>Strategic Work Plan for 2016</i>, including the success metrics.</p>
	<p>10. The performance evaluation criteria should be reflected in performance assessments of staff in the regulator, where possible.</p>	<p>The Foundation has integrated the <i>Strategic Overview 2015-17</i> into its staff performance and appraisal procedures, starting with the 2015 mid-year appraisals.</p>

INTERNATIONAL LAW ASSOCIATION – ACCOUNTABILITY FRAMEWORK

Recommended Rules and Practices (RRPs)	Applies?	Comments
Section 1 – RRP’s common to all International Organisations (IOs)		
A. Principles of good governance		
A1 Transparency		
1. IOs should, as a general rule, adopt normative decisions in a public vote.	Yes	In developing IFRS Standards and Interpretations, all votes on technical issues made by the IASB and the IFRS Interpretations Committee take place in public meetings.
2. Meetings of non-plenary organs should in principle be public unless inappropriate.	Yes	The IFRS Foundation’s <i>Due Process Handbook</i> (paragraph 3.2) states that meetings of the IASB and the Interpretations Committee are generally open to the public.
3. Non-plenary organs of an IO should as a general rule grant through their Rules of Procedure an appropriate status to Member States, other States and non-State entities particularly affected by decisions to be taken or contributing to operational activities.	No, Not Applicable (N/A)	The IFRS Foundation is not a member organisation. All stakeholders are given the opportunity to participate in the development of Standards and Interpretations. The <i>Due Process Handbook</i> specifies that the due process requirements are built on the principles of transparency, full and fair consultation – considering the perspective of those affected by IFRS globally – and accountability.
A2 Participatory decision-making process		
1. Plenary organ of an IO should make appropriate procedural arrangements enabling all Members to participate fully in the decision-making process.	Yes	See A1.3 above.
2. Plenary organs of an IO should periodically review the membership of non-plenary organs especially those possessing executive powers.	Yes	The IFRS Foundation <i>Constitution</i> specifies the terms of appointment of members of the IASB and the Interpretations Committee.
3. When making or taking decisions on coercive measures, organs should enable Member States whose interests are specially affected to	No	The IFRS Foundation and the IASB have no ability to make or take decisions on coercive measures. The IASB does not have the authority to impose its Standards and Interpretations on any of its constituents. All IFRS-adopting

express their views.		jurisdictions adopt IFRS through public law or regulation, with many having endorsement procedures in place in which public bodies play a role.
A3 Access to information		
1. Documents of an IO should, as a general rule, be available to all Member States. Competent organs should, at regular intervals, review restrictions on access to documents.	Yes	<p>The <i>Due Process Handbook</i> (paragraph 3.11) specifies that all material discussed by the IASB or Interpretation Committee members in their public meetings, including papers that are prepared by technical staff, is usually made available to observers via the IFRS Foundation website. The <i>Due Process Handbook</i> also makes clear that the Trustees' Due Process Oversight Committee (DPOC) expects that withholding material will be rare and that most papers of the IASB and the Interpretations Committee will be publicly available in their entirety.</p> <p>Under paragraph 3.12 of the <i>Due Process Handbook</i>, the technical staff is required to report to the IASB and the DPOC at least annually on the extent to which material discussed by the IASB or the Interpretations Committee has not been made available to observers and the main reasons for doing so. Reports presented to the DPOC in the past four years (in July 2012, July 2013, July 2014 and June 2015) confirm that, in the period from 1 June 2011 to 31 May 2015 all meeting papers have been made available in their entirety.</p>
2. IOs should as a general rule formulate and publish plans setting the general orientation of their programmes and establishing the objectives to be achieved and the strategies to be followed.	Yes	<p>The Trustees are required to undertake every 5 years a review of the entire structure of the IFRS Foundation and its effectiveness and to publish the proposals of that review for public comment (<i>Constitution</i>, Sections 17(c) and (d)). The Trustees issued a Request for Views (RFV) on their latest review on 7 July 2015, with a comment deadline of 30 November 2015.</p> <p>The <i>Due Process Handbook</i> (paragraph 4.3) requires the IASB to undertake a public consultation on its work programme every 3 years. The IASB issued a RFV on its agenda consultation on 11 August 2015, with a comment deadline of 31 December 2015.</p>
3. When engaging in operational activities of a humanitarian, development or peacekeeping nature, IOs should provide appropriate	No, N/A	The IFRS Foundation and the IASB do not undertake any humanitarian, development or peacekeeping activities.

<p>channels of communication to the State or non-State entity concerned, and to groups and individuals whose interests are particularly affected by such an operation, to enable them to make their point of view known in a timely fashion.</p>		
<p>4. Subject to the provisions of paragraph 7 below, IOs should ensure access by the public to information held by them (including their archives). IOs should not deny applications for access to information except for compelling reasons on limited grounds such as privacy, commercial and industrial secrecy, or protection of the security of Member States or private parties.</p>	<p>Yes</p>	<p>See A3.1 above for public availability of meeting papers.</p> <p>In addition, the IFRS Foundation has a <i>Public Disclosure of Documents</i> policy, available at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/IFRS-Foundation-Policies/Pages/Policies.aspx.</p>
<p>5. Non-plenary organs of an IO should provide information about their activities to all Member States and wherever possible should make available the text of draft decisions under consideration.</p>	<p>Yes</p>	<p>The staff have used the assumption that what constitutes ‘non-plenary organs’ does not cover the IASB or the Interpretations Committee, but does cover all other advisory bodies (including the IFRS Advisory Council) and consultative groups. All these bodies and groups are advisory in nature and do are not decision-making. That said, they all meet in public and papers for the meetings of such groups are publicly available on the Foundation’s website.</p>
<p>6. When direct participation in confidential but formal consultations during private meetings is not possible, the non-plenary organ should organise a briefing for non-members.</p>	<p>In part</p>	<p>The <i>Due Process Handbook</i> (paragraph 3.47) notes that investors tend to be under-represented as submitters of comment letters and the IASB must therefore take additional steps to consult investors on proposals for new Standards or major amendments to Standards. These steps can include private meetings, where those being consulted (often investors but could be other stakeholders) wish to remain anonymous. Feedback from such focused consultation is summarised in a technical staff paper and is considered and assessed by the IASB in a public meeting along with comment letters. The principle set out in the <i>Due Process Handbook</i> is that the reporting of this feedback is as transparent as possible while respecting requests for confidentiality.</p>

<p>7. IOs should ensure effective protection against the disclosure of information which has come to their knowledge in circumstances imposing an obligation of confidentiality, and, when appropriate, should protect the identity of those who provide them with information.</p>	<p>Yes</p>	<p>See A3.6 above.</p> <p>In addition, the IFRS Foundation’s terms and conditions of employment require staff to observe confidentiality in respect of all the business and operational affairs of the Foundation not subject to the organisation’s transparency requirements or already in the public domain. The Foundation and staff are required to carefully comply with the UK’s Data Protection Act. The staff receive mandatory training. Reminders are given at monthly staff briefings and staff are required to sign annual declarations saying that they have read and understood their obligations to comply with the Data Protection Act.</p>
<p>8. IOs should publish regular reports on the measures they have taken to implement the above provisions on public access to and the preservation of confidentiality of documents and information</p>	<p>Yes</p>	<p>See A3.1 above for reporting on public availability of meeting papers.</p>
<p>A4 Well-functioning International Civil Service</p>		
<p>1. Each IO should secure within its Secretariat the highest standards of efficiency, competence and integrity and enforce the principles of impartiality, loyalty to the aims and purposes of the IO, functional independence and discretion, and the principles of equitable geographical representation and gender balance.</p>	<p>Yes</p>	<p>The IFRS Foundation has a <i>Handbook for Employees</i> which sets out the main employment policies of the IFRS Foundation, and the main procedures for personnel management. The <i>Handbook for Employees</i> makes clear that the IFRS Foundation expects the highest standards of behaviour, honesty and integrity from all its employees.</p>
<p>2. IOs should not implement the above principles in such a manner as to prejudice the proper administration of justice.</p>	<p>N/A</p>	<p>The staff view is that the activities of the IFRS Foundation and the IASB would not impact on the proper administration of justice.</p>
<p>3. IOs should provide for effective mechanisms of supervision and control over the Executive Head and the Secretariat.</p>	<p>Yes</p>	<p>See A4.1 above in relation to the staff.</p> <p>In addition, the IFRS Foundation <i>Constitution</i> also specifies the powers and duties of the Trustees in the exercise of their responsibilities for the governance of the organisation. The <i>Constitution</i> also specifies the</p>

		management responsibilities of the Executive Director of the Foundation (Section 47) and the Chair of the IASB (Section 48).
A5 Sound financial management		
1. IOs should ensure as wide a participation as possible by Member States in the budgetary process.	No	As noted in A1.3 above, the IFRS Foundation is not a member organisation with Member States. That said, the Trustees are open and transparent in how they work to ensure that the Foundation has a broad and sustainable source of funding. The Foundation currently has a three-pillar system of funding (publicly-sponsored contributions from jurisdictions, private contributions from major accounting firms, and self-generated income). In their current review of the structure and effectiveness of the organisation, the Trustees sought views on how the functioning of the funding model might be strengthened. Respondents to the RFV acknowledged the importance of the Foundation establishing a stable, long-term system of funding that enables the independence of the Board in its standard-setting. The challenges and limitations faced by the Foundation were referred to by a number of respondents, and there was a general acceptance that – given these challenges and limitations – the current three-pillar system of funding was appropriate.
2. IOs should maintain as far as possible a consistent methodology of budgetary presentation.	Yes	
3. IOs should ensure that the budget is presented as to facilitate internal and external audit and accountability. Accordingly: a. The budget should be presented in such a way as to demonstrate that each budgetary item has been duly authorised; b. Operational expenditure should be separately identified and accounted for; c. The role of extra-budgetary resources, including the resources utilised by agencies and quasi-autonomous bodies, should be	Yes, to the extent applicable	The staff prepare the budget for presentation to the Trustees’ Audit and Finance Committee, which discusses and agrees on a recommendation to the full board of Trustees to approve the budget. The Foundation does not have extra-budgetary resources. In addition, the Foundation provides reports where jurisdictions require them for accountability purposes in relation to their contribution towards the funding of the Foundation. This is particularly the case in respect of the contribution made from the European Union budget, where the relevant legislation (EU Regulation 258/2014) imposes some reporting requirements.

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made clear; d. The same presentation and budget methodology should be utilised for both regular budgetary and extra-budgetary resources.		The European Commission carries out an annual audit of the Foundation, in order for it to qualify for the EU Grant. This EU grant payment is subject to regular review by the EU institutions.
4. The organ vested with approval of the budget should allocate appropriate funding for activities duly decided upon by competent organs of the IO. However, it should not approve appropriations, which it considers, in good faith, to be unnecessary or excessive.	Yes, in terms of meeting the principle	The budget approval process is summarised in A5.3 above.
5. During the course of the budgetary period interim programme and programme performance reports should be made available to governing bodies at regular intervals.	Yes	Progress reports are presented regularly to the Trustees' Audit and Finance Committee and reported to the Trustees as a whole. In addition, the Trustees provide regular progress reports on financial issues to the Monitoring Board.
6. IOs should establish rules and standards for acceptance of voluntary contributions, gifts and donations from whatever source, and for the creation of trust funds, designed to ensure that such contributions, gifts, donations and trust funds are consistent with the policies, aims and activities of the Organisation. An IO which accepts voluntary contributions, gifts and donations remains accountable to the Member States both for having accepted them and for the way they are spent.	Yes	All the Foundation's funding is provided on a voluntary basis. The Trustees have stated publicly that the funding system must maintain the independence of the standard-setting process, while providing organisation accountability. The Trustees work to ensure that funding should be on a long-term basis (at least three to five years), be publicly sponsored, be flexible to permit the use of differing mechanisms and to adjust to budgetary needs, be shared among jurisdictions on the basis of an agreed formula (consistent with the principle of proportionality), and to provide sufficient organisational accountability.
A6 Reporting and evaluation		
1. IOs should publish periodic general reports on the institutional and operational activities undertaken in the period in question.	Yes	The Foundation publishes an Annual Report that provides all the relevant details. The Annual Report is made available publicly. The Foundation also makes an annual Internal Revenue Service (IRS) tax declaration to the US Federal authorities on Form 990, which is very detailed and publicly available.

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2. Organs to which other organs report under the rules of the IO, should ensure that such reports are regularly received in an appropriate form and properly debated whenever required.	Yes, to the extent applicable	The staff provide regular reports to the Trustees' Audit and Finance Committee, which in turn reports on the outcome of its examination and discussion to the full board of Trustees. In addition, the Trustees provide regular reports to the Monitoring Board.
3. Prior to engaging in operational activities IOs should articulate their objectives and the internal lines of responsibility so as to provide a reliable yardstick for subsequent evaluation.	Yes, to the extent applicable	As reported in the July 2015 RFV, the Trustees have developed a <i>Strategic Overview</i> for the period 2015-17 that identifies four primary strategic goals for the organisation in support of its mission. That <i>Strategic Overview</i> and a <i>Strategic Work Plan for 2016</i> outline a number of performance measures by which the organisation can seek to measure itself.
4. IOs should establish appropriate mechanisms such as functional operational lessons units to evaluate operational activities effectively and to contribute to more effective future activities.	Yes, in terms of meeting the principle	In addition, the RFV noted that the Foundation takes steps to ensure that it manages its resources as efficiently as possible and periodically undertakes or commissions reviews of its expenditure to ensure that the Foundation maintains its high level of cost-effectiveness. For example, during 2013, the Foundation carried out an internal Operational Review to identify whether the organisation's costs were controlled appropriately and whether any improvements in processes could be identified. The Operational Review demonstrated that the Foundation has an effective financial control environment. Nevertheless, the Trustees recognised that, as an organisation that works in the public interest, the Foundation should also commission an external review of operational expenditure in order to provide an independent assessment as to whether the Foundation's operations are run in a cost-effective manner and are effectively managed. This review, conducted by Baker Tilly, was carried out in 2014 and confirmed that the Foundation is a cost-effective organisation.
5. Subsidiary organs should be required to submit periodic reports to their parent organ.	No, N/A	

Appendix E

Suggested organisations against which to benchmark the Foundation and the Board

Accounting Standards Board of Canada ('AcSB')

The AcSB has developed its own *Due Process Handbook* (the latest version is dated October 2014)¹¹ that sets out the process followed by the AcSB in developing financial reporting standards. The AcSB's *Due Process Handbook* draws on the Foundation's *Due Process Handbook*. The AcSB acknowledges that, in adopting new or amended IFRS Standards, it places reliance on the Board's due process, including the institutional arrangements that ensure its independence, competence and adherence to due process.

Australian Accounting Standards Board ('AASB')

The AASB adopts a comprehensive due process when developing its pronouncements, which is set out in its document *AASB Policies and Processes* (latest version dated 2011)¹²

Basel Committee on Banking Supervision ('BCBS')

The BCBS *Charter* (latest version dated January 2013)¹³ includes a Section (VIII) on the BCBS' public consultation process of draft standards, guidelines and sound practices. All the *Charter* sets out on this is as follows:

"In principle, the BCBS seeks input from all relevant stakeholders on policy proposals. The consultation process will include issuing a public invitation to interested parties to provide comments in writing to the Secretariat on policy proposals issued by the Committee, within a specified timeframe. The consultation period shall normally last 90 calendar days, but could exceptionally be shorter or longer. As a general rule, responses to public invitations for comments shall be published on the BCBS website, unless confidential treatment is requested by respondents.

This process is compulsory for BCBS standards".

BCBS meetings, together with those of any groups, working groups and task forces formed by the BCBS, do not meet in public. The *Charter* (Section 8.5) merely provides that:

"Committee decisions of public interest shall be communicated through the BCBS website. The Committee shall issue, when appropriate, press statements to communicate its decisions".

European Commission ('EC')

The EC has a set of *Better Regulation Guidelines*, including *Guidelines on Stakeholder Consultation*¹⁴ that covers, among other things, the scope and definition of stakeholder consultation, general principles and minimum standards, as well as guidance on how to prepare and conduct a consultation.

Financial Accounting Standards Board ('FASB') (US)

The FASB's *Rules of Procedures* (latest version dated December 2013)¹⁵ outlines the FASB's commitment to following an open, orderly process for setting standards and the due process procedures followed.

¹¹ The AcSB Handbook can be accessed at: <http://www.frascanada.ca/accounting-standards-board/what-we-do/due-process/item67162.pdf>.

¹² The AASB document can be accessed at: http://www.aasb.gov.au/admin/file/content102/c3/Policy_Statement_03-11.pdf.

¹³ The BCBS *Charter* can be accessed at: <http://www.bis.org/bcbs/charter.pdf>.

¹⁴ The EC's *Guidelines* (May 2015) can be accessed at: http://ec.europa.eu/smart-regulation/guidelines/ug_chap7_en.htm.

Financial Reporting Council ('FRC') (UK)

A summary of the due process followed by the FRC's Corporate Reporting Council is available on the FRC's website¹⁶

Global Reporting Initiative ('GRI')

The GRI has developed a *Due Process Protocol*¹⁷, following a review of the GRI's governance undertaken in 2014, in which the GRI Board of Directors designed changes to the organisation's governance and structure to strengthen the governance and management of the standards aspects of the GRI's work and to meet the requirements of a publicly referenced standard setter. The proposals were exposed for public comment for a 45-day period over the period May-July 2014 and included a draft of a *Due Process Protocol* and a proposal to create a Due Process Oversight Committee (DPOC) (the draft terms of reference for which were included in the documents for comment). An announcement about the establishment of a DPOC was made on 6 April 2016¹⁸.

International Actuarial Association ('IAA')

The IAA is responsible for developing International Standards of Actuarial Practice ('ISAP'). The IAA has a document *Due Process for International Standards of Actuarial Practice* (last revised in June 2014¹⁹) that sets out the due process that is followed.

International Federation of Accountants ('IFAC')

IFAC's standard-setting Public Interest Activity Committees ('PIACs'²⁰) follow common *Due Process and Working Procedures* (latest version dated March 2010²¹). IFAC's 4th standard-setting body, the International Public Sector Accounting Standards Board ('IPSASB') has high level due process requirements set out in its *Terms of Reference*²².

International Integrated Reporting Council ('IIRC')

The IIRC has a document setting out its due process *IIRC Due Process* (latest version September 2012²³).

International Organization for Standardization ('ISO')

The ISO/International Electrotechnical Commission (IEC) document *ISO/IEC Directives, Part 1: Consolidated ISO Supplement – Procedures specific to ISO* (Sixth Edition, 2015²⁴) specifies the steps to be taken in the development of international standards (pages 19-38). The development process for ISO standards is summarised elsewhere on the ISO's website²⁵, which shows that the process is

¹⁵ The FASB's *Rules* can be accessed at: http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176162391050.

¹⁶ Available at: <https://www.frc.org.uk/About-the-FRC/FRC-structure/Accounting-Council/Policies-and-procedures.aspx>.

¹⁷ The GRI *Due Process Protocol* can be accessed at: <https://www.globalreporting.org/resource/library/Due-Process-Protocol-2015.pdf>.

¹⁸ The GRI Press Release is at: <https://www.globalreporting.org/information/news-and-press-center/Pages/Due-Process-Oversight-Committee-Announced-to-oversee-activities-of-the-GSSB.aspx>.

¹⁹ The IAA document can be accessed at: http://www.actuaries.org/ABOUT/Documents/Due_process_EN.pdf.

²⁰ The PIACs are: (1) the International Auditing and Assurance Standards Board ('IAASB'), (2) the International Accounting Education Standards Board ('IAESB'), and (3) the International Ethics Standards Board for Accountants ('IESBA').

²¹ The IFAC document can be accessed at: <https://www.ifac.org/system/files/uploads/PIAC-Due-Process-and-Working-Procedures.pdf>.

²² IPSASB's *Terms of Reference* can be accessed at: <http://www.ipsasb.org/about-ipsasb/terms-reference>.

²³ The IIRC document can be accessed at: <http://integratedreporting.org/wp-content/uploads/2012/11/IIRC-Due-Process-25-09-12.pdf>.

²⁴ The ISO/IEC document is available at: http://isotc.iso.org/livelink/livelink/fetch/2000/2122/4230450/4230452/ISO_IEC_Directives_Part_1_and_Consolidated_ISO_Supplement_-_2015_%286th_edition%29_-_PDF.pdf?nodeid=17159827&vernum=-2.

²⁵ At the page *Developing ISO standards* at: http://www.iso.org/iso/home/standards_development/resources-for-technical-work/support-for-developing-standards.htm.

restricted to ISO member bodies, ie those national standards bodies most broadly representative of standardisation in their respective countries and which have been admitted into the ISO in accordance with procedures defined by the ISO Council. There is no wider public consultation.

International Organization of Securities Commissions ('IOSCO')

The document *IOSCO Processes for Policy Development and Implementation Monitoring*²⁶ specifies that before issuing a standard or recommendation IOSCO consults on it publicly. Consultations are principally conducted as written consultations with a standard consultation period of 90 days.

International Valuation Standards Council ('IVSC')

The IVSC website states that all its projects are evaluated and progressed in accordance with the procedures set out in the IVSC Due Process (which the staff have not been able to access from the IVSC website).

Sustainability Accounting Standards Board ('SASB') (US)

In April 2016 the SASB issued an Exposure Draft ('ED') of its proposed *Rules of Procedure*²⁷ setting out a set of governance and due process changes to improve the credibility, transparency and quality of its standard-setting process.

²⁶ The IOSCO document can be accessed at: <https://www.iosco.org/about/pdf/IOSCO-Policy-and-Implementation-Monitoring-Processes.pdf>.

²⁷ The SASB ED can be accessed at: <http://www.sasb.org/wp-content/uploads/2016/01/SASB-Rules-of-Procedure-04.04.2016.pdf>.